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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: 01347)

UPDATE ANNOUNCEMENT ON
(1) MAJOR AND CONNECTED TRANSACTION – ACQUISITION
OF SHARE CAPITAL OF THE TARGET INVOLVING
THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED NON-PUBLIC ISSUANCE OF RMB SHARES TO RAISE
SUPPORTING FUNDS;
(4) SPECIAL DEAL;
AND
(5) FURTHER DELAY IN DESPATCH OF THE CIRCULAR

Independent Financial Adviser to the Company



**MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF SHARE CAPITAL
OF THE TARGET INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER
SPECIFIC MANDATE**

Supplemental Agreement

The Board is pleased to announce that on 31 December 2025, the Company has entered into the Supplemental Agreement with the Vendors, pursuant to which, among other things, the final number of the Consideration Shares proposed to be issued have been determined by the parties.

According to the Asset Valuation Report issued by the Valuer, the appraised value of the Target Company as at the Valuation Benchmark Date, which were primarily determined based on the market approach, is RMB8,480 million.

Upon arms' length negotiations between the parties taking into account the appraised value of the Target Company under the Asset Valuation Report of RMB8,480 million, the parties have agreed that the final Total Consideration shall comprise 190,768,392 Consideration Shares (together with such cash consideration in lieu of fractional shares).

Compensation Agreement

The Board is pleased to announce that on 31 December 2025, the Company and Huahong Group entered into the Compensation Agreement, pursuant to which, for a period of three financial years (including the year in which the Proposed Acquisition is completed), the Company shall conduct an impairment test on the total value of the assets of the Target Assets based on a valuation conducted by a qualified valuer under the PRC securities laws with the valuation method to be determined.

In the event of an impairment in the Target Assets in any of the three financial years, Huahong Group shall compensate the Company for the impairment value, multiplied by the proportion of Huahong Group's share in the Total Consideration (representing approximately 65.2%) by way of (i) subject to compliance with laws, rules and regulations, the Company's repurchase of a corresponding number of Consideration Shares held by Huahong Group in consideration of RMB1; and (ii) cash.

PROPOSED NON-PUBLIC ISSUANCE OF RMB SHARES TO RAISE SUPPORTING FUNDS AND SPECIAL DEAL

The Company is pleased to announce that it has resolved that the total amount of supporting funds to be raised under the Proposed Non-public Issuance of RMB Shares shall be RMB7,556,286,000, being not exceeding 100% of the final Total Consideration for the Proposed Acquisition, and the number of RMB Shares to be issued shall not exceed 30% of the total issued share capital of the Company upon Completion.

The Proposed Non-public Issuance of RMB Shares is subject to the approval of the Shanghai Stock Exchange and registration by CSRC and Completion, but the Proposed Acquisition is not conditional on completion of the Proposed Non-public Issuance of RMB Shares.

In addition, since the Proposed Non-public Issuance of RMB Shares may involve a potential arrangement between the Company and certain eligible shareholders, which is not capable of being extended to all Shareholders, the Proposed Non-public Issuance of RMB Shares constitutes a special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) an independent financial adviser publicly stating that in its opinion the terms of the Proposed Non-public Issuance of RMB Shares are fair and reasonable; and (ii) the approval of the Proposed Non-public Issuance of RMB Shares by the Independent Shareholders by way of poll at the EGM.

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of RMB Shares; (iii) the Specific Mandates; (iv) the Whitewash Waiver; and (v) the Special Deal.

The Circular containing, among other things, (i) further details of the Proposed Acquisition, the Proposed Non-public Issuance of RMB Shares, the Specific Mandates, the Whitewash Waiver and the Special Deal; (ii) a letter from the Independent Board Committee to the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders containing its recommendation in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal; (iii) a letter from the Hong Kong Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders containing its recommendation in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal; (iv) the financial information of the Target Company; (v) the Asset Valuation Report; (vi) certain other information required under the Listing Rules and the Takeovers Code; and (vii) the notice of the EGM is expected to be despatched to the Shareholders.

FURTHER DELAY IN DESPATCH OF THE CIRCULAR

As disclosed in the announcements of the Company dated 19 September 2025, 16 October 2025 and 16 November 2025, the Company has applied to the Executive under Rule 8.2 of the Takeovers Code, and the Executive has granted, the consent to extend the latest date of despatch of the Circular to a date no later than 31 December 2025. The Company has further applied to the Executive to extend the latest date of dispatch of the Circular to a date no later than 30 January 2026. The Executive has indicated that it is minded to grant such consent. The Company will despatch the Circular to the Shareholders as soon as practicable and will make further announcement in respect of despatch of the Circular if and when appropriate.

Completion of the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares are subject to the satisfaction of certain conditions, and may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by the Takeovers Code Independent Shareholders by way of poll and more than 50% of the votes cast by the Takeovers Code Independent Shareholders by way of poll in respect of the Proposed Acquisition, respectively, at the EGM.

The consent to the Special Deal may or may not be granted by the Executive and if granted, will, among others things, each be subject to the approval by more than 50% of the votes cast by the Takeovers Code Independent Shareholders by way of poll at the EGM.

Completion of the Proposed Acquisition is conditional upon, among other things, the approvals by the applicable competent authorities, the Whitewash Waiver being granted by the Executive and approved by the Takeovers Code Independent Shareholders, and completion of the Proposed Non-public Issuance of RMB Shares is subject to the completion of the Proposed Acquisition, the consent to the Special Deal being granted by the Executive and the approval of the Special Deal by the Takeovers Code Independent Shareholders.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

1. MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION

Supplemental Agreement

On 31 December 2025, the Company and the Vendors entered into the Supplemental Agreement, pursuant to which, among other things, the final number of the Consideration Shares proposed to be issued have been determined by the parties.

1.1 Principal terms

The principal terms of the Supplemental Agreement are set out below:

Date	31 December 2025
Parties	<i>Purchaser</i> (1) the Company; <i>Vendors</i> (2) Huahong Group; (3) Shanghai IC Fund; (4) China IC Fund II; and (5) Guotou IC Fund.
Subject matter	Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase and Vendors have conditionally agreed to sell, the Target Assets, being 97.4988% of the equity interests in the Target Company, at the Total Consideration.
Consideration	Pursuant to the relevant laws, rules and regulations in the PRC, the parties have agreed to engage the Valuer, a qualified asset appraisal agency in the PRC, to conduct a valuation on the Target Company and issue the Asset Valuation Report with the Valuation Benchmark Date of 31 August 2025. In compliance with the requirement under Rule 11.4 of the Takeovers Code, the Valuer has confirmed that there is no material difference in the Valuation between the Valuation Benchmark Date and the date of the Valuation Report. Please refer to Appendix I to this announcement for further details.

According to the Asset Valuation Report, the appraised value of the Target Company as at the Valuation Benchmark Date, which were primarily determined based on the market approach, is RMB8,480 million. The amount of final Total Consideration shall be RMB8,267,902,153.26. In considering the Total Consideration, even though the net asset value of the Target Group is smaller than that of the appraised value based on the Asset Valuation Report, the Board understood that the difference lies in particular in the full depreciation of fixed assets under accounting standards.

The wafer foundry industry in which the Target Company operates is characterized by its capital-intensive nature. Semiconductor equipment is depreciated over a financial period of seven years, which is significantly shorter than its actual economic useful life. At present, the Target Company's fixed assets have only recently completed their financial depreciation cycle, resulting in a relatively low book value and asset renewal ratio. However, this is merely a temporary accounting phenomenon and does not materially affect its actual production capacity. The Target Company's ability to continue as a going concern remains stable.

The Target Company's net asset scale is at a relatively low point in its corporate lifecycle, while its financial position as at 31 August 2025 has recovered in line with the industry rebound. As a result, its return on equity (ROE) for the year 2024 and eight months ended 31 August 2025 is significantly higher than the industry average. Please refer to section X of Appendix III to this announcement for the audited financial information of the Target Company for the two years ended 31 December 2024 and the eight months ended 31 August 2025.

Based on the foregoing, the Board (other than members of the Independent Board Committee whose views will be set out in the Circular and after considering the Hong Kong Independent Financial Adviser's advice), considers that the transaction amount (and thus the final Consideration) is fair and reasonable and in the best interests of the shareholders.

Upon arms' length negotiations between the parties taking into account, amongst others, the appraised value of the Target Assets under the Asset Valuation Report, it has been agreed that the final Total Consideration shall comprise 190,768,392 Consideration Shares (together with such cash consideration in lieu of fractional Shares), to be issued to the Vendors in the following proportion.

Vendor	Target Asset sold (%)	Corresponding value in the Target Asset (RMB)	Consideration Shares to be issued	Cash consideration in lieu of fractional Shares (RMB)
Huahong Group	63.5443	5,388,551,195.69	124,332,053	18.67
Shanghai IC Fund	15.7215	1,333,186,465.21	30,761,109	1.15
China IC Fund II	10.2503	869,227,665.01	20,056,014	18.25
Guotou IC Fund	7.9827	676,936,827.35	15,619,216	5.91
Total	97.4988	8,267,902,153.26	190,768,392	43.98

Further, the parties have considered the significant increase in price in the RMB Shares of the Company since the Announcement, the available cash reserve of the Company, the working capital requirements and tax obligations of the Vendors, it has been decided that the Total Consideration shall not comprise any cash element (except for such cash consideration in lieu of fractional shares). Notwithstanding the Group's substantial cash and bank balance, (i) the capital expenditure needs arising from its future business development plans in the upcoming years, including expansion and developments of the 8-inch and 12-inch foundry fabs of HHGrace, Hua Hong Wuxi and Hua Hong Manufacturing, and (ii) a substantial portion of the Group's cash possessed by the Group has been budgeted for dedicated long-term strategic purposes, as the semiconductor industry is a sector with intensive need for capital and talent acquisition, with rapid iteration of technologies from wafer manufacturing processes to downstream product demands. Having considered the need of cash set out above, the Board has decided to settle the Total Consideration by issuing new RMB Shares instead of using the Group's cash reserve.

The Consideration Shares amount to approximately 10.98% to the Company's total existing issued Shares as at the date of this announcement and approximately 9.89% to the Company's enlarged issued share capital upon the Completion ((assuming that there will be no change in the total issued share capital of the Company since the date of this announcement)).

Please refer to Appendix I to this announcement for the full text of the Asset Valuation Report issued by Valuer. Pursuant to Rule 11.1(b) of the Takeovers Code, the Hong Kong Independent Financial Adviser has reported on the Asset Valuation Report and confirmed that the Valuer is suitably qualified and experienced to undertake the valuation of the Target Assets. Please refer to Appendix II to this announcement for the letter of confirmation issued by the Hong Kong Independent Financial Adviser in this regard.

**Issue of Consideration
Shares**

In accordance with the relevant PRC laws and regulations, the issue price of the Consideration Shares shall be RMB43.34 per Consideration Share, representing not less than 80% of the Average Trading Price of the RMB Shares for the 120 trading days prior to the Pricing Benchmark Date. The 120 trading days was selected as the pricing determination basis in light of the price fluctuation of the RMB Shares prior to the signing of the Acquisition Agreement, as a result, a longer reference period (i.e. 120 trading days, instead of the other reference period 20 trading days or 60 trading days), was chosen by the parties.

The issue price of RMB43.34 per Consideration Shares represents:

- (a) a discount of approximately 44.79% to the closing price per RMB Share of RMB78.50 as quoted on the Shanghai Stock Exchange on the date of the Acquisition Agreement;
- (b) a discount of approximately 59.82% to the closing price per RMB Share of RMB107.87 as quoted on the Shanghai Stock Exchange on the date of the Supplemental Agreement;
- (c) a discount of approximately 44.79% to the closing price per RMB Share of RMB78.50 as quoted on the Shanghai Stock Exchange on the last trading day prior to the Pricing Benchmark Date;
- (d) a discount of approximately 31.78% to the average trading price per RMB Share of RMB63.53 based on the prices as quoted on the Shanghai Stock Exchange of the last 20 trading days immediately prior to the Pricing Benchmark Date;
- (e) a discount of approximately 24.94% to the average trading price per RMB Share of RMB57.74 based on the prices as quoted on the Shanghai Stock Exchange of the last 60 trading days immediately prior to the Pricing Benchmark Date;

- (f) a discount of approximately 19.99% to the average trading price per RMB Share of RMB54.17 based on the prices as quoted on the Shanghai Stock Exchange of the last 120 trading days immediately prior to the Pricing Benchmark Date;
- (g) a premium of approximately 65.85% over the audited net asset value attributable to the Shareholders of approximately US\$3.64 per Share as at 31 December 2024, based on the exchange rate of US\$1 to RMB7.1884 on 31 December 2024 as announced by People's Bank of China; and
- (h) a premium of approximately 65.97% over to the unaudited net asset value attributable to the Shareholders of approximately US\$3.65 per Share as at 30 June 2025, based on the exchange rate of US\$1 to RMB7.1586 on 30 June 2025 as announced by People's Bank of China.

During the period between the Pricing Benchmark Date and the date of issue of the Consideration Shares, in case of any ex-rights or ex-dividends events of the Company such as distribution of cash dividends, bonus issues, rights issues, allotment of shares, conversion of share premium into share capital or capitalization issues, the issue price of the Consideration Shares will be adjusted in accordance with the relevant PRC laws and regulations in the following manner:

- (1) In the event of bonus issues, capitalization issues or conversion of share premium into share capital:

$$P1 = P0 / (1 + n)$$

- (2) In the event of rights issues or allotment of shares:

$$P1 = (P0 + A \times k) / (1 + k)$$

- (3) In the event of simultaneous (i) bonus issues, capitalization issues or conversion of share premium into share capital and (ii) rights issues or allotment of shares;

$$P1 = (P0 + A \times k) / (1 + n + k)$$

- (4) In the event of distribution of cash dividends:

$$P1 = P0 - D$$

- (5) In the event of simultaneous (i) bonus issues, capitalization issues or conversion of share premium into share capital; (ii) rights issues or allotment of shares; and (iii) distribution of cash dividends:

$$P1 = (P0 - D + A \times k)/(1 + n + k)$$

where,

- (i) P0 is the issue price of the Consideration Shares before adjustment;
- (ii) n is the number of bonus shares or shares to be issued upon capitalization issue or conversion of share premium into share capital per Share;
- (iii) k is the number of new Shares to be allotted per Share under rights issue or the allotment of Shares;
- (iv) A is the issue price per new Share under rights issue or allotment of shares;
- (v) D is the amount of cash dividend per Share; and
- (vi) P1 is the issue price of the Consideration Shares after adjustment.

The Consideration Shares will be issued under the Proposed Acquisition Specific Mandate to be sought at the EGM.

For information of the potential dilution effect of the issuance of Consideration Shares, please refer to the tables in the section 3 of this announcement headed “Effects on the Shareholding Structure of the Company”.

Lock-up period

Huahong Group has undertaken that it shall not transfer any of the Consideration Shares within 36 months from the date of issue of the Consideration Shares. In the event that (i) the average closing price of the Shares for any 20 consecutive days within 6 months of Completion or (ii) the closing price of the Shares at the end of the 6-month period after the Completion is lower than the Consideration Shares issue price, the lock-up period on the Consideration Shares obtained by Huahong Group shall automatically extend for an additional 6-month period.

Shanghai IC Fund has undertaken that it shall not transfer any of the Consideration Shares within 12 months from the date of issue of the Consideration Shares. In the event that Shanghai IC Fund is regarded as a private equity fund under the applicable laws and has held its interests in the Target Assets for 48 months at the time when it obtains the Consideration Shares, and provided that (i) it is not the Company's controlling shareholder, ultimate beneficial owner or their respective associates, and (ii) it has not obtained control over the Company through the Proposed Acquisition, the lock-up period on the Consideration Shares obtained by Shanghai IC Fund shall be shortened to 6 months.

Each of China IC Fund II and Guotou IC Fund has undertaken that it shall not transfer any of the Consideration Shares within 12 months from the date of issue of the Consideration Shares. In the event that any of China IC Fund II and Guotou IC Fund has not held its interests in the Target Assets for 12 months at the time when it obtains the Consideration Shares, the lock-up period on the Consideration Shares obtained by such Vendor shall be extended to 36 months.

The final adjusted lock-up period of each of the Vendors will be disclosed in the announcement in relation to the Completion of the Proposed Acquisition. The lock-up undertaking shall also be applicable to any additional RMB Shares received by the Vendors as a result of bonus issues, capitalization issues, and/or conversion of share premium into share capital after completion of the Consideration Share Issuance.

**Conditions precedent
to the effectiveness
of the Acquisition
Agreement and the
Supplemental
Agreement**

The effectiveness of the Acquisition Agreement and Supplemental Agreement is conditional upon the fulfilment of all the following conditions:

- (i) the approval of the Proposed Acquisition by the Board and the Proposed Acquisition Independent Shareholders and the Takeovers Code Independent Shareholders at the EGM of the Company;
- (ii) the approval of the Proposed Acquisition by the internal and external competent governing bodies of the Vendors;
- (iii) the approval of Proposed Acquisition by the shareholders of the Target Company, and the waiver of the first right of refusal by the shareholders of the Target Company having been obtained;
- (iv) the approval of the Proposed Acquisition by the state-owned assets supervision and administration authorities;
- (v) the granting of a Whitewash Waiver by the Executive and the approval of the same by the Takeovers Code Independent Shareholders at the EGM of the Company;
- (vi) the approval of the Proposed Acquisition by the Shanghai Stock Exchange and registration by the CSRC;
- (vii) the Proposed Acquisition having obtained other necessary prior approvals, approvals or consents (if any) as required by laws, regulations and regulatory authorities.

There is no long stop date under the Acquisition Agreement in respect of the fulfilment and/or waiver of the conditions precedent. The parties will however endeavor to take necessary steps to procure the fulfillment of the conditions precedent and proceed with Completion.

In respect of the condition set out in paragraph (vii) above, as at the date of this announcement, the Company is not aware of any other approval and/or filings which are required to be obtained by it in respect of the Proposed Acquisition.

None of the above conditions precedent may be waived by any party to the Acquisition Agreement. Other than conditions set out in paragraph (i) (in respect of the approval by the Board), (ii) and (iii) above, none of the other conditions precedent has been fulfilled as at the date of this announcement. The Proposed Acquisition will not proceed if the Whitewash Waiver is not obtained or if the Whitewash Waiver is not approved by the Takeovers Code Independent Shareholders.

Condition (vi) in respect of the approval of the Proposed Acquisition by the Shanghai Stock Exchange and the CSRC will only be fulfilled after the EGM in accordance with the relevant PRC laws and regulations. Further announcement(s) will be made as and when appropriate if the condition(s) set out in above has been satisfied.

The Supplemental Agreement shall become effective upon the Acquisition Agreement becoming effective.

Compensation Agreement

Pursuant to the Guidance on the Application of Regulatory Rules — Listing Category No. 1. (監管規則適用指引－上市類第1號) issued by the CSRC (“**CSRC Listing Guidance Category No.1**”), where a listed company acquires asset(s) from its controlling shareholder (as defined under the Shanghai Listing Rules) which involve cash consideration or issuance of consideration shares, the controlling shareholder shall compensate the listed company for any impairment of target asset. Accordingly, on 31 December 2025, the Company and Huahong Group entered into the Compensation Agreement, pursuant to which, for a period of three financial years (including the year in which the Proposed Acquisition is completed and the two subsequent financial years, a period which follows the CSRC Listing Guidance Category No. 1), the Company shall conduct an impairment test on the total value of the assets of the Target Assets upon the end of the financial year, based on a valuation conducted by a qualified valuer under the PRC Securities Laws with the valuation method to be determined.

In the event of an impairment in the Target Assets in any of the three financial years, Huahong Group shall compensate the Company for the impairment value, multiplied by the proportion of Huahong Group’s share in the Total Consideration (representing approximately 65.2%) by way of (i) subject to compliance with laws, rules and regulations, the Company’s repurchase of a corresponding number of Consideration Shares held by Huahong Group in consideration of RMB1; and (ii) cash. The Company shall within 30 working days of the impairment report, make an announcement on the compensation arrangement setting out the impairment loss recorded and the compensation received from Huahong Group (if any) in compliance with its obligation thereunder, after which, Huahong Group shall settle such compensation within 30 working days of the announcement. The amount of impairment made and compensation received/receivable shall be disclosed in the Company’s annual report.

As the Compensation Agreement has been entered into upon arm’s length negotiation with Huahong Group in accordance with the requirements of the CSRC Listing Guidance Category No. 1 and allows the Company to hedge against the commercial and financial risks of impairment loss arising from the Proposed Acquisition and the conduct of the Target’s business going forward, the Board (other than members of the Independent Board Committee whose views will be set out in the Circular and after considering the Hong Kong Independent Financial Adviser’s advice) considers that the terms of the Compensation Agreement are fair and reasonable and in the best interests of the Shareholders. The Company shall disclose (i) whether the Target Company has recorded any impairment loss in each of the financial years covered by the Compensation Agreement, (ii) whether the compensation mechanism is triggered and (iii) the amount of compensation received thereunder, as and when appropriate.

1.2 Information on the Target Company

The audited total asset value and net asset value of the Target Company (i) as at 31 December 2024 prepared under the Hong Kong Financial Reporting Standards were RMB6,258,892,000 and RMB1,266,932,000 respectively; and (ii) as at 31 August 2025 prepared under the Hong Kong Financial Reporting Standards were RMB7,258,503,000 and RMB2,001,914,000 respectively.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Target Company is a limited liability company established in the PRC on 18 January 2010. The Target Company is principally engaged in the business of 12-inch integrated circuit wafer foundry services in the PRC.

The Target Company's shareholding structure as at the date of this announcement is set out as follows:

Parties	Equity interest as at the date of this announcement	Registered capital of the Target (RMB million)	Date of becoming a holder of Target's equity interest
Huahong Group	63.5443%	1,293.88	January 2010
Shanghai IC Fund	15.7215%	320.12	December 2016
China IC Fund II	10.2503%	208.71	November 2023
Guotou IC Fund	7.9827%	162.54	April 2025
HHGrace	2.5012%	50.93	January 2010
Total	100.0000%	2,036.19	

The audited financial information of the Target Company for the two financial years ended 31 December 2023 and 2024, and the eight months ended 31 August 2025, prepared in accordance with the Hong Kong Financial Reporting Standards, were as follows:

	For the year ended 31 December 2023 (audited) RMB million	For the year ended 31 December 2024 (audited) RMB million	For the eight months ended 31 August 2025 (audited) RMB million
Net profit before taxation	(372.29)	521.52	514.64
Net profit after taxation	(372.29)	521.52	514.64

The subscribed capital by Huahong Group, Shanghai IC Fund, China IC Fund II and Guotou IC Fund in the Target Company was in aggregate approximately RMB1.99 billion.

1.3 Information on the parties to the Supplemental Agreement

In addition to the information on the Company and the Vendors as stated in the Announcement, the Company wishes to provide updated information on the Vendors' ultimate beneficial owners and where there have been updates to their shareholding.

(i) *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. 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.

(ii) *Shanghai IC Fund*

Shanghai IC Fund is the local integrated circuit industry investment fund established by Shanghai Municipal Government to implement the national integrated circuit development program and Shanghai municipal IC industry development strategy, the investors of which include Shanghai's important state-owned investment groups, industrial groups and financial institutions. Shanghai IC Fund is owned approximately 30.70% by Shanghai Science and Technology Venture Capital (Group) Co., Ltd.* (上海科技創業投資(集團)有限公司) ("**Shanghai Science & Tech VC**"). Shanghai SASAC is the ultimate beneficial owner of Shanghai Science & Tech VC and thus Shanghai IC Fund. The other shareholders holding 10% or more of its shares are China Life Asset Management Company Limited (approximately 30.26%), an Independent Third Party wholly owned by China Life Insurance Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2628)), and China IC Fund (approximately 10.53%). The remaining minority shareholders each holding around 1-7% of shares are Shanghai Pudong Emerging Industries Investment Co., Ltd.* (上海浦東新興產業投資有限公司), Shanghai International Trust Co., Ltd.* (上海國際信託有限公司), CBIC Zhijixin (Jiaxing) Equity Investment Partnership (Limited Partnership)* (中保投智集芯(嘉興)股權投資合夥企業(有限合夥)), CBIC Qixin (Jiaxing) Integrated Circuit Industry Investment Co., Ltd.* (中保投齊芯(嘉興)集成電路產業投資有限責任公司), China CITIC Financial Asset Management Co., Ltd.* (中國中信金融資產管理股份有限公司) and Shanghai Jiading Venture Capital Management Co., Ltd.* (上海嘉定創業投資管理有限公司).

(iii) China IC Fund II

China IC Fund II mainly invests via equity investment in the value chain of integrated circuit industry, primarily in integrated circuit chip manufacturing as well as chip designing, packaging, testing and equipment and materials. China IC Fund II is not regarded as a subsidiary of its single largest shareholder, the Ministry of Finance. There is no ultimate beneficial owner who controls, directly or indirectly, one-third or more of the equity interest in China IC Fund II. China IC Fund II is managed by Sino IC Capital.

As at the date of this announcement and based on the information provided by China IC Fund II, there were 27 fund investors in China IC Fund II, as set out below:

Fund investor	Percentage of equity interest
Ministry of Finance ^{#(1)}	11.02%
China Development Bank Capital Co., Ltd. (國開金融有限責任公司) (“CDB Capital”) ^{#(2)}	10.78%
Chongqing Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (重慶戰略性新興產業股權投資基金合夥企業(有限合夥)) ⁽³⁾	7.35%
Chengdu Tianfu Guoji Investment Co., Ltd. (成都天府國集投資有限公司) ⁽⁴⁾	7.35%
Wuhan Optics Valley Financial Holding Group Co., Ltd. (武漢光谷金融控股集團有限公司) ⁽⁵⁾	7.35%
Zhejiang Fuzhe Integrated Circuit Industry Development Co., Ltd. (浙江富浙集成電路產業發展有限公司) ⁽⁶⁾	7.35%
China National Tobacco Corporation (中國煙草總公司) ^{#(7)}	7.35%
Shanghai Guosheng ^{#(8)}	7.35%
Beijing E-Town International Investment & Development Co., Ltd. (北京亦莊國際投資發展有限公司) ^{#(9)}	4.90%
Jiangsu Wanquan Integrated Circuit Industry Investment Co., Ltd. (江蘇赴泉集成電路產業投資有限公司) ⁽¹⁰⁾	4.90%
Beijing Guoyi Hospital Co., Ltd. (北京國誼醫院有限公司) ⁽¹¹⁾	4.90%
China Mobile Capital Holding Co., Ltd. (中移資本控股有限責任公司) ^{#(12)}	4.90%
Anhui Xinhua IC Industry Investment Partnership (Limited Partnership) (安徽省芯火集成電路產業投資合夥企業(有限合夥))	3.67%
Anhui Wantou Anhua Modern Industrial Investment Partnership (Limited Partnership) (安徽皖投安華現代產業投資合夥企業(有限合夥))	3.67%
Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司)	1.47%
Fujian State Owned Integrated Circuit Investment Co., Ltd. (福建省國資集成電路投資有限公司)	1.47%
Shenzhen Shenchao Technology Integrated Circuit Industry Investment Partnership Enterprise (Limited Partnership) (深圳市深超科技積體電路產業投資合夥(有限合夥))	1.47%

Fund investor	Percentage of equity interest
Huangpu Investment Holding (Guangzhou) Co., Ltd. (黃埔投資控股(廣州)有限公司)	0.98%
China Telecommunications Corporation (中國電信集團有限公司) #	0.73%
Unicom Capital Investment Holding Co., Ltd. (聯通資本投資控股有限公司) #	0.49%
Zhongdian Jintou Holdings Co., Ltd. (中電金投控股有限公司) #	0.24%
Sino IC Capital# ⁽¹³⁾	0.07%
Shanghai Siqi Enterprise Management Partnership (Limited Partnership) (上海矽啓企業管理合夥企業(有限合夥)) #	0.05%
Beijing Jianguang Asset Management Co., Ltd. (北京建廣資產管理有限公司)	0.05%
Fujian San'an Group Co., Ltd. (福建三安集團有限公司) #	0.05%
Beijing Unis Communications Technology Group Ltd. (北京紫光通信科技集團有限公司) #	0.05%
GCL Capital Management Co., Ltd. (協鑫資本管理有限公司)	0.05%
Total:	100.00%

Note:

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

- (1) a department of the Central People's Government of the PRC.
- (2) a wholly-owned subsidiary of China Development Bank, which is in turn ultimately owned by the Ministry of Finance of the PRC.
- (3) the largest limited partner owning more than 50% of the limited partnership interest is Chongqing Yuzi Optoelectronic Industry Investment Co., Ltd. (重慶渝資光電產業投資股份有限公司), which is in turn ultimately owned by Chongqing Municipal State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會).
- (4) shareholders holding 30% or more of the shares are (i) Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資股份有限公司), which is turn ultimately owned by Chengdu Municipal State-owned Assets Supervision and Administration Commission (成都市國有資產監督管理委員會), and (ii) Chengdu High-tech Investment Group Co., Ltd. (成都高新投資集團有限公司), which is in turn ultimately owned by Chengdu High-tech Industrial Development Zone Finance and State-owned Assets Supervision and Administration Bureau (成都高新技術產業開發區財政國資局).
- (5) shareholders holding 30% or more of the shares are (i) Hubei Provincial Science and Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司) and (ii) Wuhan High-Tech State-Owned Holding Group Co., Ltd. (武漢高科國有控股集團有限公司), both of which are in turn ultimately owned by Wuhan East Lake High-tech Development Zone Management Committee (武漢東湖新技術開發區管理委員會).
- (6) none of its shareholders holds 30% or more of the shares.

- (7) a state-owned enterprise wholly-owned by the State Council of the PRC.
- (8) ultimately owned by Shanghai SASAC.
- (9) ultimately owned by Beijing Economic-Technological Development Area Finance and State-owned Assets Supervision and Administration Commission (北京經濟技術開發區財政國資局).
- (10) the only shareholder holding 30% or more of the shares is Jiangsu Provincial Government Investment Fund (Limited Partnership) (江蘇省政府投資基金(有限合夥)), which is in turn ultimately owned by Jiangsu Provincial Department of Finance (江蘇省財政廳).
- (11) ultimately owned by Beijing Municipal State-owned Assets Supervision and Administration Commission (北京市國有資產監督管理委員會).
- (12) ultimately owned by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).
- (13) owned as to 45% by CDB Capital which is in turn ultimately owned by the Ministry of Finance of the PRC (see Note 2 above). All other shareholders of Sino IC capital hold less than 30% of the shares therein. Sino IC Capital also held 0.12% shareholding interest in China IC Fund as at the date of this announcement.

China IC Fund II is also a shareholder of Target Company, and is jointly involved in the Proposed Acquisition as one of the Vendors alongside Huahong Group. Therefore, it is considered to be a member of the Huahong Concert Group.

For avoidance of doubt, China IC Fund, another shareholder of the Company, is not a party to the Proposed Acquisition and is not a party acting in concert with China IC Fund II and/or Huahong Group under the Takeovers Code.

Based on the information provided by China IC Fund and China IC Fund II, both China IC Fund and China IC Fund II are managed by Sino IC Capital. The voting right of Sino IC Capital (as a shareholder but not as the fund manager) at shareholders' meetings of China IC Fund and China IC Fund II is proportional to its respective shareholding interests in China IC Fund and China IC Fund II. However, each of them is not regarded as a subsidiary of its single largest shareholder, the Ministry of Finance of the PRC. There is no ultimate beneficial owner who controls, directly or indirectly, 20% or more of the equity interest in both China IC Fund and China IC Fund II.

Sino IC Capital does not control China IC Fund nor China IC Fund II because: (i) there is no ultimate beneficial owner directly or indirectly controlling China IC Fund II; (ii) China IC Fund and China IC Fund II are not regarded as subsidiaries of their single largest shareholder, Ministry of Finance, (iii) none of the 13 overlapping shareholders of China IC Fund and China IC Fund II can exert majority control over both China IC Fund and China IC Fund II; (iv) Sino IC Capital manages the investments of China IC Fund and China IC Fund II in accordance with the respective mandates it entered into with China IC Fund and China IC Fund II separately; and (v) China IC Fund and China IC Fund II have established independent investment policies and management processes, appointed independent committee members in their respective investment committees to ensure independence in investment decisions, and each has its separate accounts with independent financial accounting treatments.

(iv) Guotou IC Fund

The initial committed capital of Guotou IC Fund is RMB45.01 billion, with Shanghai SASAC being the ultimate beneficial owner, through Shanghai Guojing Investment Development Co., Ltd.* (上海國經投資發展有限公司) (“**Shanghai Guojing**”), Shanghai State-owned Capital Investment Co., Ltd.* (上海國有資本投資有限公司), Shanghai International and Shanghai Guosheng, holding approximately 67.7762% of the partnership interest in aggregate. Shanghai Pudong Innovation Investment Development (Group) Co., Ltd.* (上海浦東創新投資發展(集團)有限公司), an Independent Third Party, holds approximately 22.2217% of the partnership interest. The remaining minority investors are Haitong Innovation Securities Investment Co., Ltd.* (海通創新證券投資有限公司), Guotai Junan Zhenyu Investment Co., Ltd.* (國泰君安證裕投資有限公司), Shanghai Shenneng Chengyi Equity Investment Co., Ltd.* (上海申能誠毅股權投資有限公司) and Shanghai International Trust Co., Ltd.* (上海國際信託有限公司). Guotou IC Fund focuses on investing in integrated circuit-related fields including but not limited to integrated circuit design, manufacturing and packaging and testing, equipment materials and components.

2. PROPOSED NON-PUBLIC ISSUANCE OF RMB SHARES TO RAISE SUPPORTING FUNDS

On 29 August 2025, the Board approved the Proposed Non-public Issuance of RMB Shares to raise supporting funds.

The Proposed Non-public Issuance of RMB Shares is subject to the approval of the Shanghai Stock Exchange and registration by CSRC and Completion, but the Proposed Acquisition is not conditional on completion of the Proposed Non-public Issuance of RMB Shares.

2.1 Further details of the Proposed Non-public Issuance of RMB Shares

Further details of the Proposed Non-public Issuance of RMB Shares are set out below:

**Number of RMB
Shares to be issued**

Having considered the Company’s future funding needs, the total amount of supporting funds to be raised under the Proposed Non-public Issuance of RMB Shares shall be RMB7,556,286,000, being (i) not exceeding 100% of the final Total Consideration for the Proposed Acquisition, and (ii) the number of RMB Shares to be issued shall not exceed 30% of the total issued share capital of the Company upon Completion, both thresholds following that of applicable PRC rules and regulations (i.e. Administrative Measures for Major Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) and The Measures for the Administration of Registration of Securities Offering by Listed Companies (《上市公司證券發行註冊管理辦法》)) governing the issuance.

The number of RMB Shares to be issued shall be calculated by dividing the total amount of supporting funds to be raised, by the issue price to be determined according to the paragraph headed “Price Determination Date, pricing principles and issue price” (rounded down to the nearest share), as adjusted in the event of any ex-right or ex-dividend event in accordance with applicable PRC laws and regulations.

Target subscribers

The Proposed Non-public Issuance of RMB Shares will be carried out by way of non-public issue of RMB Shares to not more than 35 specific target subscribers, excluding (i) Huahong Group, SAIL and China IC Fund II which have indicated that they will not participate in the Proposed Non-public Issuance of RMB Shares and (ii) certain other Shareholders such as controlling shareholders and its related parties pursuant to the requirement of the Shanghai Listing Rules (both terms as defined thereunder). Such specific target subscribers may include, but not limited to, institutional investors such as securities investment fund management company, securities firm, financial services company, asset management company, insurance company, and other legal person or natural person investors in the PRC that comply with the regulations of the CSRC and the Shanghai Stock Exchange.

As at the date of this announcement, the Company has not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of RMB Shares, nor has the Company received any persons’ indication to participate in the Proposed Non-public Issuance of RMB Shares. Please refer to the section headed “7. Implications under the Takeovers Code — 7.2 Special Deal” below for further details. It is currently expected that the subscribers under the Proposed Non-public Issuance of RMB Shares will not be the connected persons of the Company and the subscription by those subscribers under the Proposed Non-public Issuance of RMB Shares will not trigger a general offer obligation of those subscribers under the Takeovers Code.

In addition, the identity of the target subscribers cannot be pre-determined as at the date of this announcement and will only be determined after (i) obtaining the approval in respect of the Proposed Non-public Issuance of RMB Shares from the Shareholders at the EGM, the Shanghai Stock Exchange and the CSRC, and (ii) the commencement of the Offering Period of the Proposed Non-public Issuance of RMB Shares in accordance with the relevant PRC laws and regulations. The Company shall make further announcement on the identity of the subscribers if they become substantial shareholders of the Company upon the completion of the Proposed Non-public Issuance of RMB Shares.

**Price Determination
Date, pricing
principles and
issue price**

The issue price shall not be lower than 80% of the Average Trading Price of the RMB Shares for the 20 trading days prior to the price determination date and no less than RMB52 (i.e. the price of the Company's initial public offering of RMB Shares) pursuant to PRC rules.

The Offering Period, the Price Determination Date and the specific time of Issuance of the Proposed Non-public Issuance of RMB Shares shall be determined by the Company and the PRC independent financial adviser (the lead underwriter) having due regards to the market conditions and the proposal for use of proceeds, and shall be subject to approval by the Shanghai Stock Exchange and the CSRC.

The Offering Period shall commence after the Completion of the Proposed Acquisition. The Price Determination Date shall be the first day of the Offering Period of the issuance of the Proposed Non-public Issuance of RMB Shares, and shall be a date falling within 12 months of the CSRC registration. The final issue price will be determined by the Board and the authorized persons of the Board and the lead underwriter according to the bookbuilding results in accordance with the authorization of the general meeting of shareholders, the provisions of relevant laws and regulations (i.e. The Measures for the Administration of Registration of Securities Offering by Listed Companies (《上市公司證券發行註冊管理辦法》)) and the requirements of regulatory authorities (including the CSRC and the Shanghai Stock Exchange).

All the target subscribers will subscribe for the RMB Shares under the Proposed Non-public Issuance of RMB Shares at the same issue price in cash.

According to the annual results announcement of the Company for the year ended 31 December 2024 published on the Shanghai Stock Exchange, the audited net asset per Share attributable to the Shareholders of the Company prepared in accordance with China Accounting Standards for Business Enterprises as at 31 December 2024 was approximately RMB25.37.

The final issue price, i.e. Non-Public Issuance Benchmark Price, will be determined by negotiations between the Board and its authorized person(s) with the authorization by the Shareholders at the EGM and the PRC independent financial adviser (the lead underwriter) based on the price inquiry results in accordance with the relevant PRC laws and regulations (i.e. The Measures for the Administration of Registration of Securities Offering by Listed Companies (《上市公司證券發行註冊管理辦法》)).

The Non-public Issuance Benchmark Price will be adjusted if there occurs any ex-right or ex-dividend event (such as distribution of cash dividend, bonus issue, rights issues, allotment of shares, conversion of share premium into share capital or capitalization issues) between the Price Determination Date and the date of issuance of the Proposed Non-public Issuance of RMB Shares in accordance with the applicable PRC laws and regulations.

The Company will publish supplemental announcement as and when the final issue price and final number of RMB shares to be issued are confirmed.

**Conditions precedent
of the Proposed
Non-public Issuance
of RMB Shares**

The Proposed Non-public Issuance of RMB Shares is conditional upon:

- (i) Completion;
- (ii) the approval of the Proposed Non-public Issuance of RMB Shares by the Board and the Non-public Issuance Independent Shareholders at the EGM;
- (iii) the consent to the Special Deal from the Executive and the approval of the Special Deal by the Takeovers Code Independent Shareholders;
- (iv) the approval of the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares by the competent state-owned assets supervision and administrative authorities or its authorized entities;
- (v) the approval of the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares by the Shanghai Stock Exchange and the registration of the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares by the CSRC; and
- (vi) the obtaining of any other necessary approval and/or filings in respect of the Proposed Non-public Issuance of RMB Shares from any applicable regulatory authorities.

None of the conditions above may be waived by any party to the Proposed Non-public Issuance of RMB Shares and therefore, if any of the conditions above is not satisfied, the Company will not proceed with the Proposed Non-public Issuance of RMB Shares.

Other than the condition precedent set out in paragraph (ii) (in respect of approval by the Board only) above, none of the conditions precedent has been fulfilled as at the date of this announcement.

In respect of the condition set out in paragraph (v) above, as at the date of this announcement, the Company is not aware of any other approval and/or filings which are required to be obtained by it in respect of the Proposed Non-public Issuance of RMB Shares.

Use of proceeds

The net proceeds from the Proposed Non-public Issuance of RMB Shares (after deducting all applicable costs and expenses incurred in connection with the Proposed Non-public Issuance of RMB Shares) are intended to be used to (i) finance the Target's technology upgrades and renovations, and (ii) research and development and industrialization of the Target's specialized process and (iii) replenish the working capital of the Group, the repayment of debt, payment of fees of intermediaries in connection with the Proposed Acquisition in the following manner:

Use of proceeds	Intended allocation of proceeds	Intended percentage of proceeds from the Proposed Non-public Issuance of RMB Shares allocated for such purposes (%)
Upgrade and renovation of the Target Company's technology	3,294,760,000	43.60
Research and development (R&D) and industrialization of the Target Company's specialized process	561,526,000	7.43
Replenish the working capital of the Group, the repayment of debt, payment of fees of intermediaries (including PRC independent financial advisers, underwriting fees, legal fees for PRC and overseas counsel, accounting fees for accountants, and other intermediary expenses) in connection with the Proposed Acquisition	3,700,000,000	48.97
Total	7,556,286,000	100.00%

More specifically on the above, the Target Company is primarily engaged in 12-inch wafer foundry operations. Approximately 51.03% of net proceeds will be allocated to the Target Company in terms of two aspects:

- (1) ***Upgrading and renovating the Target Company's technology:*** Having assessed market landscape, it is considered that the Target Company has pressing need to comprehensively upgrade the technological specifications of its 12-inch production line by way of replacing and updating the equipment. This will foster the Target Company's adaptation to the market's demand of various specialty processes, thereby optimizing the existing factory production lines, expanding production capacity and further enhancing the Company's core competitiveness amid market fluctuations. The net proceeds will also be used for maintenance costs of the production line. This limb takes up a larger trunk of the net proceeds since the new equipment with advanced technological specifications and an overhaul and renovation of the entire production line are inherently capital-intensive, based on the Company's and the Target Company's preliminary assessment. Before commencement of the renovation work, the Company and the Target Company shall conduct a comprehensive study of the technological specifications which best suit its future needs and conduct a robust selection of suppliers through its standard procurement procedure.
- (2) ***Research and development (R&D) and industrialization of the Target Company's specialized process:*** The diversity of specialized process platforms is an important factor in assessing the overall strength of a semiconductor wafer foundry. The Target Company urgently needs to enhance the depth and breadth of its process platform products through developing new products. The proceeds will serve as an important source of funds for the R&D expenses of the Target Company in the upcoming years. This project entails an investment in R&D which seeks to explore new markets, and is different from the first limb which focuses on enhancing hardware, equipment and production capacity. The allocation between the two limbs has been determined having balanced the need for capital and cost-efficiency of each project.

Further, as stated in section 1.1 above, in view of the capital expenditure requirements in the upcoming three years arising from (i) the Company's future business development plans such as the expansion and developments of the 8-inch and 12-inch foundry fabs of HHGrace, Hua Hong Wuxi and Hua Hong Manufacturing and (ii) the Company's budget for dedicated long-term strategic purpose, the Company may incur a substantial amount of expenses and shall need certain of the proceeds from the Proposed Non-public Issuance of RMB Shares to replenish its working capital to reserve cash for its business operations and development plans in the future and maintain liquidity. Moreover, the net proceeds shall be used to (x) settle liabilities as they fall due as appropriate and (y) pay the fees of intermediaries (including PRC independent financial advisers, underwriting fees, legal fees for PRC and overseas counsel, accounting fees for accountants, and other intermediary expenses) in connection with the Proposed Acquisition. As the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares are still in progress, the professional fees of the intermediaries could not be fully determined as at the date of this announcement and could only be confirmed once the Proposed Non-public Issuance of RMB Shares has been completed.

If the Proposed Non-public Issuance of RMB Shares does not proceed or the actual proceeds to be raised from the Proposed Non-public Issuance of RMB Shares are less than the proposed use of proceeds, the Company will make up for the shortfall by utilizing its internal resources or other means of financing. The Company may make appropriate adjustments as to the order of priority, allocation amount and methods in respect of the proposed use of proceeds based on the net proceeds actually raised and make a supplemental announcement as appropriate.

Save as disclosed above, the terms and conditions of the Proposed Non-public Issuance of RMB Shares as set out in the Announcement shall remain unchanged.

2.2 Special Deal

The price determination date and the specific time of issuance of the Proposed Non-public Issuance of RMB Shares shall be determined by the Company and the PRC independent financial adviser (the lead underwriter) taking into account the proposal for use of proceeds and market conditions and shall be subject to approval by the Shanghai Stock Exchange and the registration with CSRC.

Since the date of the Announcement, the Company and its lead underwriter has been monitoring the stock price of the Company's RMB Shares closely. Given the significant price increase since the signing of the Acquisition Agreement, the Company and its lead underwriters were of the view that there is a possibility that the Proposed Non-public Issuance of RMB Shares may take place shortly after the completion of the Proposed Acquisition to capture an optimal market. As such, since the Proposed Non-public Issuance of RMB Shares may involve a potential arrangement between the Company and certain shareholders (as outlined in the section headed "7.2 Special Deal in relation to the Proposed Non-public Issuance of RMB Shares" below), which is not capable of being extended to all Shareholders, the Proposed Non-public Issuance of RMB Shares constitutes a special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. An application for consent has been made to the Executive under Rule 25 of the Takeovers Code in relation to each of the Special Deal. Such consent, if granted, will be subject to (i) the Hong Kong Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deal are fair and reasonable as far as the Takeovers Code Independent Shareholders are concerned; and (ii) the approval of the Special Deal by the Takeovers Code Independent Shareholders by way of poll at the EGM.

It is currently expected that the subscribers under the Proposed Non-public Issuance of RMB Shares will not be the connected persons of the Company and the subscription by those subscribers under the Proposed Non-public Issuance of RMB Shares will not trigger a general offer obligation of those subscribers under the Takeovers Code. If such consent from the Executive is not obtained or if the Special Deal is not approved by the Takeovers Code Independent Shareholders, the Proposed Non-public Issuance of RMB Shares will not proceed.

3. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the total issued share capital of the Company is 1,737,614,193 Shares, which comprises 407,750,000 RMB Shares and 1,329,864,193 Hong Kong Shares.

For illustration purpose, set out below is the shareholding structure of the Company:

(i) as at the date of this announcement;

Shareholding as at the date of this announcement

Shareholders	Hong Kong Shares held	Percentage of Hong Kong Shares held	RMB Shares held	Percentage of RMB Shares held	Total Shares held	Percentage of issued Share capital ^(Note 2)
Huahong Group	347,605,650	26.14%	1,198,517	0.29%	348,804,167	20.07%
SAIL	188,961,147	14.21%	–	–	188,961,147	10.87%
Shanghai IC Fund	–	–	–	–	–	–
Guotou IC Fund	–	–	–	–	–	–
China IC Fund II	–	–	48,334,249	11.85%	48,334,249	2.78%
Others ^(Note 1)	–	–	16,856,987	4.13%	16,856,987	0.97%
<i>Huahong Concert Group sub-total</i>	<i>536,566,797</i>	<i>40.35%</i>	<i>66,389,753</i>	<i>16.28%</i>	<i>602,956,550</i>	<i>34.70%</i>
China IC Fund ^(Note 3)	71,031,601	5.34%	–	–	71,031,601	4.09%
Public	722,265,795	54.31%	341,360,247	83.72%	1,063,626,042	61.21%
Total	1,329,864,193	100%	407,750,000	100%	1,737,614,193	100.00%

- (ii) immediately after Completion (assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB43.34 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the date of this announcement save for the issue of the RMB Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement); and

Shareholding immediately after Completion of the Proposed Acquisition

Shareholders	Hong Kong Shares held	Percentage of Hong Kong Shares held	RMB Shares held	Percentage of RMB Shares held	Total Shares held	Percentage of issued Share capital ^(Note 2)
Huahong Group	347,605,650	26.14%	125,530,570	20.97%	473,136,220	24.54%
SAIL	188,961,147	14.21%	–	–	188,961,147	9.80%
Shanghai IC Fund	–	–	30,761,109	5.14%	30,761,109	1.60%
Guotou IC Fund	–	–	15,619,216	2.61%	15,619,216	0.81%
China IC Fund II	–	–	68,390,263	11.43%	68,390,263	3.55%
Others ^(Note 1)	–	–	16,856,987	2.82%	16,856,987	0.87%
<i>Huahong Concert Group sub-total</i>	<i>536,566,797</i>	<i>40.35%</i>	<i>257,158,145</i>	<i>42.97%</i>	<i>793,724,942</i>	<i>41.16%</i>
China IC Fund ^(Note 3)	71,031,601	5.34%	–	–	71,031,601	3.68%
Public	722,265,795	54.31%	341,360,247	57.03%	1,063,626,042	55.16%
Total	<u>1,329,864,193</u>	<u>100%</u>	<u>598,518,392</u>	<u>100%</u>	<u>1,928,382,585</u>	<u>100.00%</u>

As illustrated in the table above, the shareholding of the public Shareholders would decrease from approximately 61.21% to approximately 55.16% immediately upon Completion, representing a dilution effect of approximately 6.05%.

- (iii) immediately after Completion and the Proposed Non-public Issuance of RMB Shares (assuming that (a) the total amount of supporting funds to be raised under the Proposed Non-public Issuance of RMB Shares is RMB7,556,286,000; (b) there will not be any further adjustments to the issue price of the Consideration Shares of RMB43.34 per Consideration Share; (c) the issue price of the Proposed Non-public Issuance of RMB Shares shall be RMB85.38 per RMB Share (assuming the price determination date is 31 December 2025); (d) the subscribers of the Proposed Non-public Issuance of RMB Shares are and remain as public Shareholders of the Company; and (e) there will be no change in the total issued share capital of the Company since the date of this announcement save for the issue of the RMB Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement) and under the Proposed Non-public Issuance of RMB Shares):

Shareholding immediately after completion of the Proposed Acquisition and the Proposed
Non-public Issuance of RMB Shares

Shareholders	Hong Kong Shares held	Percentage of Hong Kong Shares held	RMB Shares held	Percentage of RMB Shares held	Total Shares held	Percentage of issued Share capital ^(Note 2)
Huahong Group	347,605,650	26.14%	125,530,570	18.27%	473,136,220	23.46%
SAIL	188,961,147	14.21%	–	–	188,961,147	9.37%
Shanghai IC Fund	–	–	30,761,109	4.48%	30,761,109	1.53%
Guotou IC Fund	–	–	15,619,216	2.27%	15,619,216	0.77%
China IC Fund II	–	–	68,390,263	9.95%	68,390,263	3.39%
Others ^(Note 1)	–	–	16,856,987	2.45%	16,856,987	0.84%
<i>Huahong Concert Group sub-total</i>	<i>536,566,797</i>	<i>40.35%</i>	<i>257,158,145</i>	<i>37.43%</i>	<i>793,724,942</i>	<i>39.35%</i>
China IC Fund ^(Note 3)	71,031,601	5.34%	–	–	71,031,601	3.52%
Public	722,265,795	54.31%	429,862,074	62.57%	1,152,127,869	57.12%
Total	<u>1,329,864,193</u>	<u>100%</u>	<u>687,020,219</u>	<u>100%</u>	<u>2,016,884,412</u>	<u>100.00%</u>

Note:

1. Including Shanghai Hua Hong International, Inc., Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司), Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司), Shanghai Technology Venture Investment (Group) Co., Ltd. (上海科技創業投資(集團)有限公司) and Wisdom Power Technology Limited.
2. Percentage holdings are subject to rounding adjustments and may not add up to the aggregate figures shown or 100%.
3. China IC Fund is not one of the Vendors, and is not considered to be part of the Huahong Concert Group given it is not a party acting in concert with Huahong Group nor China IC Fund II to consolidate control over the Company based on its historical investment in the Company and different compositions of fund investors and decision-making process vis-à-vis China IC Fund II.

The Company will ensure the compliance with the applicable public float and free float requirements under the Listing Rules upon the Completion and the Proposed Non-public Issuance of RMB Shares, and will scale down the number of RMB Shares to be issued under the Proposed Non-public Issuance of RMB Shares as appropriate, if and to the extent such issuance will result in non-compliance of the applicable public float and free float requirements under the Listing Rules.

4. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Other than the Proposed Non-public Issuance of RMB Shares which was first announced in the announcement of the Company dated 31 August 2025, the Company has not conducted any equity fund raising exercises during the 12 months immediately preceding the date of this announcement.

5. REASONS FOR AND BENEFITS OF PROPOSED ACQUISITION AND PROPOSED NON-PUBLIC ISSUANCE OF RMB SHARES

Proposed Acquisition

The Target Company is principally engaged in the business of 12-inch integrated circuit wafer foundry services in the PRC. It focuses on developing logic processes and specialty processes, and offers a comprehensive set of technical solutions for customers in communications and consumer electronics, etc.

The Company is a global leader in specialty process wafer foundry services and operates the most comprehensive specialty process platform in the industry. Anchored in its strategic objective of advancing “Specialty IC + Power Devices,” the Company focuses on expanding specialty process technologies and provides diversified wafer foundry and related services across multiple specialty platforms, including embedded/standalone non-volatile memory, power devices, analog and power management, logic, and radio frequency.

Upon Completion, the Company expects to further enhance its 12-inch wafer foundry capacity. The strengths of process platforms of the Company and the Target Company are highly complementary, which facilitate development of more comprehensive wafer foundry and supporting services covering a wider range of application scenarios and technical specifications. In addition, by way of consolidating its control over the Target Company, the Company could benefit from integrated management, process platforms, R&D resources, bespoke design and supply chain between the two companies. The Company believes that this could generate synergies to achieve cost reduction, improved market share and economies of scale.

The Company intends to implement further integration with the Target Company in respect of business, assets, finance, personnel, and organizational structure, based on considerations of operations and resource allocation. The integration aspects are as follows:

(1) Business Integration

Prior to completion of this transaction, the Target Company and the Company were competitors. Upon completion, the Target Company will become a controlled subsidiary of the Company, and its production and operations will be managed under the Company’s governance framework. The two companies will achieve comprehensive resource sharing and complementary advantages in procurement, production, R&D, and sales, thereby driving coordinated business development.

(2) *Asset Integration*

Following completion, the Target Company will remain an independent legal entity with its own property rights, and its assets will remain separate. The Target Company will formulate plans for the purchase and disposal of significant assets based on its capacity requirements and will comply with the Company's approval procedures. Leveraging its management expertise and capital operation capabilities, the Company will optimize resource allocation in light of the Target Company's market prospects and actual conditions to improve asset utilization and strengthen the combined competitiveness of both companies.

(3) *Financial Integration*

After completion, the Company plans to appoint a chief financial officer and other necessary finance personnel to the Target Company to oversee accounting and financial management. The Target Company will be incorporated into the Company's financial management system, aligning its financial systems, accounting practices, and internal control procedures with those of the Company. All financial arrangements and approval processes will be centrally managed to ensure effective implementation of the Company's standards.

(4) *Personnel Integration*

To maintain stability and preserve the competitive strengths of the Target Company's existing team, the Company will retain its current business team. At the same time, to enhance the Target Company's capabilities and support business expansion, the Company will introduce high-caliber talent as appropriate.

(5) *Organizational Integration*

Upon completion, the Target Company will become a controlled subsidiary of the Company. While maintaining relative organizational independence, its daily operations and governance will strictly comply with the PRC Company Law, PRC Securities Law, the Company's management and internal control systems, its Articles of Association, and the requirements of the Shanghai Stock Exchange and the CSRC. The Company will gradually unify management mechanisms while preserving the Target Company's existing structure, strengthening oversight in business, finance, and compliance, ensuring decision-making authority over significant matters, reducing internal control risks, and improving overall governance and operational standards.

The Company and the Target Company both operate in the wafer foundry sector and belong to the same industry. The two exhibit significant synergies across process technology platforms, customer resources, supply chain management, technology, and production capacity in the following manner:

(1) *Process Technology Platforms*

The Target Company's 65/55nm and 40nm platforms cover standalone non-volatile memory, embedded non-volatile memory, logic and radio frequency, and high-voltage processes. Upon completion of the transaction, the Company will further enrich its range of process platforms to meet diverse market demands.

(2) *Customers and Suppliers*

Different customers have varying requirements for wafer foundry services. Following completion, the Company's expanded process platforms and technologies will enable it to better satisfy diverse customer needs and enhance overall competitiveness. Given the high global concentration of semiconductor equipment and material suppliers, the enlarged scale of the Company post-transaction will strengthen its position within the industry value chain.

(3) *Technology and Capacity*

The transaction will allow the Company to broaden its technological capabilities in 65/55nm and 40nm processes, accelerating product iteration and development. The Target Company currently has a monthly capacity of approximately 38,000 wafers; upon completion, the Company's total capacity will increase further, enabling it to meet growing customer demand.

In summary, the Company and the Target Company will achieve synergies in process technology platforms, customer resources, supply chain management, technology, and production capacity. The transaction will improve the Company's asset quality, and safeguard the interests of minority shareholder.

Further, during the Company's listing on the STAR Board on SSE, Huahong Group had undertaken to, in accordance with the national strategic deployment arrangement, after performing the approval procedures of the competent government departments, Huahong Group will inject the Target into the Company within three years of the listing. As such, this Proposed Acquisition is a demonstration of Huahong Group's commitment to the Company's listing, which is in line with market expectations.

The terms of the Acquisition Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations between the parties thereto. The Directors (other than the Independent Board Committee, who will express its views after considering the advice from the Hong Kong Independent Financial Adviser) consider that the Acquisition Agreement, the Supplemental Agreement, the Compensation Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Proposed Non-public Issuance of RMB Shares

The proceeds to be raised from the Proposed Non-public Issuance of RMB Shares are proposed to be used for, amongst others, replenishing the working capital of the Group and the repayment of debt, financing technology update and renovation of the Target, and funding the research and development of the Target's specialized process, which would improve the overall financial position and facilitate the future development of the Group.

Intention of Huahong Group regarding the Company

Huahong Group intends for the Group to continue its existing businesses and had no intention to introduce any major changes in the business of the Company, including any redeployment of fixed assets of the Company, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

6. IMPLICATIONS UNDER THE LISTING RULES

6.1 Proposed Acquisition

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition in accordance with the Listing Rules exceed 25% but are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As HHGrace (a wholly-owned subsidiary of the Company) holds the remaining approximately 2.5012% of the share capital of the Target, upon completion, the Company is expected to hold, directly and indirectly, the entire share capital of the Target.

As at the date of this announcement,

- (i) Huahong Group, one of the Vendors, is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules; and
- (ii) China IC Fund II, one of the Vendors, holds 29% of the equity interests in Hua Hong Manufacturing, a subsidiary of the Company. China IC Fund II also held 48,334,249 RMB Shares as at the date of this announcement, representing approximately 2.78% of the total issued share capital of the Company. Accordingly, China IC Fund II is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules.

Therefore, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceeds 5%, the Proposed Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement and Proposed Acquisition LR Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for the Directors who are considered to have material interests in the Proposed Acquisition under the Listing Rules and the Takeovers Code and have abstained from voting on the board resolutions, namely (i) Mr. Jun Ye who is also the Chairman of SAIL (a member of the Huahong Concert Group); (ii) Mr. Guodong Sun who was also a director of Shanghai IC Fund (being one of the Vendors and a member of the Huahong Concert Group) and holds certain position in Sino-IC Capital which in turn manages the China IC Fund II (being one of the Vendors and a member of the Huahong Concert Group); (iii) Mr. Bo Chen who is the vice president of Huahong Group and (iv) Ms. Chengyan Xiong who is the director of the capital and finance department of Huahong Group, none of the Directors is required to abstain from voting on the board resolutions approving the Proposed Acquisition and the transactions contemplated thereunder.

6.2 Waivers from strict compliance with certain provisions of the Listing Rules

For the purpose of the issuance of the Consideration Shares under the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares, as the RMB Shares to be issued thereunder will be of the same class as the Hong Kong Shares (i.e. both are ordinary Shares carrying the same rights) but will not be listed on the Hong Kong Stock Exchange, the Company has applied for a one-off waiver from strict compliance with Rules 8.20 and 13.26(1) of the Listing Rules such that there is no need to seek listing in respect of the Consideration Shares and the Proposed Non-public Issuance of RMB Shares on the Hong Kong Stock Exchange under Rules 8.20 and 13.26(1) of the Listing Rules, on the basis that the Company will continue to comply with the conditions for the Hong Kong Stock Exchange's granting of a similar waiver for the Company's initial issuance of the RMB Shares as announced on 7 June 2022.

7. IMPLICATIONS UNDER THE TAKEOVERS CODE

7.1 Application for Whitewash Waiver

As at the date of this announcement, Huahong Group holds directly and indirectly 348,804,167 Shares (comprising 1,198,517 RMB Shares and 347,605,650 Hong Kong Shares), representing approximately 20.07% of the total issued share capital of the Company. In addition, as at the date of this announcement, the Huahong Concert Group holds directly and indirectly 602,956,550 Shares (comprising 66,389,753 RMB Shares and 536,566,797 Hong Kong Shares), representing approximately 34.70% of the total issued share capital of the Company.

If the Proposed Acquisition materializes, it is expected that immediately after completion of the issuance of the Consideration Shares, the voting rights held by Huahong Concert Group in the Company will increase to approximately 41.16% (assuming (i) there will not be any further adjustment to the issue price of the Consideration Shares, (ii) there will not be any change in the total issued share capital of the Company since the date of this announcement up to and including the date of issuance of the Consideration Shares and (iii) the Proposed Non-public Issuance of RMB Shares has not been completed). Accordingly, upon Completion, pursuant to Rule 26.1 of the Takeovers Code, Huahong Concert Group will be required to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Huahong Concert Group, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

Further, Huahong Group, SAIL and China IC Fund II, being the top 20 shareholders of the Company among the Huahong Concert Group, have indicated that they will not participate in the Proposed Non-public Issuance of RMB Shares, and the Company has not received any indication from other parties in the Huahong Concert Group that any of them will participate in the Proposed Non-public Issuance of RMB Shares. On such basis, if the Proposed Non-public Issuance of RMB Shares materializes, it is expected that the voting rights held by the Huahong Concert Group in the Company will be diluted accordingly. For illustration purpose, the voting rights held by Huahong Concert Group in the Company shall be decreased to approximately 39.35% (subject to the assumptions set out at paragraph (iii) of section 3 headed “Effects on the Shareholding Structure of the Company” above). The Company shall include the Huahong Concert Group’s voting rights in the Company in its announcement upon the completion of the Proposed Non-public Issuance of RMB Shares.

As such, Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Takeovers Code Independent Shareholders. An application has been made by Huahong Group (on behalf of itself and Huahong Concert Group) to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by Takeovers Code Independent Shareholders either in person or by proxy at the EGM; and (ii) the approval of the Proposed Acquisition by more than 50% of the votes cast by Takeovers Code Independent Shareholders either in person or by proxy at the EGM as required under the Takeovers Code. The Proposed Acquisition will not proceed if the Whitewash Waiver is not obtained or if the Whitewash Waiver is not approved by the Takeovers Code Independent Shareholders.

As at the date of this announcement, the Company does not believe that the Proposed Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Acquisition does not comply with other applicable rules and regulations.

7.2 Special Deal in relation to the Proposed Non-public Issuance of RMB Shares

Pursuant to Article 41 of the Detailed Rules for the Implementation of Securities Issuance and Underwriting by Listed Companies on the Shanghai Stock Exchange 《上海證券交易所上市公司證券發行與承銷業務實施細則》, on the business day immediately preceding the start date of the issuance period, the listed company and the lead underwriter may provide subscription invitation letters to eligible specific parties. The recipients of the subscription invitation letters shall include investors who have submitted letters of intent after the announcement of the board resolution and the company's top 20 shareholders (but excluding (i) Huahong Group, SAIL and China IC Fund II which have indicated that they will not participate in the Proposed Non-public Issuance of RMB Shares and (ii) certain other Shareholders such as controlling shareholders and its related parties pursuant to the requirement of the Shanghai Listing Rules (both terms as defined thereunder)), and shall also include the following investors: (i) no fewer than 20 securities investment fund management companies; (ii) no fewer than 10 securities firms; (iii) no fewer than 5 insurance institutional investors.

The recipients of the subscription invitation letters must also comply with the relevant provisions of the Shanghai Stock Exchange. The listed company and the lead underwriter shall, in accordance with the relevant regulation set out above and the principles agreed upon in the subscription invitation letter, negotiate and determine the recipients of the subscription invitation letter.

The scope of targeted subscribers under the Proposed Non-public Issuance of RMB Shares will include not more than 35 specific target subscribers. Such specific target subscribers may include, but not limited to, institutional investors such as securities investment fund management company, securities firm, asset management company, insurance company, and other legal person or natural person investors in the PRC that comply with the regulations of the CSRC and the Shanghai Stock Exchange.

In addition, the identity of the target subscribers (and whether the target subscribers include existing RMB Shareholders) cannot be pre-determined as of the date of this announcement. Therefore, given (i) the Proposed Non-public Issuance of RMB Shares may take place shortly after the completion of the Proposed Acquisition, (ii) the top 20 Shareholders of the Company may be approached pursuant to the above PRC regulatory requirements for invitation to subscribe for RMB Shares under the Proposed Non-public Issuance of RMB Shares, and (iii) their subscription (or any other subscriber who is a Shareholder) may be accepted by the Company, the Proposed Non-public Issuance of RMB Shares will potentially constitute a Special Deal under Rule 25 of the Takeovers Code which is not capable of being extended to all Shareholders and requires the consent of the Executive. Such consent, if granted, is expected to be subject to, among other things, (i) the Hong Kong Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deal are fair and reasonable and (ii) the approval of the Special Deal by the Takeovers Code Independent Shareholders by way of poll at the EGM.

Accordingly, the resolution in respect of the Special Deal will be submitted for Takeovers Code Independent Shareholders' consideration and approval at the EGM. (i) The Huahong Concert Group, (ii) Shareholders who have indicated to participate in the Proposed Non-public Issuance of RMB Shares before the EGM and their close associates (as defined under the Listing Rules), (iii) Shareholders who are involved in or interested in the Proposed Non-public Issuance of RMB Shares and (iv) such other Shareholders who shall abstain from voting pursuant to the applicable laws, rules and regulations abstain from voting on the resolution to be proposed at the EGM to approve the Special Deal.

An application has been made by the Company to the Executive for its consent to the Special Deal pursuant to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to, among other things, (i) the Hong Kong Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deal are fair and reasonable as far as the Takeovers Code Independent Shareholders are concerned, and (ii) the approval of the Special Deal by the Takeovers Code Independent Shareholders by way of poll at the EGM.

8. INDEPENDENT BOARD COMMITTEE AND HONG KONG INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. Stephen Tso Tung Chang, Mr. Kwai Huen Wong, JP and Mr. Songlin Feng, who have no direct or indirect interest in the Proposed Acquisition, the Whitewash Waiver and the Special Deal) has been formed to advise the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders on the Proposed Acquisition (including the grant of the Proposed Acquisition Specific Mandate and the approval of the Acquisition Agreement and the Supplemental Agreement), the Whitewash Waiver and the Special Deal. As (i) Mr. Jun Ye is the Chairman of SAIL (a member of the Huahong Concert Group); (ii) Mr. Guodong Sun was a director of Shanghai IC Fund (being one of the Vendors and a member of the Huahong Concert Group) and holds certain position in Sino-IC Capital which in turn manages the China IC Fund II (being one of the Vendors and a member of the Huahong Concert Group); (iii) Mr. Bo Chen is the vice president of Huahong Group and (iv) Ms. Chengyan Xiong is the director of the capital and finance department of Huahong Group, each of them is not considered as independent for the purposes of giving advice or recommendations to the Takeovers Code Independent Shareholders under the Takeovers Code.

In this connection, Innovax Capital Limited has been appointed as the Hong Kong Independent Financial Adviser to advise the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

9. EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of RMB Shares; (iii) the Specific Mandate; (iv) the Whitewash Waiver; and (v) the Special Deal.

The voting in relation to the Proposed Acquisition, the Proposed Non-public Issuance of RMB Shares, the Specific Mandate, the Whitewash Waiver, and the Special Deal at the EGM will be conducted by way of poll.

In respect of the Proposed Acquisition and the Proposed Acquisition Specific Mandate, (i) with respect to the approvals required under the Listing Rules, Huahong Group and China IC Fund II and its associates, and China IC Fund (by virtue of its 10.53% holding in Shanghai IC Fund) and any Shareholders which have a material interest in the Proposed Acquisition and the Proposed Acquisition Specific Mandate under the Listing Rules and/or the Shanghai Listing Rules will be required to abstain from voting on the relevant resolutions to be proposed at the EGM; and (ii) with respect to the approvals required under the Takeovers Code, the Huahong Concert Group (holding approximately 34.70% of the Shares in issue as at the date of this announcement) and those who are involved in or interested in the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal under the Listing Rules, the Takeovers Code and/or the Shanghai Listing Rules will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

In respect of the Whitewash Waiver, the Huahong Concert Group and those who are involved in or interested in the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal under the Listing Rules, the Takeovers Code and/or the Shanghai Listing Rules will be required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the date of this announcement, Huahong Concert Group and China IC Fund held in aggregate 673,988,151 Shares (approximately 38.79% of the Shares in issue as at the date of this announcement) and shall abstain from voting on the relevant resolutions to be proposed at the EGM.

In respect of the Special Deal, the Proposed Non-public Issuance of RMB Shares and the Non-public Issuance Specific Mandate, the Huahong Concert Group (holding approximately 34.70% of the Shares in issue as at the date of this announcement), Shareholders who are involved in or interested in the Proposed Non-public Issuance of RMB Shares and other Shareholders who are required to abstain from voting pursuant to the Listing Rules, the Shanghai Listing Rules, the Takeovers Code and other applicable laws, rules and regulations shall abstain from voting on the relevant resolutions to be proposed at the EGM. Under Shanghai Listing Rules, (i) a Shareholder who controls or is controlled by, directly or indirectly, or under common control with, the Vendors, (ii) a Shareholder holding a position at any of the Vendors or entities controlled by the Vendors; (iii) a Shareholder who is a family member of the Vendors or its direct or indirect controllers, (iv) a Shareholder who is restricted from exercising its voting rights as a share transfer agreement or other agreement(s) with any of the Vendors or their affiliates has not been completed and (v) a Shareholder who the CSRC or the Shanghai Stock Exchange deems to be potentially biased. In the event that a Shareholder has indicated to participate in the Proposed Non-public Issuance of RMB Shares before the EGM, such Shareholder and his/her/its close associates (as defined under the Listing Rules) will also be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

As at the date of this announcement, no Shareholder has indicated an intention to participate in the Proposed Non-Public Issuance of RMB Shares.

Save as aforementioned, to the Company's best knowledge, no other Shareholder, is required to abstain from voting at the EGM.

Subject to passing of the relevant resolutions in the EGM, the Specific Mandates shall be valid for 12 months from the date the Specific Mandates are approved in the EGM. In the event that the Proposed Acquisition and/or the Non-public Issuance has not been completed within the validity period, the Company shall seek further approval on the Specific Mandates from the Shareholders at a general meeting.

10. FURTHER DELAY IN DESPATCH OF THE CIRCULAR

As disclosed in the announcements of the Company dated 19 September 2025, 16 October 2025 and 16 November 2025, the Company has applied to the Executive under Rule 8.2 of the Takeovers Code, and the Executive has granted, the consent to extend the latest date of despatch of the Circular to a date no later than 31 December 2025. The Company has further applied to the Executive to extend the latest date of dispatch of the Circular to a date no later than 30 January 2026. The Executive has indicated that it is minded to grant such consent. The Company will despatch the Circular to the Shareholders as soon as practicable and will make further announcement in respect of despatch of the Circular if and when appropriate.

11. OTHER INFORMATION

Your attention is drawn to the overseas regulatory announcement of the Company setting out the announcements published on 31 December 2025 by the Company in relation to the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares on the Shanghai Stock Exchange (the “**RMB Share Announcements**”).

In addition, English translation and the Chinese version of the relevant parts of the following RMB Share Announcements containing material information with Takeovers Code implications are attached to this announcement as Appendix III:

- (i) Report on the Company’s issuance of shares to purchase assets and raise supporting funds and related party transactions (Draft) (華虹半導體有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)) (the “**Report on the Proposed Acquisition and Proposed Non-public Issuance of RMB Shares and Related Party Transactions**”);
- (ii) Independent Non-executive Directors’ Opinions on matters related to the Issuance of Shares to purchase assets and raise supporting funds and related party transactions (獨立董事關於發行股份購買資產並募集配套資金暨關聯(連)交易相關事項的獨立意見) (the “**INED Opinions**”);
- (iii) The inspection opinion of the RMB share independent financial adviser on the impact of this major asset restructuring on the immediate returns of the listed company and the relevant measures for preventing and remedying the dilution of immediate returns (國泰海通證券股份有限公司關於本次重大資產重組對上市公司即期報酬影響情形及防範及填補即期報酬被稀釋措施的核查意見) (the “**RMB Share Independent Financial Adviser Inspection Opinion Announcement**”);
- (iv) The Report of the RMB share independent financial adviser on the Company’s Proposed Issuance of Shares to purchase assets and raise supporting funds and related transactions (國泰海通證券股份有限公司關於華虹半導體有限公司發行股份購買資產並募集配套資金暨關聯交易之獨立財務顧問報告) (the “**RMB Share Independent Financial Adviser Opinion Announcement**”);
- (v) Explanation by the Board of Directors of the Company on the dilution of immediate returns resulting from the transaction and the remedial measures adopted (華虹半導體有限公司董事會關於本次交易攤薄即期報酬及採取填補措施的說明) (“**Dilution of Immediate Returns Explanation**”);
- (vi) Pro forma consolidated financial statements and review report for the year 2024 and the eight-month period ended 31 August 2025 (2024 年度及截至 2025 年 8 月 31 日止八個月期間備考合併財務報表及審閱報告) (the “**Review Report on Pro Forma Financial Information**”)

WARNING

Completion of the Proposed Acquisition and the Proposed Non-public Issuance of RMB Shares are subject to the satisfaction of certain conditions, and may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, subject to the approval by at least 75% of the votes cast by the Takeovers Code Independent Shareholders by way of poll in respect of the Whitewash Waiver; and more than 50% of the votes cast by the Takeovers Code Independent Shareholders by way of poll in respect of the Proposed Acquisition, respectively, at the EGM.

The consent to the Special Deal may or may not be granted by the Executive and if granted, will, among others things, each be subject to the approval by more than 50% of the votes cast by the Takeovers Code Independent Shareholders by way of poll at the EGM.

Completion of the Proposed Acquisition is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Takeovers Code Independent Shareholders, and completion of the Proposed Non-public Issuance of RMB Shares is subject to the completion of the Proposed Acquisition, the consent to the Special Deal being granted by the Executive and the approval of the Special Deal by the Takeovers Code Independent Shareholders.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

12. DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this announcement shall have the meanings as follows:

“Acquisition Agreement”	the agreement dated 29 August 2025 entered into between the Company and the Vendor in relation to the Proposed Acquisition
“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 31 August 2025 in relation to, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of RMB Shares; and (iii) the Whitewash Waiver
“Articles of Association”	the articles of association of the Company from time to time
“Asset Valuation Report”	the asset valuation report dated 29 December 2025 in respect of the Target Assets issued by the Valuer, the full text of which are set out in Appendix I to this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Average Trading Price”	the average trading price of the RMB Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the RMB Shares by the total trading volume of the RMB Shares during the 20 trading days immediately preceding the Price Determination Date
“Board”	the board of directors of the Company
“China IC Fund”	China Integrated Circuit Industry Investment Fund Co., Ltd.* (國家集成電路產業投資基金股份有限公司), a company incorporated in the PRC on 26 September 2014 and a 4.09% shareholder of the Company
“China IC Fund II”	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (國家集成電路產業投資基金二期股份有限公司), a company established in the PRC on 22 October 2019 and a connected person of the Company at subsidiary level, one of the Vendors and a member of the Huahong Concert Group. For details of its ownership structure, please refer to the section 1.3 headed “Information on the parties to the Acquisition Agreement” of the Announcement.
“Company”	Hua Hong Semiconductor Limited, 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 (stock code: 01347) and the STAR Board (stock code: 688347)
“Compensation Agreement”	the compensation agreement dated 31 December 2025 entered into between the Company and Huahong Group in relation to compensation provided by Huahong Group in respect of total value of the assets of the Target Assets
“Completion”	completion of the Proposed Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Share(s)”	the 190,768,392 new RMB Share(s) to be allotted and issued by the Company to the Vendors pursuant to the Acquisition Agreement and the Supplemental Agreement
“Consideration Share Issuance”	the issuance of the Consideration Shares by the Company to the Vendors pursuant to the Acquisition Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of RMB Shares; (iii) the Specific Mandate; (iv) the Whitewash Waiver; and (v) the Special Deal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Group”	the Company and its subsidiaries
“Guotou IC Fund”	Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership)* (上海國投先導集成電路私募投資基金合夥企業(有限合夥)), one of the Vendors and a member of the Huahong Concert Group. Shanghai SASAC owns approximately 67.7762% of the partnership interest in Guotou IC Fund in aggregate. For details of its ownership structure, please refer to the section 1.3 headed “Information on the parties to the Acquisition Agreement” of the Announcement
“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 on 24 January 2013 and a wholly-owned subsidiary of our Company
“Huahong Concert Group”	Huahong Group and parties acting in concert with it (including Shanghai IC Fund, China IC Fund II, Guotou IC Fund and SAIL)
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), one of the Vendors. It is 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

“Hua Hong Manufacturing”	Hua Hong Semiconductor Manufacturing (Wuxi) Co., Ltd.* (華虹半導體製造(無錫)有限公司), a company incorporated in the PRC on 17 June 2022 and a non-wholly owned subsidiary of the Company held as to approximately 21.90%, 29.10%, 20.00% and 29.00% by the Company, HHGrace, Wuxi Xi Hong Lian Xin and China IC Fund II, respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Independent Financial Adviser”	Innovax Capital Limited, an independent financial adviser appointed by the Company to advise the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal
“Hong Kong Shares”	ordinary Share(s) which are listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Acquisition, the Whitewash Waiver and the Special Deal, namely Mr. Stephen Tso Tung Chang, Mr. Kwai Huen Wong, JP and Mr. Songlin Feng, established pursuant to the requirements of the Listing Rules and the Takeovers Code to advise the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders on the Proposed Acquisition (including the grant of the Proposed Acquisition Specific Mandate and the approval of the Acquisition Agreement), the Whitewash Waiver and the Special Deal
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-public Issuance Benchmark Price”	Not lower than 80% of the Average Trading Price
“Non-Public Issuance Specific Mandate”	the specific mandate to be sought at the EGM to issue RMB Shares pursuant to the Proposed Non-public Issuance of RMB Shares

“Non-public Issuance Independent Shareholders”	Shareholders other than (i) the Huahong Concert Group, (ii) Shareholders who have indicated to participate in the Non-public Issuance of RMB Shares before the EGM and their close associates (as defined under the Listing Rules), (iii) Shareholders who are involved in or interested in the Proposed Non-public Issuance of RMB Shares and (iv) such other Shareholders who shall abstain from voting pursuant to applicable laws, rules and regulations
“Offering Period”	the period commencing the Proposed Non-public Issuance of RMB Shares as determined by the Company
“PRC”	the People’s Republic of China, and for the sole purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Price Determination Date”	the first day of the offering period of the Proposed Non-public Issuance of RMB Shares, which shall be a date falling within 12 months of the CSRC registration
“Pricing Benchmark Date”	the date of the announcement of the resolutions of the Board in respect of the Proposed Acquisition on the Shanghai Stock Exchange, being 31 August 2025
“Proposed Acquisition”	the proposed acquisition of the Target Assets from the Vendors pursuant to the Acquisition Agreement
“Proposed Acquisition LR Independent Shareholders”	Shareholders, other than Huahong Group, China IC Fund and China IC Fund II and its associates, which do not have a material interest in the Proposed Acquisition and the Proposed Acquisition Specific Mandate who are not required to abstain under the Listing Rules, the Shanghai Listing Rules and the relevant PRC laws and regulations
“Proposed Acquisition Specific Mandate”	the specific mandate to be sought at the EGM to issue the Consideration Shares pursuant to the Acquisition Agreement
“Proposed Non-public Issuance of RMB Shares”	the proposed non-public Issuance of RMB Shares to not more than 35 specific target subscribers
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Share(s)”	the RMB share(s) of the Company, which are listed on the STAR Board of the Shanghai Stock Exchange in the PRC

“SAIL”	Shanghai Alliance Investment Limited (上海聯和投資有限公司), a substantial shareholder directly and indirectly holding approximately 10.87% of the Shares of our Company, and a member of the Huahong Concert Group. It was incorporated in the PRC on 26 September 1994 and is currently wholly-owned by Shanghai SASAC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shanghai IC Fund”	Shanghai Integrated Circuit Industry Investment Fund Co., Ltd.* (上海集成電路產業投資基金股份有限公司), a company established under the laws of the PRC, one of the Vendors and a member of the Huahong Concert Group. Shanghai IC Fund is owned approximately 30.70% by Shanghai Science and Technology Venture Capital (Group) Co., Ltd.* (上海科技創業投資(集團)有限公司) which is in turn ultimately owned by Shanghai SASAC. For details of its ownership structure, please refer to the section 1.3 headed “Information on the parties to the Acquisition Agreement” of the Announcement
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on the STAR Board of Shanghai Stock Exchange 《上海證券交易所科創板股票上市規則》(as amended from time to time)
“Shanghai SASAC”	Shanghai Municipal State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“Share(s)”	ordinary shares in the capital of the Company
“Shareholder(s)”	holders of ordinary shares in the capital of the Company
“Special Deal”	the Proposed Non-public Issuance of RMB Shares which constitutes a special deal under Rule 25 of the Takeovers Code
“Specific Mandate(s)”	the Proposed Acquisition Specific Mandate and the Non-Public Issuance Specific Mandate
“STAR Board”	the Science and Technology Innovation Board of the Shanghai Stock Exchange
“Supplemental Agreement”	the supplemental agreement to the Acquisition Agreement dated 31 December 2025 entered into between the Company and the Vendors
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Takeovers Code Independent Shareholders”	Shareholders other than (i) Huahong Concert Group and (ii) those who are interested in or involved in the Proposed Acquisition, the Proposed Acquisition Specific Mandate, the Whitewash Waiver and the Special Deal
“Target Assets”	97.4988% of the equity interests in the Target Company
“Target Company” or “Target”	Shanghai Huali Microelectronics Corporation* (上海華力微電子有限公司), a company established in the PRC with limited liability, of which the Vendors hold in aggregate 97.4988% as at the date of this announcement
“Total Consideration”	the consideration payable by the Company to the Vendors for the Proposed Acquisition, and pursuant to the Supplemental Agreement, shall be an aggregate of 190,768,392 Consideration Shares
“trading day(s)”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuation Benchmark Date”	31 August 2025
“Valuer”	Shanghai Orient Appraisal Co., Ltd (上海東洲資產評估有限公司), a qualified asset appraisal agency in the PRC
“Vendor(s)”	Huahong Group, Shanghai IC Fund, China IC Fund II and Guotou IC Fund
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Huahong Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Huahong Group which would otherwise arise as a result of the issue of the Consideration Shares under the Proposed Acquisition

“Wuxi Xi Hong Lian Xin”

Wuxi Xi Hong Lian Xin Investment Co., Ltd.* (無錫錫虹聯芯投資有限公司), a professional investment company incorporated in the PRC on 19 December 2017, jointly established by municipal and district-level state-owned enterprises, holding 20.00% of the shares of Hua Hong Manufacturing, a non-wholly owned subsidiary of the Company.

“%”

per cent

By Order of the Board
Hua Hong Semiconductor Limited
Mr. Peng Bai
Chairman and Executive Director

Shanghai, the PRC
31 December 2025

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

Executive Directors:

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

* For identification purpose only.

APPENDIX I – ASSET VALUATION REPORT

This asset appraisal report is prepared in accordance with the Asset Appraisal Standards of the PRC

**Asset Appraisal Report on the Value of All
Shareholders' Equity of Shanghai Huali
Microelectronics Corporation in connection with the
Proposed Issuance of Shares by Hua Hong
Semiconductor Limited for the Acquisition of Assets**

Orient Ping Bao Zi [2025] No. 2446

**(Report)
(1 volume in total, Book No.1)**



Shanghai Orient Appraisal Co., Ltd.

December 29, 2025

Statement

- I. This asset appraisal report is prepared in accordance with the Basic Standards for Asset Appraisal issued by the Ministry of Finance and the Professional Standards for Asset Appraisal and Professional Ethics Standards issued by the China Asset Appraisal Association.
- II. The client or other users of the asset appraisal report shall use the asset appraisal report in accordance with the provisions of laws and administrative regulations and the scope of use specified in the asset appraisal report; if the client or other users of the asset appraisal report use the asset appraisal report in violation of the aforementioned provisions, the asset appraisal institution and asset appraisal professionals shall not be held liable.
- III. The asset appraisal report shall only be used by the client, other users of the asset appraisal report as agreed in the asset appraisal engagement contract, and users of the asset appraisal report as stipulated by laws and administrative regulations. Except for the aforementioned users, no other institution or individual shall become a user of the asset appraisal report.
- IV. The users of the asset appraisal report shall correctly understand and use the appraisal conclusions. The appraisal conclusions are not equivalent to the realizable price of the appraised asset, and should not be regarded as a guarantee of the realizable price of the appraised asset.
- V. Users of the asset appraisal report should pay attention to the hypothetical premises for the appraisal conclusion, the special matters explanation, and the limitations on the use of the asset appraisal report.
- VI. The asset appraisal institution and its asset appraisal professionals shall comply with laws, administrative regulations and asset appraisal standards, adhere to the principles of independence, objectivity and fairness, and shall be legally responsible for the asset appraisal reports issued.
- VII. We have no existing or anticipated interest in the subject of this asset appraisal report, nor do we have any existing or anticipated interest in the relevant parties, and we are not biased towards the relevant parties.
- VIII. The list of assets and liabilities involved in the appraisal subject shall be declared by the client and the appraised entity and confirmed by them through signature, seal, or other legally permissible means. According to the Asset Appraisal Law of the People's Republic of China: "The client shall be responsible for the truthfulness, completeness and legality of the ownership certificates, financial accounting information and other materials provided by it."

- IX. We have conducted on-site investigations of the appraisal subject and the assets involved; we have given necessary attention to the legal ownership status of the appraisal subject and the assets involved, and have verified the legal ownership documents of the assets involved. Matters that have been discovered and may have a significant impact on the appraisal conclusion have been truthfully disclosed in this asset appraisal report, and the client and other relevant parties have been requested to perfect the property rights to meet the requirements for issuing the asset appraisal report. However, we only express an opinion on the value of the appraisal subject and the assets involved, and we are not authorized to provide any form of assurance regarding their legal ownership. This report shall not be used as any form of title certificate.
- X. Our inspection of physical assets such as equipment is normally limited to their apparent quality, condition of use, and maintenance status, and does not extend to internal, concealed, hidden, or difficult-to-observe parts. We are neither capable nor commissioned to conduct professional technical testing and appraisal of the internal quality of the aforementioned assets. Our appraisal is based on the information provided by the client and other relevant parties. If there are defects in the internal quality of the appraisal subject, the appraisal conclusion of this asset appraisal report may be affected to varying degrees.

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Asset Appraisal Report on the Value of All Shareholders' Equity of Shanghai Huali Microelectronics Corporation in connection with the Proposed Issuance of Shares by Hua Hong Semiconductor Limited for the Acquisition of Assets

Orient Ping Bao Zi [2025] No. 2446

Summary

Special note: This asset appraisal report only provides value reference for the economic activities described in the report. The following content is extracted from the text of the asset appraisal report. To understand the details of this valuation and correctly understand the appraisal conclusion, you should read the text of the appraisal report.

Upon the engagement, subject to laws, administrative regulations and asset appraisal standards, and on the principles of independence, objectivity and impartiality, Shanghai Orient Appraisal Co., Ltd. conducted an appraisal on the appraisal subject under the economic behaviors, based on appropriate valuation approaches and necessary valuation process. The summary of the asset appraisal report is as follows:

Client: Shanghai Huahong (Group) Co., Ltd., Hua Hong Semiconductor Limited

Appraised entity: Shanghai Huali Microelectronics Corporation (“HLMC”)

Purpose of appraisal: Issuance of shares for asset acquisition

Economic behavior: According to the Resolution on Promoting the Rainbow Project of Shanghai Huahong (Group) Co., Ltd. ((Hu Huahong Dong [2025] No. 8), the Announcement of Resolutions of the Board of Directors of Hua Hong Semiconductor Gang Hua Dong (2025) No. 15), and the Resolution on the Approval of the Equity Transfer of the Company of Shanghai Huali Microelectronics Co., Ltd. (Hu HLMC Gu (2025) No. 12), Hua Hong Semiconductor Limited intends to acquire 97.4988% equity interest in HLMC held by four HLMC shareholders, including Shanghai Huahong (Group) Co., Ltd., Shanghai Integrated Circuit Industry Investment Fund Co., Ltd., China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd., and Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership), by way of issuing shares.

Appraisal subject: the value of all shareholders' equity of the appraised entity.

Scope of appraisal: The scope of the appraisal covers all assets and liabilities of the appraised entity, specifically including current assets, non-current assets, and liabilities. The total book value of all assets declared by the appraised entity was RMB7,258,502,795.25, the total book value of liabilities was RMB5,256,589,024.59, and the owner's equity was RMB2,001,913,770.66.

Type of value: Market value

Base date: August 31, 2025

Appraisal methods: The asset-based approach and the market approach were adopted. The conclusion of this appraisal report is based on the appraisal results under the market approach.

Appraisal conclusion: Upon appraisal, the value of all shareholders' equity of the appraised entity was RMB8,480,000,000.00 (in words: RMB Eight Billion Four Hundred Eighty Million only).

Validity period of the appraisal conclusion: the appraisal conclusion shall be valid for one year from the base date, i.e. effective from the base date, being August 31, 2025, to August 30, 2026.

If this appraisal project involves state-owned assets and is required to comply with the filing and approval procedures of the state-owned assets supervision and administration authority in accordance with the relevant regulations, this appraisal report shall be filed with the state-owned assets supervision and administration authority before it can be formally used, and the appraisal conclusion shall only apply to the economic behaviors shown in this report.

Special Matters:

1. Spin-off of the appraised entity

On June 26, 2025, pursuant to the general meeting resolution Hu HLMC Gu (2025) No. 4, all shareholders unanimously agreed to the spin-off plan, pursuant to which the company will be divided into Shanghai Huali Microelectronics Corporation (the surviving company, hereinafter referred to as “HLMC After Spin-off”) and the new company by way of spin-off. HLMC After Spin-off will continue to operate the 12-inch wafer foundry and related businesses located at No. 568 Gaosi Road, China (Shanghai) Pilot Free Trade Zone, and will assume the related assets, creditor’s rights and liabilities, personnel, and other agreed rights and obligations. The new company will assume long-term equity investments and corresponding businesses, assets, creditor’s rights and liabilities, personnel, and other agreed rights and obligations. HLMC After Spin-off and the new company will maintain independence from each other in terms of business, assets, personnel, finance, and organization. The Company completed the spin-off on August 21, 2025. The sum of the registered capital of HLMC After Spin-off and the new company is equal to the registered capital of HLMC before this spin-off. The shareholding ratio of each shareholder in HLMC After Spin-off and the new company is consistent with their shareholding ratio in HLMC before this spin-off. HLMC After Spin-off will be the target asset to be injected into Huahong Company for this reorganization.

The appraisal subject is HLMC After Spin-off. Based on this, the appraisal is carried out on the basis of the pro forma financial statements prepared by HLMC under the spin-off framework and the business substance reflected therein.

2. Pledge and mortgage

As of the base date, pledges and guarantees in which HLMC was involved were as follows:

Contract No.	Borrower	Lender	Loan amount (RMB0,000)	Term of loan	Purpose of the loan	Interest rate	Guarantee
Loan Contract No. 31002016061 00000054	HLMC	Entrusted lender: China Development Bank Development Fund Co., Ltd; Entrustee lender: China Development Bank Corporation	300,000.00	August 4, 2016-August 3, 2026	Production line construction	1.2% per annum	HLMC provided mortgage guarantee to the entrusted lender with equipment valued at a total of RMB1.5224377 billion

Contract No.	Borrower	Lender	Loan amount (RMB0,000)	Term of loan	Purpose of the loan	Interest rate	Guarantee
Loan Contract No. 31002015061000 00015001	HLMC	Entrusted lender: China Development Bank Development Fund Co., Ltd; Entrustee lender: China Development Bank Corporation	100,000.00	November 24, 2015-November 23, 2030	Investment and construction of production lines	1.2% per annum	HLMC provided mortgage guarantee to the entrusted lender with equipment valued at a total of RMB1.1626396 billion
31002023011 00002961	HLMC	China Development Bank Shanghai Branch, Bank of Communications Co., Ltd. Shanghai New Area Sub-branch, Bank of Shanghai Co., Ltd. Xuhui Sub-branch, China Construction Bank Corporation Shanghai Zhangjiang Branch	96,000.00	February 2023-February 2031	R&D	3%	HLMC provided mortgage guarantee to the lender with equipment valued at a total of RMB290,528,500

Report users are advised to take note that this appraisal does not consider the possible impact of the aforementioned mortgage or pledge matters on the appraisal results.

3. Contingencies

As of August 31, 2025, the outstanding balance of bank guarantees for HLMC was RMB10,000,000.00, with the last guarantee expiring on February 10, 2026.

As of August 31, 2025, the unused amount of irrevocable letters of credit not yet fulfilled by HLMC was USD1,360,050.00 (equivalent to RMB9,660,435.15), with the last one maturing on January 13, 2026.

This appraisal did not consider the impact of the aforementioned contingencies on the appraisal.

The above special matters may affect the conclusion of this appraisal. Users of the appraisal report are requested to pay full attention to them when implementing this economic action. In addition, users of the appraisal report should also pay attention to the valuation assumptions stated in the main body of the appraisal report and the impact of significant subsequent events on the conclusion of this appraisal, and use this appraisal report appropriately.

Asset Appraisal Report on the Value of All Shareholders' Equity of Shanghai Huali Microelectronics Corporation in connection with the Proposed Issuance of Shares by Hua Hong Semiconductor Limited for the Acquisition of Assets

Orient Ping Bao Zi [2025] No. 2446

Mainbody

Shanghai Huahong (Group) Co., Ltd., Hua Hong Semiconductor Limited:

Shanghai Orient Appraisal Co., Ltd., entrusted by your company, conducted an appraisal of the market value of all shareholders' equity of Shanghai Huali Microelectronics Corporation as at August 31, 2025, which is involved in the proposed share issuance by Hua Hong Semiconductor Limited for asset acquisition. This appraisal was performed in accordance with laws, administrative regulations, and asset appraisal standards, adhering to the principles of independence, objectivity, and impartiality, and utilizing the asset-based approach and market approach, following the necessary appraisal procedures. The asset appraisal report is as follows:

I. CLIENT, APPRAISED ENTITY AND OTHER USERS OF ASSET APPRAISAL REPORT

(I) Client

Client 1:

Company name: Shanghai Huahong (Group) Co., Ltd.

Unified social credit code: 91310000132263312B

Type of enterprise: limited liability company (state-controlled)

Registered address: No. 177 Bibo Road, China (Shanghai) Pilot Free Trade Zone

Legal representative: Qin Jian

Registered capital: RMB13,521.484493 million

Date of incorporation: April 9, 1996

Scope of business: organization, development, design, processing, manufacturing and sales of integrated circuits and related products, investment in integrated circuit design, manufacturing, sales, applications and related high-tech industries, consulting services, asset management, self-owned property leasing, and operation of parking lots (garages). (Projects subject to approval in accordance with the law may only commence operating activities upon approval by relevant departments.)

Client 2:

Company name: Hua Hong Semiconductor Limited

Stock abbreviation: 華虹公司／華虹半導體

Stock Code: 688347.SH/1347.HK

Enterprise English Name: Hua Hong Semiconductor Limited

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

Date of incorporation: January 21, 2005

Listing date: August 7, 2023

Company Profile: Hua Hong Semiconductor Limited's principal business involves the development and application of "8-inch + 12-inch" differentiated specialty technologies, including embedded/standalone non-volatile memory, power discrete, analog & power management, and logic & RF, providing wafer manufacturing services to its customers. The Company's main products are power devices, embedded non-volatile memory, analog & power management, logic & radio frequency, IP design services, testing services, and wafer back-end processing services.

(II) Appraised entity

Company name: Shanghai Huali Microelectronics Corporation ("HLMC")

Unified social credit code: 913100005500570876

Type of enterprise: limited liability company (foreign-invested enterprise and domestic joint venture)

Registered address: No. 568 Gaosi Road, China (Shanghai) Pilot Free Trade Zone

Legal representative: Qin Jian

Registered capital: RMB2.036192198 billion

Date of incorporation: January 18, 2010

Scope of business: development, design, processing, manufacturing and sales of integrated circuits and related products, and engaging in import and export business of goods and technologies. Projects subject to approval in accordance with the law can only be carried out after approval by relevant departments

1. *Shareholding structure of HLMC*

As of the basis date, the shareholding structure of HLMC was as follows:

Unit: RMB0,000

No.	Name of shareholder	Shareholding percentage (%)
1	Shanghai Huahong (Group) Co., Ltd.	63.54
2	Shanghai Integrated Circuit Industry Investment Fund Co., Ltd.	15.72
3	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	10.25
4	Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership)	7.98
5	Shanghai Huahong Grace Semiconductor Manufacturing Corporation	2.50
	Total	100.00

2. *Operating Conditions of HLMC*

(1) Principal business operations

HLMC builds upon logic process technologies while deepening its expertise in specialty processes. It provides design companies, IDM companies, and other system companies with wafer foundry and supporting services across diverse process platforms, including logic and radio frequency (RF), embedded/standalone non-volatile memory, high-voltage, and others.

HLMC has accumulated over 15 years of technological expertise in semiconductor manufacturing, consistently adhering to independent innovation, continuously developing and mastering core proprietary technologies in specialty processes. It currently operates Mainland China's first fully automated 12-inch IC foundry production line, with process technologies reaching 65nm/55nm and 40nm nodes and a design capacity of 38,000 wafers per month.

HLMC's extensive process portfolio delivers comprehensive technical solutions to customers, serving four major end markets: mobile communications, consumer electronics, Internet of Things (IoT), and automotive electronics. The chips produced encompass baseband processors, image sensors, small – and medium-sized LCD driver chips, touch screen controllers, touch and display driver integration (TDDI) chips, wireless connectivity, RF components, microprocessors, smart cards, set-top box integrated chips, and power management ICs, among others.

(2) Principal products and services

HLMC primarily offers specialty process foundry services for 12-inch wafers, manufacturing various types of semiconductor products across different process platforms according to customer requirements, while also providing complementary services including design and testing.

1) Wafer foundry services

HLMC closely aligns with market demand, leveraging mature technology nodes and specialty process platforms, and concentrates its R&D resources to conduct targeted breakthroughs, continuously deepening and expanding its technology platforms. Through years of sustained technological accumulation, it now covers diversified process platforms including logic and RF, embedded/standalone memory, and high-voltage.

① Logic and RF

Leveraging its mature 55nm logic process technology and volume production experience, HLMC successfully developed its proprietary 55nm ultra-low power (ULP) process technology. As a key enabler for IoT and wearable device chips, HLMC collaborated with leading global IC design companies to optimize device operating voltage and leakage current control, and developed ultra-high threshold voltage devices, enabling rapid process certification and volume shipments. This self-developed technology platform not only allowed HLMC to capture early-mover advantages in the ULP segment and penetrate the IoT and wearable markets, but also served as a foundation to extend to the 40nm node, where it successfully developed a 40nm low-power logic platform and full production process flow. The platform incorporates advanced technologies such as ultra-shallow junction, laser annealing, and porous ultra-low-k dielectric materials, achieving an optimal balance between performance and power consumption, and has entered volume production. It has obtained Grade 1 Automotive Electronics Fundamentals Certification, supported the Company's IATF 16949 system certification, and offered a robust design environment with extensive cell libraries and IP. Multiple products have passed high-volume production validation, demonstrating excellent performance, with SRAM operating stably at a minimum voltage of 0.8V, reflecting superior power efficiency. Since initial product shipments in March 2015, HLMC has continued to expand into automotive electronics, digital TV, video surveillance, and Bluetooth earphones, and achieved volume production of its RF process platform in 2019.

Building on its 55nm low-power logic platform, HLMC adopted a collaborative development model with customers for pixel processes, successfully establishing a 55nm CIS (CMOS Image Sensor) platform and introducing its first CIS product for mobile phones in 2013, with volume production of mobile phone products commencing in 2014. Over subsequent years, HLMC expanded CIS applications, developing products for security surveillance, medical, and other fields. Notably, in the past three years, the development and volume production of products such as near-infrared surveillance and 0.7-micron ultra-small pixels have further broadened HLMC's CIS applications, covering flagship smartphone front cameras, PCs, high-end security, fingerprint recognition, automotive, and numerous other domains.

② Embedded/standalone memory

Based on its self-developed 55nm low-power platform, HLMC built the 55nm embedded flash (55EF) platform. By introducing SONOS technology and optimizing the 2T + SONOS structure, it significantly enhanced energy efficiency and operational flexibility, improved system compatibility, and effectively controlled costs. As HLMC's proprietary specialty process, the 55EF platform features complete SPICE models and PDK, along with comprehensive design databases and IP resources, fully addressing diverse customer needs. Compared to traditional packaged MCU solutions, MCU-type products enabled by the 55EF platform demonstrate notable advantages in process complexity, cost structure, and system compatibility, yielding stronger market competitiveness. Currently, the platform focuses on process development and performance enhancement for MCU-type products, with related products widely used in consumer electronics, smart home, and industrial control applications (MCU: Controller Unit, also known as a single-chip micro computer or micro controller which adopts appropriately reduced frequency and specifications of the CPU while integrating various peripheral interfaces such as memory, counters, USB, A/D conversion, UART, PLC, DMA, and even LCD drive circuits onto a single chip, forming a chip-based compute, which enables customized control combinations for different application scenarios) solutions.

Since achieving high-volume production of 55nm SONOS memory technology in 2017, HLMC has steadily advanced technological iteration, successfully breaking through 40nm SONOS memory technology in 2020. The 55nm SONOS technology offers core advantages including low cost, low power consumption, and high reliability, with products spanning low-power storage, touch control, high-speed MCU, embedded FPGA, smart cards, security chips, and NB-IoT, holding strategic significance for China's information security and industrial technology upgrading.

③ High-voltage

HLMC's 55nm high-voltage process platform is constructed upon its mature 55nm low-power platform. Through optimization of the process flow architecture, it successfully integrates three types of devices: low-voltage (1.2V), medium-voltage (5V/6V/8V), and high-voltage (32V) devices. These devices are electrically independent and non-interfering, allowing for flexible individual debugging and providing ample design space for the development of different product series. The platform features high integration, comprehensively meeting the diversified needs of liquid crystal display driver chip design. Its specialized high-voltage devices represent the highest voltage rating configuration available among current 55nm platforms. Concurrently, the platform possesses the smallest SRAM at the 55nm node, with SRAM cell static leakage current below 10pA, achieving industry-leading performance levels.

Based on this 55nm high-voltage platform, HLMC successfully developed fully domestic OLED and other full-series application driver chips, a pioneering achievement in China. Through close collaboration with domestic design companies and renowned panel manufacturers, HLMC has effectively supported the development of local design enterprises and jointly established China's first complete industrial chain for the full series of driver chips. Leveraging the broad prospects of the driver chip market and HLMC's solid manufacturing foundation, this platform has achieved a breakthrough against international technological monopolies, forming a proprietary intellectual property-based technology system. It can meet requirements from low-end to high-end terminal applications, providing robust support for the ongoing advancement of IoT infrastructure.

2) Supporting services

① Diversified design services

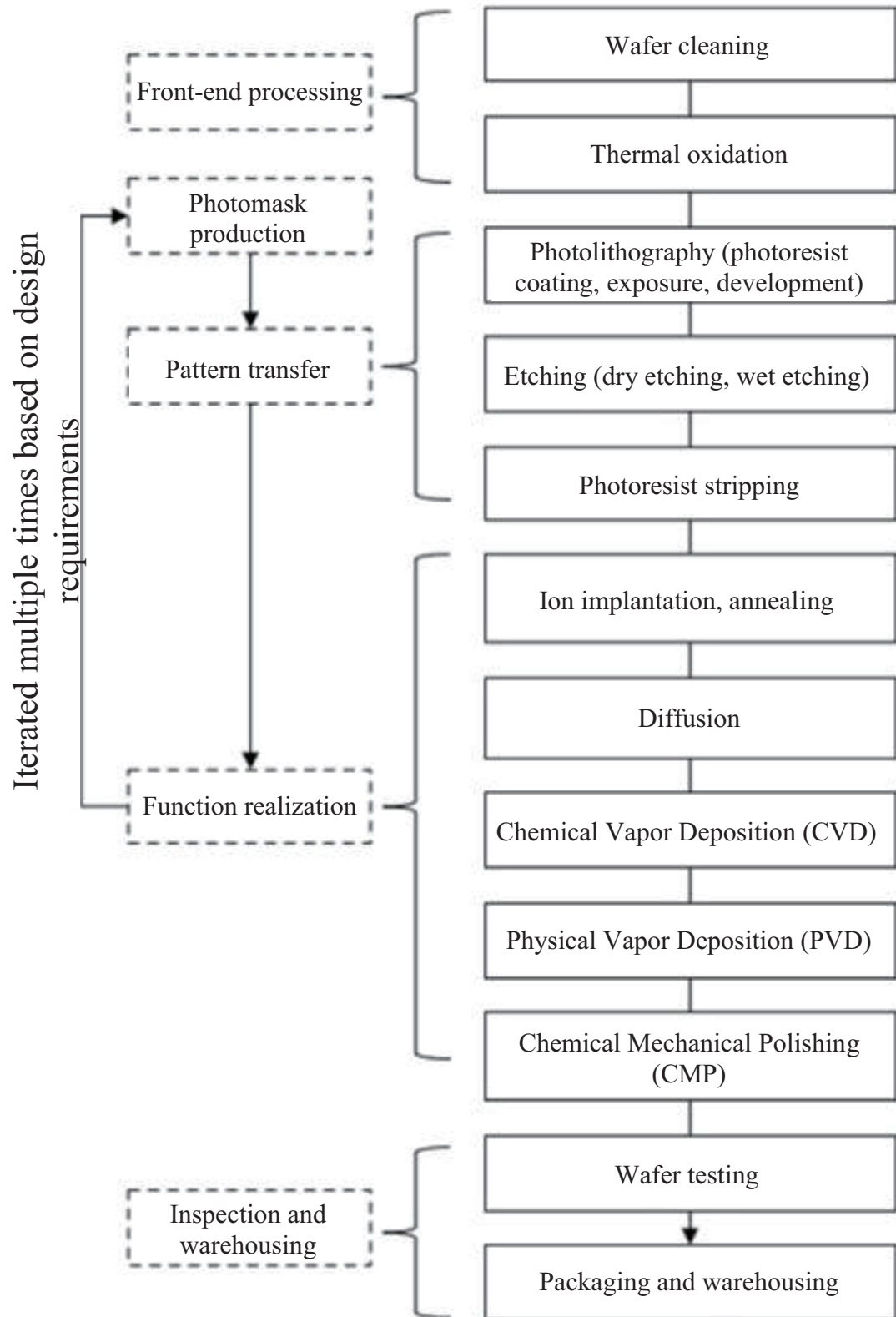
HLMC has established a comprehensive design service support platform encompassing tape-out support, internal IP design, layout and verification, failure analysis, and test design. This enables HLMC to provide design companies with essential support including robust design flows, technical documentation, and IP development, delivering efficient and high-quality services to facilitate customer volume production.

② Testing services

HLMC has built a full suite of advanced testing, evaluation, and analysis platforms, establishing a hardware foundation of precision equipment covering product engineering, test engineering, reliability engineering, and failure analysis. It provides customers with one-stop supporting services including design verification, test development, electrical and physical analysis, and yield enhancement.

(3) *Process flow of major products*

HLMC primarily engages in semiconductor manufacturing business under a wafer foundry model. The generic process flow is as follows:



Description of Process Flow:

1) Front-end processing

① Wafer cleaning

Semiconductor wafers are initially cleaned using various chemicals via spray or immersion methods, followed by a secondary cleaning with ultra-pure water to remove residual chemical solutions. The purpose is to remove contaminants such as dust particles, residual organic matter, and surface metal ions from the wafer surface, improving the quality of subsequently grown thermal oxide layers and ensuring the stability of subsequent process steps (a cleaning step also follows each subsequent operation).

② Thermal oxidation

A silicon dioxide film is grown on the semiconductor wafer surface in a high-temperature environment containing oxygen and inert gases.

2) Photomask production

Photomasks are produced by other specialized manufacturers; the Issuer is not currently involved in photomask manufacturing.

3) Pattern transfer

① Photolithography

Photolithography primarily consists of three steps: A) Photoresist Coating: Uniformly applying photoresist onto a spinning semiconductor wafer; B) Exposure: Using a photolithography machine, circuit patterns on the photomask are transferred onto the photoresist by exposure to light of a specific wavelength, altering the properties of the photoresist; and C) Development: Using a developer to remove the soluble portions of the photoresist after exposure, accurately forming the pattern on the photoresist.

② Etching

Etching selectively removes material from areas of the semiconductor wafer not covered by photoresist after photolithography. Common etching methods include wet etching, which uses liquid chemicals, and dry etching, which utilizes plasma.

③ Photoresist stripping

After etching is completed, the remaining, undissolved photoresist is removed from the semiconductor wafer.

4) *Device Structure Formation and Function Realization*

① Ion implantation, annealing

In a vacuum, low-temperature environment, specific types of dopant ions are implanted into designated areas of the wafer surface in the form of a high-energy ion beam; common ion species include boron, phosphorus, and arsenic. Following implantation, annealing is performed in a high-temperature environment to eliminate crystal lattice defects caused by ion implantation and alter the microstructure of the wafer surface and interior to achieve specific performance characteristics.

② Diffusion

In a high-temperature environment, dopant ions migrate between regions of different ion concentrations, altering and controlling the type, concentration, and distribution of impurities within the wafer, forming regions with different electrical properties, and modifying the wafer's electrical characteristics.

③ Chemical Vapor Deposition (CVD)

A solid thin film is deposited on the wafer surface via chemical reactions involving gaseous precursor materials at different partial pressures.

④ Physical Vapor Deposition (PVD)

A solid thin film is deposited on the wafer surface using physical methods such as sputtering, vacuum evaporation, plasma plating, or molecular beam epitaxy, which involve bombarding a target material.

⑤ Chemical Mechanical Polishing (CMP)

The wafer is polished using a combination of mechanical friction and chemical reactions to planarize its surface.

5) *Inspection and Warehousing*

① Wafer testing

Upon completion of wafer processing, probe cards and other testing equipment are used to test wafer performance, verifying whether its functionality meets the specifications of the process platform.

② Packaging and warehousing

Wafers that pass inspection are vacuum-packed and stored in the warehouse.

(4) Primary Business Model and Settlement Model

1) Procurement model

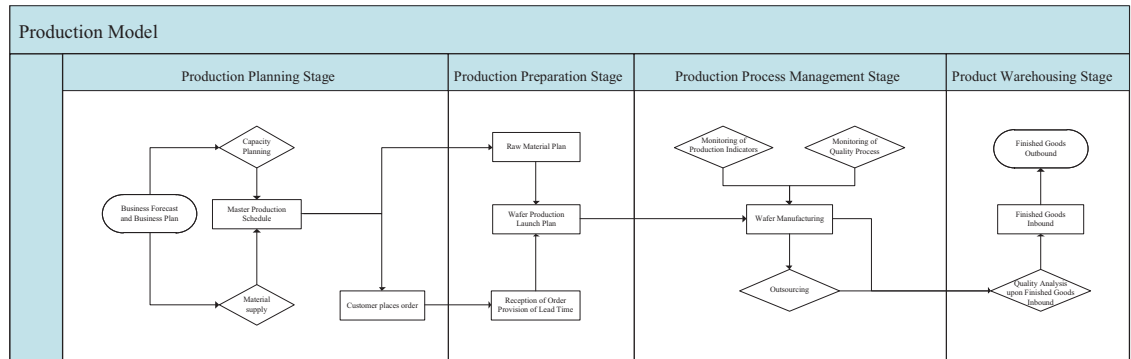
HLMC has formulated systems such as the Procurement Approval Procedures and Procurement Management Regulations to standardize procurement activities and establish a comprehensive procurement management framework. All procurement activities of the Company are conducted pursuant to annual budget requirements, initiated by the requesting department or responsible department via a purchase requisition based on actual investment and operational needs, followed by necessary approvals. Requisitions for production raw materials and spare parts are submitted by the Material Control Section of the Production Planning Department based on production plans, inventory levels, and delivery schedules.

Upon receiving the purchase requisition, the Procurement Section of the Production Planning Department verifies its accuracy and, upon confirmation, executes procurement activities according to the requirements. HLMC determines appropriate procurement methods and standards for different categories, conducting tender procurement and direct procurement activities in accordance with the law. Adhering to the principles of openness, fairness, justice, and good faith, it employs methods such as open tendering, selective tendering, and comparative sourcing to achieve scientific and optimal procurement outcomes, ensure procurement quality, enhance economic efficiency, and minimize comprehensive procurement costs. All procurement activities are subject to approval by the relevant procurement approval authorities as per Company policies.

The Procurement Section of the Production Planning Department signs purchase orders with suppliers and tracks delivery schedules. The Logistics Section handles transportation and customs declaration. The Warehousing Section manages the receipt and storage of incoming materials. The Quality and Reliability Department is responsible for the quality inspection of raw materials. Fixed assets, intangible assets, and services are inspected and accepted by the user departments. These departments collaborate closely on diversification and localization initiatives, continuously onboarding alternative suppliers, strengthening the supply chain system, assessing supply risks for key materials, and formulating corresponding countermeasures to mitigate procurement risks and maintain business continuity.

2) Production model

HLMC plans capacity and determines the Master Production Schedule based on sales forecasts, initiating production according to customer order requirements. The product flow from production planning to finished goods outbound primarily involves four stages: Production Planning Stage, Production Preparation Stage, Production Process Management Stage, and Product Warehousing Stage. The specific steps are as follows:



① Production Planning Stage

During the Production Planning Stage, the Sales Department provides future business forecasts obtained from customers and agreed business plans. The Production Planning Department formulates the Master Production Schedule based on these business forecasts, capacity planning, customer demand, customer orders, capacity, raw material supply conditions, and process technology readiness.

② Production Preparation Stage

During the Production Preparation Stage, the Material Control Section develops the raw material plan based on the Master Production Schedule and coordinates with Procurement to prepare raw materials promptly. The Production Planning Department formulates the production launch plan based on the Master Production Schedule and the raw material plan.

③ Production Process Management Stage

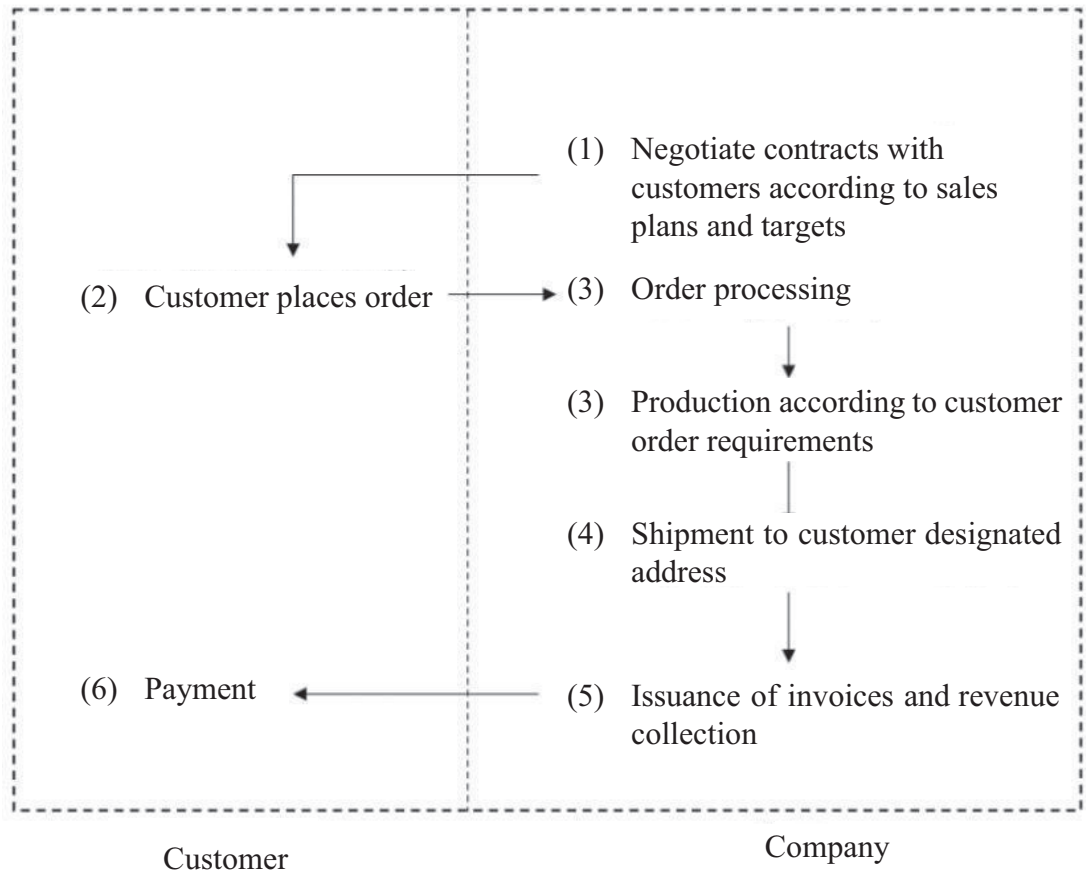
During the Production Process Management Stage, the Manufacturing Department arranges and manages wafer production according to the Master Production Schedule and the production launch plan. The Production Planning Department monitors metrics such as production cycle time, progress, and output. The Quality and Reliability Department is responsible for product quality control. The Production Planning Department arranges corresponding outsourced services for wafers based on customer requirements for external processing.

④ Product Warehousing Stage

During the Product Warehousing Stage, products that have completed the entire production process are stored in the warehouse after passing inspection.

3) Sales and settlement methods

HLMC employs a direct sales model, communicating directly with customers to develop solutions that meet their needs, ultimately leading to the signing of customer orders. The sales process is as follows:



① Sales planning

After the Sales Department drafts the annual sales plan based on market information and customer demands, it communicates the plan targets with customers, regularly updates customer demand forecasts and situations, and feeds back changes in customer requirements to relevant internal departments.

② Contract signing and order processing

After establishing a business relationship by signing contracts with customers, sales personnel provide customers with quotations approved by HLMC management based on customer needs. Customers place orders with sales/customer service personnel via email or fax, etc. Customer service personnel then input the orders internally for production and provide estimated delivery times to customers.

③ Production and manufacturing

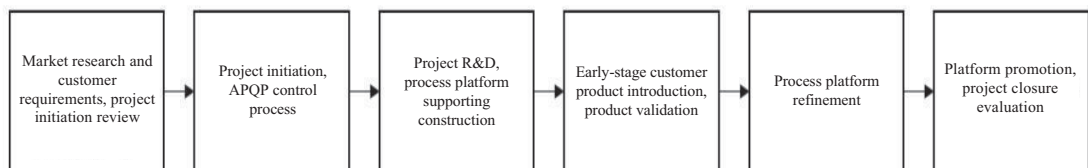
Upon receiving customer orders, the Sales Department schedules production according to the business plan. The Production Planning Department formulates corresponding input and output plans based on this business plan and capacity, generating product delivery dates. The Company informs customers of production status promptly via system or email as per customer requirements.

④ Shipment, invoicing, and revenue collection

After production is completed, products are typically shipped by customer service personnel to designated locations as requested by customers. Customers arrange payments according to the agreed payment cycle. After receiving customer payments, the Finance Department performs financial verification and completes the relevant accounting processing.

4) R&D model

HLMC's R&D strategy primarily relies on independent research and development for technological innovation and upgrades across various process platforms. To standardize and strengthen project management, the Company has established a robust R&D system and project management system, defined the responsibilities and objectives of project team members, and streamlined the entire process from project initiation to R&D and to closure. This is managed systematically in stages through procedures like the New Project Initiation Application Process and the APQP Procedure. The Company's specific R&D process is as follows:



Note: APQP stands for Advanced Product Quality Planning.

5) Profit model

HLMC primarily generates revenue and profit by providing customized semiconductor wafer foundry services based on process platforms featuring different technology nodes and diverse technologies.

3. *Financial position of HLMC in recent years*

As of the base date, HLMC had total assets of RMB7.2585028 billion, total liabilities of RMB5.256589 billion, and owner's equity of RMB2.0019138 billion. The Company's financial position in recent years is as follows:

Unit: RMB0,000

Item/Year	December 31, 2023	December 31, 2024	August 31, 2025
Total assets	889,982.17	625,889.26	725,850.28
Total liabilities	815,741.47	499,195.99	525,658.90
Owners' equity	74,240.70	126,693.27	200,191.38

Item/Year	2023	2024	January to August 2025
Operating income	257,920.73	498,797.09	343,066.86
Profit before tax	-37,229.11	52,152.40	51,464.21
Net profit	-37,229.11	52,152.40	51,464.21

The above data is extracted from the audited figures as set out in the unqualified audit report issued by Da Hua Certified Public Accountants (Special General Partnership), with report number: Da Hua Shen Zi [2025] 0011016213.

The Company prepares the pro forma financial statements based on the recognition and measurement of actual transactions and events in accordance with the Accounting Standards for Business Enterprises – Basic Standards and specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions issued by the Ministry of Finance, combined with the provisions of the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports (Revised in 2023) issued by the China Securities Regulatory Commission. The pro forma financial statements involve the following matters:

- (1) HLMC completed the spin-off during the reporting period on a pro forma basis. HLMC completed its spin-off on August 21, 2025, with HLMC (the entity prior to the spin-off) being divided into the surviving HLMC (the current surviving entity) and Shanghai Huali Semiconductor Co., Ltd.. The Company performed a simulated carve-out of the financial statement data for the reporting period up to August 21, 2025, based on the spin-off principles: assuming that HLMC had completed the spin-off at the beginning of the reporting period, and the financial data was carved out in accordance with the spin-off principles stipulated in the spin-off agreement.
- (2) The Company retrospectively adjusted its accounting estimates and accounting policies as if those of Hua Hong Semiconductor Limited had been adopted at the beginning of the reporting period.

- (3) The pro forma financial statements do not include the pro forma statement of changes in owners' equity. When preparing the pro forma balance sheet, only the total owners' equity is presented, and the detailed items of owners' equity are no longer specifically distinguished.

4. Major taxes and preferential policies

The enterprise implements business accounting standards, with VAT rates of 13%, 9%, 6%, 3%, and 0%, an urban maintenance and construction tax rate of 5%, and education surcharge and local education surcharge rates of 3% and 2%, respectively.

According to the relevant provisions of the Notice of the State Council on Issuing Several Policies for Promoting the High-Quality Development of the Integrated Circuit Industry and Software Industry in the New Era (Guo Fa [2020] No. 8) issued by the State Council, and the Announcement on Enterprise Income Tax Policies for Promoting the High-Quality Development of the Integrated Circuit Industry and Software Industry (Announcement No. 45 of 2020 by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission, and the Ministry of Industry and Information Technology) issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission, and the Ministry of Industry and Information Technology, the Company is an integrated circuit manufacturing enterprise with a line width of less than 65 nanometers (inclusive) and an operating period of more than 15 years. In accordance with relevant tax laws, the Company is exempt from enterprise income tax for the first to fifth years from the profit-making year, and is subject to enterprise income tax at half the statutory rate of 25% from the sixth to tenth years.

(III) Relationship between the client and the appraised entity

The client 1, Shanghai Huahong (Group) Co., Ltd., is the controlling shareholder holding 63.5443% equity interest in Shanghai Huali Microelectronics Corporation, the appraised entity. The client 2, Hua Hong Semiconductor Limited, is the acquirer that intends to issue shares to purchase assets.

(IV) Other users of asset appraisal reports

Pursuant to the asset appraisal engagement contract, the users of this asset appraisal report shall be the clients, the relevant management and supervisory units, other users of the asset appraisal report as agreed in the engagement contract, and users of the asset appraisal report as required by national laws and administrative regulations. No other third party shall become a lawful user of this asset appraisal report by virtue of receiving the same.

II. PURPOSE OF APPRAISAL

According to the Resolution on Promoting the Rainbow Project of Shanghai Huahong (Group) Co., Ltd. ((Hu Huahong Dong [2025] No. 8), the Announcement of Resolutions of the Board of Directors of Hua Hong Semiconductor Gang Hua Dong (2025) No. 15), and the Resolution on the Approval of the Equity Transfer of the Company of Shanghai Huali Microelectronics Co., Ltd. (Hu HLMC Gu (2025) No. 12), Hua Hong Semiconductor Limited intends to acquire 97.4988% equity interest in HLMC held by four HLMC shareholders, including Shanghai Huahong (Group) Co., Ltd., Shanghai Integrated Circuit Industry Investment Fund Co., Ltd., China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd., and Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership), by way of issuing shares.

III. APPRAISAL SUBJECT AND SCOPE OF APPRAISAL

(I) Appraisal subject

The appraisal subject is the value of all shareholders' equity of the appraised entity. The appraisal subject is consistent with the proposed economic activity.

(II) Scope of appraisal

The scope of appraisal covers all assets and liabilities of the appraised entity, specifically including current assets, non-current assets, and liabilities. The total book value of all assets declared by the appraised entity was RMB7,258,502,795.25, the total book value of liabilities was RMB5,256,589,024.59, and the owner's equity was RMB2,001,913,770.66. The scope of appraisal is consistent with the scope of valuation involved in the proposed economic activity.

The type and book value of the book assets in this asset appraisal report have been audited by Da Hua Certified Public Accountants (Special General Partnership), which issued a special audit report with a standard unqualified opinion, with report number: Da Hua Shen Zi [2025] 0011016213.

(III) Main particulars of assets to be valued

The assets to be valued in this appraisal mainly include current assets and non-current assets. The non-current assets mainly include long-term receivables, fixed assets, construction in progress, right-of-use assets, intangible assets, long-term prepaid expenses, and other non-current assets. The specific details are as follows:

1. Current assets

Current assets mainly consist of cash and bank balances, notes receivable, accounts receivable, prepayments, other receivables, inventories, non-current assets due within one year, and other current assets.

2. Long-term receivables

Long-term receivables are lease income from HLMC equipment rental.

3. *Equipment*

HLMC has a total of 28,122 sets of equipment, which fall into three categories according to their different uses: machinery, vehicles, electronic equipment, and other equipment.

- (1) 2,756 sets of machinery and equipment, mainly including: Specialized equipment for semiconductor device processing, other integrated circuit (IC) R&D and production equipment, and their supporting facilities, as well as supporting systems including security systems, power transformation and distribution equipment, pure water/wastewater/waste liquid systems, utility power equipment, chemical transportation systems, cleanroom systems, general mechanical and electrical systems, special gas systems, and fire protection systems. All IC R&D and production equipment and their supporting facilities are self-purchased by the enterprise. They were put into use after completion of installation, commissioning and acceptance, and are distributed in cleanrooms with good operating conditions. The supporting systems are mainly located in auxiliary production buildings.
- (2) Two vehicles, consisting of one Buick business MPV and one Honda Odyssey hybrid multi-purpose passenger vehicle.
- (3) 25,364 units/sets of electronic equipment and other equipment, mainly including reticle pods, forklifts, disk arrays and other network equipment, imagers and other instruments, office furniture, air conditioners, projectors, copiers, televisions, refrigerators, computers, etc., which are mainly distributed in the auxiliary production building and various functional departments.

Among the above equipment, 20,234 units (sets) of equipment had a zero original book value, mainly including: 138 units (sets) of machinery and equipment, and 20,096 units (sets) of electronic equipment and other equipment. The reasons for a zero original book value include gratuitous gifts from suppliers, the one-off expensing of certain assets due to changes in the scope of pro forma financial statements, and accounting under the net method for government grants. For details, please refer to “(V) Types and quantities of off-balance sheet assets declared by the appraised entity”.

4. *Construction in process*

The book value of construction in progress – equipment installation projects was RMB137,406,487.45, of which equipment costs were RMB134,537,892.13, capital costs were RMB0.00, and installation fees and other costs were RMB2,868,595.32, for a total of 111 items, including physical vapor deposition tantalum nitride, copper thin-film equipment, high-coverage polysilicon film deposition equipment, technology licensing, and IP sharing service platforms.

5. Right-of-use assets

As of the base date, HLMC's leases are as follows:

No.	Lessor	Lease address	Leased area	Lease term	Usage
1	Shanghai Grace Semiconductor Manufacturing Corporation	Premise at Plot 2, Block 13, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai	91,563.11 square meters	March 1, 2010 to February 28, 2030	Plant
2			Chemical warehouse, power plant, and production plant	20 years from the date of acceptance and delivery	
3			192 square meters	June 1, 2021 to December 31, 2025	Plant

6. Long-term deferred expenses

Long-term deferred expenses are all prepaid plant renovation expenses.

7. Other non-current assets

Other non-current assets primarily consist of prepayments for equipment.

(IV) Other intangible assets declared by the appraised entity

1. Intangible assets recorded on the books

The intangible assets recorded on the books declared by HLMC are mainly purchased software, IP, and licenses, totaling 244 items, with an original recorded amount of RMB511,322,687.50 and a book value of RMB129,892,439.12.

2. Intangible assets not recorded on the books

The unrecorded intangible assets declared by HLMC are mainly patents, integrated circuit layouts, and trademarks, and they are described as follows:

(1) Granted patents

The total number of granted patents applied by HLMC is 2,043 patents. For the detailed list, please refer to "Report Schedule – Patent List."

(2) Patents applied for but not yet granted

The total number of unauthorized patents declared by HLMC is 434 patents. For the specific list, please refer to the "Report Schedule – Patent List."

(3) *Layout design of integrated circuits*

As of the base date, HLMC had 20 integrated circuit layout designs, which are as follows:

No.	Application number	Layout design name	Application date	Date of grant
1	BS.165515805	HL55LPPOR06S1V1P0	August 29, 2016	October 11, 2016
2	BS.165515813	HL55LPPOR12D1V1P0	August 29, 2016	October 12, 2016
3	BS.165515791	HL55LPAD12S025D1V1	August 29, 2016	October 12, 2016
4	BS.165515783	AD12S025D1V1_DAC	August 29, 2016	October 11, 2016
5	BS.165515775	HL55LPBGR12D1V1P0 TOP_B	August 29, 2016	October 12, 2016
6	BS.165515767	HL55LPVR100D1V1P0	August 29, 2016	October 11, 2016
7	BS.165515759	HL55LPBGR12D1V1P0 TOP_A	August 29, 2016	October 12, 2016
8	BS.165515732	HL55LPPLL1500S1V1P0_A	August 29, 2016	October 12, 2016
9	BS.165515740	HL55LPPLL1500D1V1P0	August 29, 2016	October 11, 2016
10	BS.165515724	HL55LPLD0100D1V1P0	August 29, 2016	October 11, 2016
11	BS.14500368X	HL55LPPOR12D1V1	April 30, 2014	June 19, 2014
12	BS.145000532	HL40LPPLL1500D1V1	January 17, 2014	March 31, 2014
13	BS.145000540	HL40LPEFS4096D1V1	January 17, 2014	March 5, 2014
14	BS.13501322.4	HL55LPDCD100D1V1	October 28, 2013	December 12, 2013
15	BS.13501320.8	HL55LPPOR06S1V1	October 28, 2013	December 12, 2013
16	BS.13501321.6	HL55LPP1500S1V2	October 28, 2013	December 12, 2013
17	BS.13501319.4	HL55LPPLL1500D1V2	October 28, 2013	December 12, 2013
18	BS.13501318.6	HL55DRGEFS2048T1V1	October 28, 2013	December 12, 2013
19	BS.13501317.8	HL55LPBGR12D1V1	October 28, 2013	December 12, 2013
20	BS.13501323.2	HL55LPVR100D1V1	October 28, 2013	December 12, 2013

(4) *Trademarks*

As of the base date, HLMC had 10 trademarks, which are as follows:

No.	Registration certificate number/ Application number	Trademark name	Application date	Validity	International classification	Registrant
1	57819414	HLMC	February 7, 2022	February 6, 2032	Class 36 Finance and property management	Shanghai Huali Microelectronics Corporation
2	8817979	華力微	September 14, 2012	September 13, 2032	Class 40 Processing of materials	Shanghai Huali Microelectronics Corporation
3	8818131	HLMC	September 14, 2012	September 13, 2032	42 Design and research	Shanghai Huali Microelectronics Corporation
4	8817985	華力微	February 14, 2012	February 13, 2032	Category 9 Scientific Instruments	Shanghai Huali Microelectronics Corporation
5	8817984	HLMC	February 14, 2012	February 13, 2032	Category 9 Scientific Instruments	Shanghai Huali Microelectronics Corporation
6	8817986	華力	April 21, 2012	April 20, 2032	Category 9 Scientific Instruments	Shanghai Huali Microelectronics Corporation
7	8817977	華力微	July 7, 2012	July 6, 2032	42 Design and research	Shanghai Huali Microelectronics Corporation
8	8817978	HLMC	July 7, 2012	July 6, 2032	Class 40 Processing of materials	Shanghai Huali Microelectronics Corporation
9	8817981	HLMC	December 14, 2011	December 13, 2031	Class 35 Advertising and sales	Shanghai Huali Microelectronics Corporation
10	8817982	華力微	December 7, 2011	December 6, 2031	Class 35 Advertising and sales	Shanghai Huali Microelectronics Corporation

(V) Types and quantities of off-balance sheet assets declared by the appraised entity

HLMC currently has a total of 20,234 units/sets of equipment with an original book value of zero, mainly including: 138 units/sets of machinery and equipment, and 20,096 units/sets of electronic equipment and other equipment. The reasons for a zero original book value include gratuitous gifts from suppliers, the one-off expensing of certain assets due to changes in the scope of pro forma financial statements, and accounting under the net method for government grants. Details are as follows:

- (1) A total of 93 units (sets) of equipment were gifted by suppliers, including 54 units (sets) of machinery and equipment, and 39 units (sets) of electronic equipment and other equipment.
- (2) Due to changes in the scope of the pro forma financial statements, a total of 20,033 units (sets) of equipment, all low-value electronic and other equipment, were adjusted to be expensed in one lump sum.
- (3) The enterprise adopts the net method to account for equipment purchased with government grants, directly offsetting the original value of fixed assets with the grants, resulting in a book value of zero for 108 units (sets) of equipment, including 84 units (sets) of machinery and equipment, and 24 units (sets) of electronic equipment and other equipment.

Upon inspection, the aforementioned equipment assets not reflected in the book value are still in normal use, mainly distributed in the auxiliary production building and various functional departments. These fixed assets will be included in the scope of appraisal.

Except for this, the appraised entity has not declared other off-balance-sheet assets.

(VI) Types, quantity and carrying amount of assets in reports issued by other organizations

This asset appraisal report does not cite the conclusions of reports issued by other institutions.

IV. TYPE OF VALUE AND ITS DEFINITION

Considering that the purpose of this appraisal is to issue shares for asset acquisition, and the asset appraisal business performed has no special restrictions or requirements on market conditions or the use of the appraisal subject, the type of value for this appraisal subject is determined to be market value based on factors such as the appraisal purpose, market conditions, and the appraisal subject's own conditions.

Market value refers to the estimated amount of the value of the appraisal subject in normal and fair transactions on the base date when the voluntary buyer and the voluntary seller act rationally and without any compulsion.

An "arm's length transaction" is a transaction between parties who have no specific or special relationship, that is, a transaction between parties who are assumed to be unrelated and acting independently of each other.

V. BASE DATE

The base date for this engagement is August 31, 2025.

The base date is determined by the asset appraiser and the client after considering the needs of implementing economic behaviors, the convenience of providing financial data at the end of the accounting period, and changes in interest rates and exchange rates before and after the base date.

VI. BASIS OF APPRAISAL

The details of the appraisal basis followed in this asset appraisal are as follows:

(I) Economic behavior basis

1. Resolution on Promoting the Rainbow Project of Shanghai Huahong (Group) Co., Ltd. (Hu Huahong Dong [2025] No. 8);
2. Announcement of Resolutions of the Board of Directors of Hua Hong Semiconductor Limited (Gang Hua Dong (2025) No. 15);
3. Resolution on the Approval of the Equity Transfer of the Company of Shanghai Huali Microelectronics Co., Ltd. (Hu HLMC Gu (2025) No. 12);

(II) Legal and regulatory basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the 21st meeting of the Standing Committee of the 12th National People's Congress on July 2, 2016);
2. Company Law of the People's Republic of China (amended at the 7th meeting of the Standing Committee of the 14th National People's Congress on December 29, 2023);
3. Securities Law of the People's Republic of China (Revised at the 15th Session of the Standing Committee of the Thirteenth National People's Congress on December 28, 2019);
4. Administrative Measures for the Financial Supervision and Management of the Asset Appraisal Industry (issued by Decree No. 86 of the Ministry of Finance, amended by Decree No. 97 of the Ministry of Finance);
5. Law of the People's Republic of China on State-owned Assets of Enterprises (adopted at the Fifth Session of the Standing Committee of the Eleventh National People's Congress on October 28, 2008);
6. Interim Regulations on the Supervision and Management of Enterprise State-owned Assets (State Council Order No. 378, revised by State Council Order No. 709);
7. Measures for the Administration of State-owned Assets Appraisal (State Council Decree No. 91, revised by State Council Decree No. 732 in 2020);
8. Notice on Issuing the Implementation Rules for the Administrative Measures for State-owned Assets Appraisal (Guo Zi Ban Fa [1992] No. 36);
9. Interim Measures for the Administration of State-owned Enterprise Assets Appraisal (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);

10. Circular on Issues Concerning Strengthening the Administration of State-owned Enterprise Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274);
11. Measures for the Supervision and Administration of State-owned Equity in Listed Companies (Order No. 36 of SASAC, CSRC, and Ministry of Finance);
12. Notice on Matters Concerning the Review of Enterprise State-owned Asset Appraisal Reports (Guo Zi Chan Quan [2009] No. 941);
13. Guidelines for Filing of State-owned Enterprise Asset Appraisal Projects (Guo Zi Fa Chan Quan [2013] No. 64);
14. Shanghai State-owned Enterprise Asset Appraisal Report Review Handbook (Hu Guo Zi Wei Ping Gu [2018] No. 353);
15. Interim Measures for the Administration of State-owned Assets Appraisal of Enterprises in Shanghai (Hu Guo Zi Wei Ping Gu [2019] No. 366);
16. Manual for Approval and Filing of State-owned Asset Appraisal Projects of Enterprises in Shanghai (Hu Guo Zi Wei Ping Gu [2020] No. 100);
17. Enterprise Income Tax Law of the People's Republic of China (Second Amendment by the Seventh Session of the Standing Committee of the Thirteenth National People's Congress on December 29, 2018);
18. Decision of the State Council on Abolishing the Interim Regulations of the People's Republic of China on Business Tax and Amending the Interim Regulations of the People's Republic of China on Value-Added Tax (State Council Order No. 691);
19. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-Added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, revised in accordance with Order No. 65 of the Ministry of Finance and the State Administration of Taxation in 2011);
20. Notice on the Comprehensive Implementation of the Pilot Program for the Conversion of Business Tax to Value Added Tax (Cai Shui [2016] No. 36);
21. Notice on Adjusting Value-Added Tax Rates (Cai Shui [2018] No. 32) issued by the Ministry of Finance and the State Taxation Administration;
22. Announcement on Policies Concerning Deepening Value-added Tax Reform (Announcement No. 39 of 2019 by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);
23. Trademark Law of the People's Republic of China (Amended for the fourth time by the 10th Session of the Standing Committee of the 13th National People's Congress of the People's Republic of China on April 23, 2019);

24. Patent Law of the People's Republic of China (Fourth Revision by the 22nd Session of the Standing Committee of the 13th National People's Congress on October 17, 2020);
25. The Civil Code of the People's Republic of China (adopted at the third session of the Thirteenth National People's Congress on May 28, 2020);
26. Vehicle Acquisition Tax Law of the People's Republic of China (adopted at the 7th Session of the Standing Committee of the Thirteenth National People's Congress on December 29, 2018)
27. Other laws and regulations related to the appraisal work.

(III) Appraisal criteria basis

1. Basic Standards for Asset Appraisal (Cai Zi [2017] No. 43);
2. Code of Professional Ethics for Asset Appraisal (Zhong Ping Xie [2017] No. 30);
3. Asset Appraisal Practice Standards – Asset Appraisal Engagement Contract (Zhong Ping Xie [2017] No. 33);
4. Asset Appraisal Practice Standards – Utilization of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);
5. Asset Appraisal Practice Standards – Intangible Assets (Zhong Ping Xie [2017] No. 37);
6. Asset Appraisal Practice Standards – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
7. Asset Appraisal Practice Standards – Asset Appraisal Report (Zhong Ping Xie [2018] No. 35);
8. Asset Appraisal Practice Standards – Asset Appraisal Procedures (Zhong Ping Xie [2018] No. 36);
9. Asset Appraisal Practice Standards – Asset Appraisal Files (Zhong Ping Xie [2018] No. 37);
10. Asset Appraisal Practice Standards – Enterprise Value (Zhong Ping Xie [2018] No. 38);

11. Asset Appraisal Practice Standards – Asset Appraisal Methods (Zhong Ping Xie [2019] No. 35);
12. Asset Appraisal Practice Standards – Intellectual Property (Zhong Ping Xie [2023] No. 14);
13. Guidelines for Enterprise State-owned Asset Appraisal Reports (Zhong Ping Xie [2017] No. 42);
14. Guidelines for Business Quality Control of Asset Appraisal Institutions (Zhong Ping Xie [2017] No. 46);
15. Guidance on Types of Asset Appraisal (Zhong Ping Xie [2017] No. 47);
16. Guidance Opinions on Legal Ownership of Assets to be Appraised (Zhong Ping Xie [2017] No. 48);
17. Guidance on Patent Asset Appraisal (Zhong Ping Xie [2017] No. 49);
18. Guidance on Trademark Asset Appraisal (Zhong Ping Xie [2017] No. 51).

(IV) Asset title basis

1. State-funded enterprise property registration certificate;
2. Building lease contract;
3. Patent certificates or application notices;
4. Copyright certificate;
5. Trademark registration certificate;
6. Motor vehicle driving license;
7. Significant contracts or accounting vouchers for asset purchases;
8. Fixed assets ledger, accounting books, etc.;
9. Other documentary evidence of title to assets.

(V) Basis of pricing for appraisal

1. The latest loan prime rate (LPR) authorized to be announced by the National Interbank Funding Center;
2. The mid-point rate of the benchmark exchange rate announced by the State Administration of Foreign Exchange of the People's Bank of China on the base date;
3. Electromechanical Products Quotation Handbook published by China Machine Press;
4. Vehicle price information from Dongchedi (懂車帝) and other online channels;
5. Price information about the equipment available for online inquiry;
6. Historical financial statements and audit reports of the appraised entity;
7. Historical annual contracts and order information provided by the management of the appraised entity;
8. Financial data and capital market information from the Flush Information System;
9. On-site inspection records of asset appraisers and other relevant valuation information collected.

(VI) Other references

1. The appraised entity and its management provided the accounting statements, ledgers, vouchers, and asset appraisal declaration forms as of the base date;
2. Handbook of Common Technical Indicators and Parameters for Asset Appraisal (Economic Management Press, 2019 Edition);
3. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Order No. 12 in 2012 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection);
4. National macroeconomic, industry, regional market, and enterprise statistical analysis data;
5. Technical statistics of Shanghai Orient Appraisal Co., Ltd.;
6. Other relevant references.

VII. APPRAISAL APPROACH

(I) Overview of appraisal approach

In accordance with the Basic Standards for Asset Appraisal and the Asset Appraisal Practice Standards – Asset Appraisal Methods, the appraisal methods used to determine asset value include three basic approaches, namely the market approach, the income approach, and the cost approach, and their respective derivative methods.

In accordance with the Asset Appraisal Practice Standards – Enterprise Value, the three basic methods that can be adopted for enterprise value appraisal are the income approach, the market approach, and the cost approach (asset-based approach):

The income approach refers to an appraisal method to determine the value of the appraisal object by capitalization or discounting its expected income. The income approach is adopted for enterprise valuation, which emphasizes the overall expected profitability of the enterprise.

The market approach refers to an appraisal method that determines the value of the appraisal object by comparing it with comparable listed companies or comparable transaction cases. The market approach is adopted for enterprise valuation, which is characterized by direct selection of valuation data from the market and strong persuasiveness of appraisal results.

Asset-based approach refers to an appraisal method that determines the value of the appraisal object by reasonably assessing the value of all on-balance sheet and identifiable off-balance sheet assets and liabilities of the enterprise, based on the balance sheet of the appraised entity on the appraisal base date. The asset-based approach for enterprise valuation may not allow every asset and liability to be fully identified and individually valued.

(II) Selection of appraisal method

In accordance with the Asset Appraisal Practice Standards – Enterprise Value, “when conducting enterprise value appraisal, the applicability of the three basic methods, namely the income approach, market approach, and cost approach (asset-based approach), should be analyzed based on the appraisal purpose, appraisal subject, value type, data collection, and other circumstances, and the appraisal method should be selected.” “For enterprise value appraisals suitable for different appraisal methods, asset appraisal professionals should use two or more appraisal methods.”

Applicability analysis of the asset-based approach: The basic idea of the asset-based approach is to rebuild or replace the asset being appraised in its current condition, with the potential investor being willing to pay no more than the current acquisition and construction cost of the asset at the time he or she decides to invest in the asset. This appraisal project can meet the conditions required by the asset-based approach, that is, the appraised asset is in a state of continued use or is assumed to be in a state of continued use, and has available historical operating data. The asset-based approach can satisfy the requirements of the type of value for this appraisal.

Market approach applicability analysis: The basic idea of the market approach is to obtain the market value of the appraised entity by comparing and adjusting with comparable companies. Currently, there are sufficient comparable listed companies in the capital market relative to the appraised entity, and their disclosed information is relatively adequate, making the market approach suitable for this appraisal.

Applicability analysis of income approach: The appraised entity is a wafer foundry enterprise. The wafer foundry industry is significantly affected by international relations and the macro-environment, has strong cyclicity and uncertainty, and its future profitability is difficult to reliably predict. Furthermore, against the backdrop of current international semiconductor equipment import controls, domestic wafer manufacturing enterprises generally rely on regular maintenance and component replacement to extend the useful life of equipment to maintain production continuity. However, with the acceleration of technological iteration, the advancement of the localization process of semiconductor equipment, and the rising maintenance costs and gradually declining economic efficiency of old equipment, HLMC's future equipment maintenance and upgrade path faces multiple scenarios, such as continued regular maintenance or equipment replacement. The equipment lists, localization ratios, and capital expenditure budgets corresponding to different scenarios vary significantly, thus presenting considerable uncertainty. Such uncertainties will make it more difficult for enterprises to predict future capital expenditure plans and production cost structures, and the related risks will also be difficult to quantify reliably.

The premise for applying the income approach is the ability to make reasonable and reliable predictions of the enterprise's future earnings and related risks. Given the high uncertainty regarding equipment replacement and capital expenditure faced by HLMC at the base date, management believes that under current conditions, it is not possible to form a reasonably based prediction for HLMC 's operating income and risks in future years. Therefore, this appraisal does not meet the preconditions for adopting the income approach.

Based on the above analysis, the asset-based approach and the market approach are adopted for this appraisal.

(III) Introduction to asset-based approach

The asset-based approach specifically refers to the method of adding up the appraised value of the various elemental assets that make up a business and subtracting the appraised value of the liabilities to arrive at the value of the total shareholders' equity of the enterprise.

The appraisal method for various major assets and liabilities are as follows:

1. *Monetary funds*

Monetary funds include cash, bank deposits, and other monetary funds. For RMB cash and bank deposits, the assessed value is based on the verified amount; and for foreign currency cash and bank deposits, the assessed value is determined by the verified foreign currency book amount on the basis of the RMB to foreign currency exchange rate on the base date.

2. *Receivables*

Receivables mainly include notes receivable, accounts receivable, prepayments, and other receivables. Based on the verified receivables, the appraised value is determined by the estimated recoverable amount after deducting assessed risk losses for each item. The appraised risk of loss is 0% for full collection of the receivables from related parties based on good reasons. For amounts with conclusive evidence that they cannot be recovered or are severely overdue, the risk loss rate is assessed at 100%. For cases where a portion of the payment is highly unlikely to be recovered, and the unrecoverable amount is difficult to ascertain, the estimated valuation of receivables is derived by using historical data and current investigation findings, applying the aging analysis method to estimate the assessed risk loss as a deduction. The "provision for bad debts" account on the books is calculated at zero value.

3. *Inventories*

Inventories include raw materials, contract performance costs, finished products, and work in progress. The specific appraisal methods are as follows:

(1) Raw materials

The appraised value of raw materials is determined by multiplying the quantity verified through inspection by the current market purchase price, plus reasonable freight and miscellaneous charges, wastage, acceptance and warehousing fees, and other reasonable expenses. The raw materials of the appraised entity are accounted for using actual cost, and the book value includes the purchase price and other reasonable expenses. For raw materials with significant price fluctuations, the appraised value is determined based on the recent market prices as at the valuation benchmark date, taking into account reasonable expenses; for raw materials with insignificant price fluctuations, the appraised value is determined based on the verified book value.

(2) Finished products

Finished goods are appraised as normal finished goods based on the tax-exclusive selling prices provided by the enterprise, taking into account the selling expenses and operating profit of the products.

Appraised value of normal products = quantity of finished goods × unit selling price excluding VAT – selling expenses – sales taxes and surcharges – income tax – portion of net profit = quantity of finished goods × unit selling price (excluding tax) × 1 – selling expense rate – sales taxes and surcharges rate – sales profit margin × income tax rate – sales profit margin × (1 – income tax rate) × net profit discount rate

The provision for write-down of finished goods originally recognized on the books was appraised at nil.

(3) Work in progress

Normal work-in-progress is appraised based on the tax-exclusive selling price provided by the enterprise, in combination with the selling expenses and operating profit of the products, and with reference to the completion progress of such work-in-progress.

Appraised value of normal work-in-progress = quantity of finished goods × unit selling price (excluding tax) × percentage of completion × 1 – selling expense rate – sales taxes and surcharges rate – sales profit margin × income tax rate – sales profit margin × (1 – income tax rate) × net profit discount rate

The selection of various parameters is the same as those for finished goods.

4. *Non-current assets due within one year*

The item of non-current assets due within one year reflects the amount of non-current assets of an enterprise that are due within one year, which is the portion of long-term receivables due within one year. The verification method is consistent with that for long-term receivables. Through verification, the book value is confirmed to be true, and the appraised value is determined based on the verified book value.

5. *Long-term receivables*

Long-term receivables are equipment lease payments receivable from HLMC. After checking relevant contracts and other documents, the appraisers confirmed that the book value was the earnings owned by HLMC, and the valuation was based on the book value.

6. *Equipment assets*

According to the Asset Appraisal Practice Guidelines – Machinery Equipment, when performing any valuation of machinery equipment, the applicability of the three basic asset appraisal approaches, namely the cost approach, the market approach and the income approach, shall be analyzed based on the purpose of valuation, the appraisal subject, the type of value, the collection of information, etc. to select the valuation approach. This appraisal adopts the cost approach for machinery and equipment, electronic equipment, and other equipment, based on an analysis of the characteristics, uses, and data collection status of the various types of equipment involved; the market approach is adopted for vehicles.

Machinery and equipment, electronic equipment and other equipment (cost approach)

The cost approach valuation formula is:

$$\begin{aligned}\text{Appraised Value} &= \text{Full replacement cost} - \text{Substantive depreciation} - \text{Functional depreciation} - \text{Economic depreciation} \\ &= \text{Full replacement price} \times \text{Comprehensive newness rate}\end{aligned}$$

(1) Determination of full replacement cost

The full replacement cost is composed of the acquisition price of the equipment at the base date (i.e., the current replacement cost), transportation and miscellaneous expenses, foundation costs, installation and commissioning costs, and other reasonable expenses. Generally, it refers to the replacement cost new, which is:

Full replacement cost = replacement cost at current price + freight and miscellaneous expenses + foundation cost + installation and commissioning expenses + other reasonable expenses

According to Article 8 of the Interim Regulations of the People's Republic of China on Value-Added Tax, which was promulgated on November 10, 2008, as Decree No. 538 of the State Council of the People's Republic of China, and came into effect on January 1, 2009: "The value-added tax paid or borne by a taxpayer for purchasing goods or receiving taxable services shall be input tax, which is allowed to be deducted from the output tax."

Pursuant to Cai Shui [2016] No. 36 Notice on the Comprehensive Implementation of the Pilot Program for the Conversion of Business Tax to Value Added Tax issued on March 23, 2016, starting from May 1, 2016, the replacement of business tax with value-added tax was fully implemented nationwide. Industries such as construction, real estate, finance, and lifestyle services, which previously paid business tax, now pay value-added tax. Therefore, the input tax on related expenses involving equipment is allowed to be deducted from the output tax.

According to Announcement No. 39 of 2019 Announcement on Relevant Policies Concerning Deepening Value-added Tax Reform issued by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on March 20, 2019, effective from April 1, 2019, for VAT general taxpayers engaging in VAT taxable sales or importing goods, the VAT rate will be adjusted from the original 16% to 13%; and from the original 10% to 9%.

Since the VAT amount of fixed assets purchased by enterprises can be deducted from the output tax, the full replacement price of the equipment should exclude VAT, i.e.:

Full replacement value = replacement current value + transportation and miscellaneous expenses + basic expenses + installation and commissioning expenses + other reasonable expenses – deductible VAT

(2) Determination of comprehensive newness rate

1) Determination of newness rate of key equipment with large value

Based on the theoretical newness rate under the age approach, and combined with various factors for adjustment, the comprehensive newness rate of the equipment is ultimately and reasonably determined. The calculation formula is as follows:

Comprehensive newness rate = theoretical newness rate \times adjustment coefficient K

where:

Theoretical newness rate = Remaining useful life \div (Lapsed useful life + Remaining useful life) \times 100%

Adjustment coefficient K = K1 \times K2 \times K3 \times K4 \times K5, etc., i.e.:

Integrated newness rate = theoretical newness rate \times K1 \times K2 \times K3 \times K4 \times K5

Various adjustment factors mainly include the original manufacturing quality of the equipment, maintenance (including major repairs, etc.), the operating status and failure frequency of the equipment, the utilization rate of the equipment, and the environmental conditions of the equipment.

The remaining useful life is determined based on the actual operating condition of the equipment.

2) Determination of the newness rate of general equipment and electronic equipment with relatively small value

The theoretical newness rate is directly determined by the life-based approach.

Vehicle (market approach)

The market comparison approach is an appraisal method based on the principle of substitution, which compares the appraisal object with similar vehicles that have recently been transacted. The transaction prices of these similar vehicles are then adjusted for transaction date, transaction conditions, individual factors, etc., to derive the value of the appraisal object. The formula for the vehicle market approach is as follows:

Vehicle market value = comparable transaction instance tax-exclusive price \times transaction date adjustment coefficient \times transaction condition adjustment coefficient \times individual factor adjustment coefficient

Regarding the determination of vehicle license fees

In order to strengthen the control of the total number of motor vehicles in Shanghai and regulate the management of non-commercial passenger vehicle quotas, according to the Regulations on the Administration of Non-Commercial Passenger Vehicle Quota Auction (Hu Fu Fa [2016] No. 37) issued by Shanghai Municipal People's Government, non-commercial passenger vehicle quotas refer to the license plate indicators for non-commercial passenger cars obtained through auction, allowing for personal use and official business in the central urban area of the city, including individual passenger vehicle quotas and unit passenger vehicle quotas.

Due to the use of auction as a market-oriented allocation method, Shanghai passenger vehicle licenses have been commercialized. Currently, except for Hu C licenses and those for new energy passenger vehicles, all non-commercial "Hu" prefix passenger vehicle licenses for official use by entities must be obtained through auctions. Given the current status of license plate management in China, in recent years, cities such as Guangzhou, Hangzhou, Shenzhen, and Tianjin have successively adopted auctions for their license plates to control the total number of motor vehicles in their respective cities. Therefore, the market value of passenger vehicle licenses objectively exists.

In conclusion, in this appraisal of Shanghai non-Shanghai C passenger vehicles and non-new energy passenger vehicle licenses, it is proposed to refer to market conditions and consider the value of non-operating passenger vehicle licenses for official use.

Vehicle license fees are appraised based on the average transaction price of non-operating passenger vehicle quotas for units in Shanghai during the month of the base date, as announced by Shanghai International Commodity Auction Co., Ltd..

Vehicle license fees are not included in the newness rate and are directly added to the appraised value.

7. *Construction in process*

Construction in progress – equipment installation project is calculated based on the replacement cost plus capital cost at the benchmark date exchange rate, and the formula is as follows:

Assessed value = appraised value of equipment cost + appraised value of installation cost and other costs + appraised value of capital cost

Appraised value of capital cost = Tax-inclusive replacement cost of construction in progress × Annual loan interest rate × Capital occupation period/2

8. *Right-of-use assets*

The appraisers confirmed the authenticity and validity of the assets and the accuracy of their book measurement by checking relevant contracts, payment vouchers, the location, quantity, commencement and expiry dates of right-of-use assets, and the amortization process, and appraised them based on the verified book value.

9. *Intangible assets – other intangible assets*

Intangible assets mainly comprise purchased software, IP, and licenses reflected in the accounts; and patents, trademarks, integrated circuit layout designs, domain names, technical service licenses, etc., not reflected in the accounts. According to the Asset Appraisal Practice Standards – Intangible Assets, the appraisal method for determining the value of intangible assets include the three basic methods of market approach, income approach, and cost approach, as well as their derivative methods. A reasonable appraisal approach is selected after a thorough understanding of the relevant circumstances of the appraisal subject and the information collected and an analysis of the applicability of the above three basic methods.

- (1) Purchased software and IP: The book value of such intangible assets has experienced minor price fluctuations in recent years. Although amortization has been provided for accounting purposes, they can still be used indefinitely. This appraisal is determined based on the market price at the base date.
- (2) License: The book value of such intangible assets has experienced relatively small price fluctuations in recent years, and has been amortized based on their licensed useful lives. The valuation is determined based on the remaining benefit period, provided that the benefit period and amount have been verified as accurate.
- (3) Patents and integrated circuit layout designs: The market value of the intangible assets under valuation is determined by calculating their reasonable cost, profit, capital cost, and related taxes and fees, based on all inputs for forming the intangible assets and considering the correlation between the value and cost of the intangible assets, to arrive at their replacement cost, and then accounting for depreciation factors.

- (4) Trademarks: As trademarks serve to identify the company's products, it is difficult to forecast their future profit contribution using the excess earnings method or the intangible asset royalty method. Therefore, the cost approach is adopted for the valuation of registered trademarks.

10. Long-term prepaid expenses

Based on verifying the consistency of the subsidiary ledger, general ledger, and valuation declaration form, the appraisers randomly checked the relevant original accounting vouchers for items with large amounts or long durations, understood the basis for recognition and the amortization period, and randomly checked the relevant amortization vouchers.

The appraisers reviewed the relevant contracts and the amortization process, and after verification, the enterprise's amortization is normal. Assessed at book value.

11. Other non-current assets

Other non-current assets are prepayments for equipment made by the enterprise, and the appraised value is determined based on the verified carrying amount.

12. Liabilities

Liabilities mainly include current liabilities and non-current liabilities. Based on the verification and confirmation, the appraised value is determined by the debtor and the amount of liabilities that the appraised entity actually needs to bear after the economic activity for the appraisal purpose is implemented.

(IV) Introduction to Market Approach

1. Overview

The market approach refers to a appraisal approach that determines the value of the appraisal object by comparing it with comparable listed companies or comparable transaction cases. The market approach is essentially a valuation technique that determines the value of an enterprise or equity by utilizing transaction information or reasonable quotation data of similar cases that have been transacted in an active trading market, through comparative analysis.

Two methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to a specific method for determining the value of an appraisal object by obtaining and analyzing the operating and financial data of comparable listed companies, calculating appropriate value ratios, and conducting a comparative analysis with the appraised entity.

The comparable transaction method refers to a specific method of determining the value of the appraisal subject based on obtaining and analyzing information on the transaction, acquisition and merger cases of comparable companies, calculating appropriate value ratios, and making comparative analyzes with the valuation entity.

Given that at least three comparable listed companies in the same industry as the appraisal subject can be found in the A-share capital market, and their operating and financial data can be fully and reliably obtained, the listed company comparison method is selected for this appraisal.

2. Appraisal steps

(1) Identify comparable companies.

Since the appraised entity is a non-listed company, its equity does not have a publicly traded market, and therefore its market value cannot be directly determined. We select comparable companies from domestic listed companies, and the screening process for comparable companies is as follows:

- 1) Preliminary screening is conducted based on the industry, main business model, and product type of the entity being evaluated. The screening criteria for comparable companies are as follows:
 - ① As of the base date, it must have been listed for at least two years to avoid the impact of share price fluctuations caused by insufficient market information, IPO effects, market expectations, and other factors.
 - ② The industry where it operates must be the semiconductor manufacturing or wafer foundry industry, i.e., the industry of the appraised entity, and its main business model is IDM (Integrated Device Manufacturer) or Foundry (Foundry model) model, which involves large-scale investment, high capital expenditure, and continuous investment in technology and processes, and its product application areas are similar to those of the appraised entity.
 - ③ The shares were normally traded on the base date and were not in an abnormal trading state such as a trading halt, nor did the share price fluctuate abnormally due to a recent merger, acquisition, or restructuring transaction on the base date.
 - ④ Given that ST shares (stocks under delisting risk warning) are more likely to deviate significantly from their actual value due to speculative and manipulative factors in the market, ST shares are excluded from the scope of comparable companies.

The appraisers in this appraisal have screened listed companies that belong to the same category as the appraised entity under the SWS Industry Classification – Electronics – Semiconductors – Discrete Devices, Integrated Circuit Manufacturing, and a total of 25 listed companies (list) was selected, with details as follows:

Stock code	Name of securities	Date of listing	Screening process
688249.SH	Nexchip	May 5, 2023	Its operating model is mainly Foundry model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688347.SH	Hua Hong	August 7, 2023	The company experienced abnormal trading such as trading suspension during the recent period prior to the base date, so it is excluded from screening
688396.SH	CR Micro	February 27, 2020	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688469.SH	UNT	May 10, 2023	The company experienced merger, acquisition and restructuring during the recent period prior to the base date, so it is excluded from screening
688691.SH	Brite	April 11, 2024	It mainly operates under Fabless model, which is significantly different from the process of the appraised entity, so it is excluded from screening
688981.SH	SMIC	July 16, 2020	It mainly operates under Foundry model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
300456.SZ	SMEI	May 14, 2015	It mainly operates under Foundry model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
600360.SH	* ST Huawei	March 16, 2001	Its shares are under special treatment (ST), and its share price deviates significantly from its actual value, so it is excluded from screening
600460.SH	Silan Microelectronics	March 11, 2003	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
600745.SH	Wingtech Technology	August 28, 1996	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
603290.SH	StarPower Semiconductor	February 4, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
605111.SH	NCE Power	September 28, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688048.SH	Everbright	April 1, 2022	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688167.SH	Focuslight Technologies	December 24, 2021	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening

Stock code	Name of securities	Date of listing	Screening process
688172.SH	Yandong Microelectronics	December 16, 2022	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688230.SH	Prisemi	December 1, 2021	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688261.SH	Oriental Semiconductor	February 10, 2022	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688498.SH	Yuanjie Technology	December 21, 2022	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688689.SH	Galaxy Microelectronics	January 27, 2021	It mainly conducts semiconductor packaging and testing, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688693.SH	Convert	August 18, 2023	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688711.SH	MACMIC	September 1, 2021	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
300046.SZ	Tech Semi	January 20, 2010	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
300373.SZ	Yangjie Technology	January 23, 2014	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
300623.SZ	Jie Jie Microelectronics	March 14, 2017	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
300831.SZ	Peri	May 7, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening

After preliminary screening, profiles of the companies that meet the above reference standards (namely they are comparable in terms of industry, main operational model and product types) are shown in the following table:

Stock Code	Name of security	Corporate Profile	Composition of Main Operations
688249.SH	Nexchip	The main business of Hefei Nexchip Semiconductor Corporation is 12-inch wafer foundry business and its supporting services. The company's main products are DDIC, CIS, PMIC, MCU, and Logic.	Integrated circuit wafer foundry: 98.5703%; Other operations: 1.4020%; Others: 0.0277%
688396.SH	CR Micro	The principal business of China Resources Microelectronics Limited is power semiconductors, smart sensors, and smart control, providing customers with a wide range of semiconductor products and system solutions. The Company's main products are MOSFETs, IGBTs, power diodes, IoT application-specific ICs, power ICs, optocouplers and sensors, SiC, and GaN.	Products and solutions: 50.9277%; Manufacturing and services: 46.3278%; Other businesses: 2.7445%
600460.SH	Silan Microelectronics	Hangzhou Silan Microelectronics Co., Ltd. is mainly engaged in the research and development, manufacturing, and sales of electronic components. The company's main products are silicon-based integrated circuits, discrete devices, and compound semiconductor devices (LED chips and finished products, SiC, GaN power devices).	Discrete device products: 48.4601%; Integrated circuits: 36.5858%; Light-emitting diode products: 6.8476%; Other businesses: 4.4177%; Others: 3.6887%
688172.SH	Yandong Microelectronics	The principal business of Beijing Yandong Microelectronics Co., Ltd. consists of two categories: products and solutions, and manufacturing and services. The Company's main products are products and solutions, manufacturing and services.	Products and solutions: 47.1756%; Manufacturing and services: 43.9067%; Others: 5.7855%; Other businesses: 3.1323%
300373.SZ	Yangjie Technology	The main business of Yangzhou Yangjie Electronic Technology Co., Ltd. is the design, manufacturing, packaging, testing, research and development, production, and sale of power semiconductor wafers, chips, and devices. The company's main products are semiconductor devices, semiconductor chips, and semiconductor wafers.	Semiconductor devices: 86.2474%; Semiconductor chips: 8.3270%; Semiconductor silicon wafers: 3.0766%; Other business income: 2.3490%
300623.SZ	Jie Jie Microelectronics	The main business of Jiangsu JieJie Microelectronics Co., Ltd. is the research and development, design, production, and sales of power semiconductor chips and devices. The Company's main products are thyristor series, protection device series, diode series, MOSFET series, IGBT series, thick film modules, silicon carbide devices, and others.	Power semiconductor devices: 66.9693%; power semiconductor chips: 31.0471%; other business income: 1.3637%; power device packaging and testing: 0.6199%

- 2) Given that the appraised entity is an independent wafer foundry, if the business scale of comparable listed companies is smaller than that of the appraised entity and the gap is significant, their comparability will be correspondingly weakened. In addition, considering that the book value of fixed assets of the appraised entity had been almost fully depreciated as of the base date, and its main production and operation sites were all leased, without self-owned factory buildings and land, comparable samples of equipment-type fixed assets with similar original book value were selected in this screening process.

The original book value of equipment-type fixed assets for each company is calculated as follows:

Stock code	Name of security	Original book value of equipment assets (RMB: 100 million)
688249.SH	Nexchip	373.37
688396.SH	CR Micro	208.96
600460.SH	Silan Microelectronics	114.24
688172.SH	Yandong Microelectronics	67.74
300373.SZ	Yangjie Technology	47.07
300623.SZ	Jie Jie Microelectronics	54.72
Assessed entity	HLMC	153.59

The profiles of the comparable listed companies finally selected are shown in the following table:

Stock code	Name of security	Date of listing	Corporate profile	Main operation
688249.SH	Nexchip	May 5, 2023	The main business of Hefei Nexchip Semiconductor Corporation is 12-inch wafer foundry business and its supporting services. The company's main products are DDIC, CIS, PMIC, MCU, and Logic.	12-inch wafer foundry business.
688396.SH	CR Micro	February 27, 2020	The principal business of China Resources Microelectronics Limited is power semiconductors, smart sensors, and smart control, providing customers with a wide range of semiconductor products and system solutions. The Company's main products are MOSFETs, IGBTs, power diodes, IoT application-specific ICs, power ICs, optocouplers and sensors, SiC, and GaN.	Integrated operation of the entire industry chain, including chip design, wafer manufacturing, and packaging and testing.
600460.SH	Silan Microelectronics	March 11, 2003	The principal business of Hangzhou Silan Microelectronics Co., Ltd. is the R&D, production and sale of electronic components. The company's main products are silicon-based integrated circuits, discrete devices, and compound semiconductor devices (LED chips and finished products, SiC, GaN power devices).	Research and development, production, and sales of electronic components.

- (2) Make necessary adjustments for the differences between the appraised entity and comparable companies.

Information of the comparable companies obtained from public and legal channels, including their operation and financial information, are compared and analyzed against the actual situation of the appraised entity. Necessary adjustments are made for differences.

(3) Select and determine the value ratio.

1) Selection of value ratio

Valuation ratios usually include asset value ratio, profit value ratio, revenue value ratios, and other specific value ratios. Applicable value ratio should be selected based on factors such as the industry characteristics and operating stage of the appraised entity, and the value ratio of each comparable listed company should be calculated. The following factors were fully considered during the selection process: the selected value ratio is conducive to reasonably determining the value of the subject of appraisal; the data scope and calculation method for calculating the value ratio are consistent; and when applying the value ratio, differences between comparable companies and the appraised entity are reasonably adjusted as much as possible. The value ratio selected is as follows:

① Asset value ratio

Asset value ratios include price-to-book ratio (P/B), enterprise value to total business value of invested capital ratio (EV/TBVIC) and other ratios. Since the main fixed assets of the appraised entity as of the base date had with a low book net value ratio, the net assets and total assets as of the base date were at a relatively low level in the enterprise's life cycle. In comparison, the average net asset ratio of the selected comparable listed companies was approximately 50%, indicating a significant difference in their asset bases. Although net assets and total assets are relatively less affected by cyclical fluctuations in the industry, their values often show significant differences at various stages of a company's life cycle. The current low net asset status of the appraised entity reflects the reality that its assets have accumulated depreciation over many years, resulting in a low book value. If value ratio based on book value, such as P/B or EV/TBVIC, were used at this time, it would easily lead to distorted appraisal results. Therefore, the asset value ratio was not adopted in this appraisal.

② Earnings ratio

Earnings ratios include price-to-earnings ratio (P/E), enterprise value to earnings before interest and taxes ratio (EV/EBIT), and enterprise value to earnings before interest, taxes, depreciation and amortization ratio (EV/EBITDA) and others. As a wafer foundry enterprise, the appraised entity is characterized by high capital investment and a long return cycle. After deducting high depreciation and amortization expenses, earnings before interest and taxes (EBIT) often shows temporary losses or low profit levels. This situation will lead to a distortion of value ratios such as the price-to-earnings ratio (P/E) and the enterprise value to earnings before interest and taxes ratio (EV/EBIT). Therefore, the above value ratios are not applicable to this appraisal. In contrast, the enterprise value to earnings before interest, taxes, depreciation, and amortization ratio (EV/EBITDA), by adding back depreciation and amortization, eliminates the impact of high capital expenditure characteristics on EBIT, thus providing a fairer measure of the appraised entity's sustainable operations. Therefore, this appraisal adopts the Enterprise Value to Earnings Before Interest, Taxes, Depreciation and Amortization ratio (EV/EBITDA).

③ Revenue-to-value ratio

Revenue-to-value ratios include price-to-sales ratio (P/S), enterprise value-to-sales ratio (EV/S) and others. The valuation logic implied by the revenue-to-value ratio is that there is a direct and stable linear relationship between a company's core value and its sales revenue scale. However, for wafer foundries, their core value primarily depends on factors such as technological processes, which ultimately reflect the enterprise's sustained operations. The earnings value ratio is more consistent with the valuation logic of the wafer foundry industry; therefore, the revenue value ratio was not adopted in this appraisal.

2) Relevance test

The appraisers conducted a linear regression analysis of the EV/EBITDA value ratio for the three selected comparable companies, with Enterprise Value (EV) as the dependent variable and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) as the independent variable. The relevant analysis results are shown in the table below:

Test indicators	EV/EBITDA
R	0.9461
R-squared value	0.8951

After the relevance test, the R-squared value of EV/EBITDA is relatively high. An R-squared between 0.7 and 0.9 is generally considered to indicate a high degree of fit, meaning there is a strong positive correlation between EBITDA and enterprise value. Therefore, EV/EBITDA should be adopted as the valuation multiple for this appraisal.

(4) Determine the appraisal conclusion.

After adjusting and calculating the value ratios of comparable companies, and combining them with the relevant financial data or indicators of the appraised entity, the enterprise value of the appraised entity is calculated. By adjusting the non-operating assets, liabilities, and surplus assets of the appraised entity, the total equity value of the shareholders of the appraised entity is finally obtained.

(5) Consideration of liquidity and control

The market approach in this appraisal adopts the listed company comparison method. Since the selected comparable companies are listed companies and the appraised entity is a non-listed company, the impact of liquidity on the value of the appraised entity has been considered in the valuation.

As there is currently no reliable control premium rate or authoritative statistical data on the lack of control discount rate for the Chinese market that is recognized by all market participants, the impact of control on the value of the appraisal subject was not considered in this market approach valuation.

VIII.IMPLEMENTATION PROCESS AND STATUS OF APPRAISE PROCEDURES

We have implemented the appraisal procedures for this engagement in accordance with China's asset appraisal standards and relevant principles and regulations for national asset valuation. The entire appraisal procedure is mainly divided into the following four stages:

(I) Appraisal preparation

1. Upon accepting this engagement, we immediately communicated and reached a consensus with the client regarding the purpose of this appraisal, the base date, and the scope of the appraisal subject, entered into a business engagement contract, and prepared the asset appraisal plan for this engagement.
2. Collaborate with the enterprise in asset stocktaking, guide and assist the enterprise with declaration of asset within the valuation scope and prepare documents and information necessary for asset appraisal.

(II) On-site appraisal

Based on the overall schedule of this engagement, the on-site appraisal and investigation was conducted from late August to late September 2025. After selecting the appraisal method applicable to this appraisal, the following on-site appraisal procedures were mainly carried out:

1. Verify and check the assets and relevant information within the scope of appraisal declared by the enterprise:
 - (1) Obtain an introduction from the client and relevant personnel of the evaluated entity regarding the overall situation of the enterprise as well as the history and current status of the assets included in the scope of appraisal, and understand the enterprise's relevant internal systems, operating conditions, asset utilization status, and other information;
 - (2) Verify the contents of the asset appraisal declaration schedule provided by the enterprise, reconcile them with the relevant financial records of the enterprise, and coordinate with the enterprise to make adjustments or supplements for any issues found;
 - (3) Conduct on-site inspections and spot checks of physical assets based on the details in the asset appraisal declaration schedule;
 - (4) Review and collect the property right certificates of the assets included in the scope of appraisal, inspect the ownership documents provided by the appraised entity, and verify the ownership of the assets. To verify the status of defective assets, the appraised entity is requested to verify and confirm whether the ownership of these assets belongs to the enterprise and whether there are any property right disputes.
 - (5) For equipment assets, understand the management system and actual implementation, as well as corresponding maintenance, alteration, and expansion, and review and collect relevant technical data, contracts, budget data, completion inspection data, and land planning files, etc. For general equipment, this is mainly achieved through market research and by consulting relevant price information and other data;
 - (6) For the intangible assets involved, understand their cost composition, historical and future earnings, market conditions of the corresponding products, and other relevant information; review and collect legal documents, validity of ownership documents, or other supporting materials for the intangible assets; investigate the characteristics of the intangible assets, asset portfolio, and usage status; the geographical scope, field scope, profitability, and revenue model of the intangible assets' implementation; determine whether they can continue to function and bring economic benefits to the rights holder; understand the statutory protection period, earnings period, and protection measures of the intangible assets. Investigate any legal, administrative regulations or other restrictions encountered during the implementation of intangible assets;
 - (7) For liabilities within the scope of appraisal, the main objective is to understand the actual debt obligations of the appraised entity.

2. Understand the historical operating conditions, current operating status, and the current situation of the industry in which the appraised entity operates, and assess the possible development trends of the enterprise in the foreseeable future. Details are as follows:
 - (1) Understand the legal status of the appraised entity's continued operation, mainly concerning its articles of association, investment and capital contribution agreements, business premises, and operational capabilities;
 - (2) Understand the accounting system implemented by the appraised entity, depreciation policy for fixed assets, accounting for inventory costs and accounting method for issued inventory, etc., the tax rate implemented and tax status, debt, borrowings and cost of debts in recent years;
 - (3) Understand the business types, operating models, and historical operating performance of the appraised entity, including the revenue proportion of its main operating businesses, the distribution of major customers, and related party transactions with affiliated enterprises;
 - (4) Obtain financial information data such as audited balance sheets, profit and loss statements, cash flow statements, and detailed statements of product revenue and cost expenses for recent years;
 - (5) Understand the allocation and actual utilization of the enterprise's assets, analyze relevant surplus assets and non-operating assets and liabilities, and obtain consensus with the enterprise's management;
 - (6) Conduct interviews with the management of the entity being evaluated to understand the core operational strengths and weaknesses of the enterprise, as well as the composition and trends of its main operating revenue and costs;
 - (7) Conduct interviews with the main suppliers and customers of the appraised entity to understand their business cooperation with the appraised entity, the main basic conditions for cooperation, future cooperation intentions, and other related information;
 - (8) Understand the number and basic information of comparable companies in the same industry as the appraised entity or affected by the same economic factors and their comparable market transactions.

(III) Aggregation of appraisal conclusions

Analyze, summarize and collate the valuation data collected during the on-site appraisal survey as necessary to form basis for valuation and estimate; select correct formulas and reasonable valuation parameters based on the selected appraisal approach to form a preliminary valuation result; summarize the preliminary appraisal conclusions and analyze the reasonableness of the appraisal conclusions when it is confirmed that there is no duplication or omission of appraisal in the scope of assets under appraisal.

(IV) Report submission

Based on the aforementioned work, a preliminary asset appraisal report is prepared, and opinions are exchanged with the client regarding the content of the preliminary appraisal report. After fully considering the communication of relevant opinions, the asset appraisal report is revised and improved. Upon completion of our internal review procedures, the formal asset appraisal report is submitted to the client.

IX. APPRAISAL ASSUMPTIONS

In this appraisal, the asset appraiser followed the following appraisal assumptions and restrictions:

(I) Basic assumptions

1. *Transaction assumptions*

The transaction assumption is to assume that all appraised assets are already in the process of transaction, and the asset appraisers appraise the value based on a simulated market, including the transaction conditions of the appraised assets. Transaction assumption is one of the most fundamental prerequisite assumptions for the appraisal of assets.

2. *Open market assumption*

The open market assumption is a hypothesis about the market conditions into which an asset is intended to enter and the impact the asset will experience under such market conditions. An open market, which has been fully developed with comprehensive market conditions, refers to a competitive market with willing buyers and sellers acting voluntarily and rationally on an arm's length basis, having sufficient opportunities and time to obtain market information and under no compulsion or restrictions to buy or sell. The open market assumption is based on the premise that assets can be publicly bought and sold in the market.

3. *Going concern assumption*

The going concern assumption is an assumption that the appraised entity, under its existing asset resources, can legally continue its production and operation activities in their current state within the foreseeable future operating period, and that its operating conditions will not undergo significant adverse changes.

4. *Assumption of assets being used for current purpose*

The assumption of assets being used for current purpose means assuming that the asset will continue to be used for its current purpose. Firstly, it is assumed that the assets within the scope of appraisal are in use, and secondly, it is assumed that they will continue to be used for their current purpose and in their current manner, without considering a change in asset use or optimal utilization conditions.

(II) General assumptions

1. This appraisal assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the base date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.
2. This appraisal does not consider the impact on the appraisal conclusion of any collateral or guarantee that the appraised entity and its assets may assume in the future, or additional price that may be paid as a result of special transactions.
3. It is assumed that there will be no significant changes in the socio-economic environment in which the appraised entity is located or the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.
4. The appraised entity's current and future business operations are legal and compliant, and conform to the relevant provisions of its business license and articles of association.

(III) Market approach specific assumptions

1. It is assumed that the appraised entity strictly adheres to the Accounting Standards for Business Enterprises and its relevant regulations, and that the financial data at the base date and for all historical periods are true and reliable;
2. It is assumed that the financial and operating data disclosed by the selected comparable listed companies are true and reliable;
3. Unless otherwise specified, it is assumed that all capital market transactions are based on the principles of openness, fairness, voluntariness, and impartiality.
4. Neither the impact of natural forces and other force majeure factors nor the possible impact of a special transaction method on the appraisal conclusion are taken into consideration.
5. The possible mortgage and guarantee in the future are not considered.

The appraisal conclusion in this asset appraisal report is valid as of the base date under the aforementioned assumptions. Should there be significant changes IN the aforementioned assumptions, the signatory asset appraisers and the appraisal institution will not be held responsible for different appraisal conclusions derived from such changes in assumptions.

X. APPRAISAL CONCLUSION

In accordance with relevant national regulations on asset valuation, and adhering to the principles of independence, impartiality, and objectivity, we have performed the necessary appraisal procedures to arrive at the appraisal conclusion for the market value of the entire shareholders' equity of the appraised entity as of the base date, under the valuation purpose, assumptions, and limiting conditions stated in this report.

(I) Relevant appraisal results

1. Appraised value based on asset-based approach

The asset-based approach was adopted to evaluate the value of all shareholders' equity of the enterprise, and the appraisal results of the appraised entity on the base date are as follows:

As of the base date, the book value of the owner's equity of the appraised entity was RMB2.0019138 billion, the appraised value was RMB7.8276424 billion, the appraisal appreciation was RMB5.8257286 billion, and the appreciation rate was 291.01%. Among them, the book value of total assets was RMB7.2585028 billion, the appraised value was RMB13.0683929 billion, the appraisal appreciation was RMB5.8098901 billion, and the appreciation rate was 80.04%. Total liabilities book value RMB5.256589 billion, appraised value RMB5.2407505 billion, appraised impairment RMB15.8385 million, impairment rate 0.30%.

2. Appraised value based on Market approach

The appraisal results of the total equity value of the enterprise's shareholders as of the base date, using the market approach, were as follows:

The book value of the owner's equity of the appraised entity was RMB2.0019138 billion, the appraised value was RMB8.48 billion, and the appraisal appreciation was RMB6.4780862 billion, with an appreciation rate of 323.59%.

(II) Analysis of differences in appraisal results and final appraisal conclusion

1. Analysis of differences in appraisal results from different approaches

The entire value of shareholders' equity derived from the market approach is RMB8.48 billion, which is RMB652.3576 million higher than the entire value of shareholders' equity of RMB7.8276424 billion derived from the asset-based approach.

The main reason for the difference in appraisal results from different appraisal approaches is that each appraisal approach considers asset value from a different perspective. The asset-based approach estimates the value from the perspective of the current reconstruction of each asset of the enterprise, while the market approach calculates the value from the perspective of current market comparable prices, leading to differences in the appraisal results of each appraisal approach.

2. Selection of appraisal conclusion

According to Asset Appraisal Practice Guidelines – Enterprise Value, when multiple appraisal approaches are used for the same appraisal subject, the conclusion of the appraisal should be formed through qualitative or quantitative methods, considering the appraisal purpose as well as the quality and quantity of data utilized by different appraisal approaches.

Given that HLMC is engaged in the wafer processing industry, its primary value, in addition to tangible resources such as fixed assets and working capital, should also include the contribution of important intangible resources such as process routes, corporate management level, talent and technical team, and self-generated goodwill. Due to the characteristics of the asset-based approach, its appraisal results only assess the value of individual tangible assets and identifiable intangible assets, and cannot fully measure the overall enterprise effect value that may arise from the mutual matching and organic combination of individual assets. Important intangible resource values such as the appraised entity's process route, enterprise management level, talent and technical team, and self-generated goodwill are generally difficult to reflect in the asset-based approach. Therefore, the asset-based approach has certain limitations compared to the market approach. Secondly, the market approach utilizes public data from comparable listed companies. In recent years, as China's stock market has become increasingly mature, this relatively sophisticated capital market environment has provided a foundation for pricing via the market approach.

Through the above analysis, we selected the market approach valuation result as the appraisal conclusion for the total equity value of the appraised entity. Upon appraisal, the value of all shareholders' equity of the appraised entity was RMB8,480,000,000.00 (in words: RMB Eight Billion Four Hundred Eighty Million only)

The appraisal conclusion is derived from the above appraisal work.

(III) Comparison of appraisal conclusion with book value and explanation of changes

The appraisal conclusion of this appraisal adopts the market approach. It is precisely because of the adoption of the market approach. The company possesses significant intangible resource values, such as process routes, enterprise management level, talent and technical team, and self-created goodwill, which are not reflected in the book value of the enterprise. Therefore, the market approach results in a large appreciation compared to the book value.

(IV) Other considerations regarding appraisal conclusions

The listed company comparison method is adopted for the market approach in this appraisal. Since the selected comparable companies are listed companies and the appraised entity is a non-listed company, the appraisal subject is the value of all shareholders' equity. The valuation considers the impact of liquidity on the value of the appraised entity.

As there is currently no reliable control premium rate or authoritative statistical data on the lack of control discount rate for the Chinese market that is recognized by all market participants, the impact of control on the value of the appraisal subject was not considered in this market approach-based appraisal.

(V) Validity period of appraisal conclusion

According to the current appraisal standards, the appraisal conclusion disclosed in this appraisal report is valid only when there are no significant changes to the appraisal assumptions stated in this report, and generally, only when the date of implementation of the economic behavior and the base date do not exceed one year, which means the validity period of the appraisal conclusion is from August 31, 2025 to August 30, 2026.

The conclusions of this appraisal report shall not be used for economic behavior if the validity period of the aforementioned appraisal conclusions has expired.

(VI) Other explanations regarding the appraisal conclusion

Within the validity period of the appraisal conclusion after the base date, if there are changes in the quantity of assets and pricing standards involved in the valuation object, the client may handle it according to the following principles:

1. When the number of assets changes, the amount of assets should be adjusted accordingly based on the original appraisal approach.
2. When there is a change in asset price standards that has a significant impact on the asset appraisal results, the client should promptly engage a qualified asset appraisal institution to re-determine the appraised value.
3. The client should give full consideration to changes in asset quantity and price standards after the base date when implementing economic behaviors.

XI. SPECIAL MATTERS

When using this appraisal report, users should pay attention to the potential impact of the following special matters on the appraisal conclusion and give full consideration to them when making decisions and implementing economic behavior based on this report:

(I) Incomplete or defective ownership and other major information:

The asset appraisal standards stipulate that the purpose of an asset appraiser performing asset appraisal services is to estimate the value of the appraisal object and express professional opinions. Confirming or expressing opinions on the legal ownership of the appraisal object and its related assets is beyond the scope of practice for asset appraisers. The entrusting party and relevant parties entrusting asset appraisal business shall provide information on the legal ownership of the appraised assets and the assets involved, and shall be responsible for the truthfulness, completeness and legality of the legal ownership information of the appraised assets and the assets involved. In accordance with the Guidance Opinions on Legal Ownership of Asset Appraisal Subjects, the asset appraisers paid appropriate attention to the ownership documents of the assets included in this appraisal.

The ownership information of the assets appraised in this instance is basically complete, and the asset appraisers have not found any obvious ownership defects. The client and the appraised entity also explicitly stated that there were no defects in ownership.

(II) Explanation about other key information not being provided by the client:

The appraiser did not find any relevant matters through on-site investigation. However, due to the limitations of the asset appraiser's verification methods, the appraisal institution cannot issue a definitive opinion on the completeness of the above matters.

(III) Uncertainties such as pending matters and legal disputes existing as at the base date:

The asset appraiser was not aware of any pending matters, legal disputes, or other uncertainties existing as at the base date. The client and the appraised entity also explicitly stated that there are no pending matters, legal disputes, or other uncertainties. However, due to the limitations of the asset appraiser's verification methods, the appraisal institution cannot issue a definitive opinion on the completeness of the above matters.

(IV) Important utilization of expert work and related reporting:

1. Utilizing professional reports:

In the process of performing this appraisal engagement, we obtained the following professional reports through legal channels and prudently referenced and utilized the relevant contents of these professional reports:

- (1) Special audit report issued by Da Hua Certified Public Accountants (Special General Partnership), with report number: Da Hua Shen Zi [2025] 0011016213;

The type and book value of the book assets in this asset appraisal report have been audited by Da Hua Certified Public Accountants (Special General Partnership), which issued a special audit report with a standard unqualified opinion, with report number: Da Hua Shen Zi [2025] 0011016213. The opinion of the audit report is: “We have audited the pro forma financial statements of Shanghai Huali Microelectronics Corporation (“HLMC”), which comprise the pro forma balance sheets as at August 31, 2025, December 31, 2024, and December 31, 2023, and the pro forma income statements, pro forma cash flow statements, and related notes to the pro forma financial statements from January to August 2025, and for the years 2024 and 2023.” In our opinion, the accompanying pro forma financial statements have been prepared in all material respects in accordance with the basis of preparation described in Note 3 to the pro forma financial statements, and present fairly the pro forma financial position of HLMC from January to August 2025, and as at December 31, 2024, and December 31, 2023, and its pro forma operating results and pro forma cash flows for the period from January to August 2025, the year 2024, and the year 2023. The asset appraisal professionals have analyzed and judged the financial statements based on the requirements for their use in the adopted appraisal methods. However, it is not the responsibility of the asset appraisal professionals to express a professional opinion on whether the relevant financial statements fairly reflect the financial position, current operating results, and cash flows of the enterprise as at the base date.

According to the relevant provisions of the current valuation standards, we only assume responsibility for improper citation in relation to the use of relevant professional reports.

(V) Significant subsequent events:

Between the base date and the date of issuance of this asset appraisal report, the client and the appraised entity have clearly stated that there are no material subsequent events. We also confirm that there have been no material changes in the appraisal parameters and appraisal assumptions between the base date and the date of issuance of this asset appraisal report, and there has been no material change in the equity value of the appraised entity.

(VI) Explanation about circumstances where appraisal procedures are limited, remedial measures taken by the appraisal institution, and the impact on appraisal conclusions:

No matters affecting asset verification were found during this appraisal.

(VII) Nature, amount, and relationship with the appraisal subject of guarantees, leases, and contingent liabilities (contingent assets):

1. Pledge and mortgage

As of the base date, pledges and guarantees in which HLMC was involved were as follows:

Contract No.	Borrower	Lender	Loan amount (RMB0,000)	Term of loan	Purpose of the loan	Interest rate	Guarantee
Loan Contract No. 31002016061 00000054	HLMC	Entrusted lender: China Development Bank Development Fund Co., Ltd; Entrustee lender: China Development Bank Corporation	300,000.00	August 4, 2016-August 3, 2026	Production line construction	1.2% per annum	HLMC provided mortgage guarantee to the entrusted lender with equipment valued at a total of RMB1.5224377 billion
Loan Contract No. 31002015061000 00015001	HLMC	Entrusted lender: China Development Bank Development Fund Co., Ltd; Entrustee lender: China Development Bank Corporation	100,000.00	November 24, 2015-November 23, 2030	Investment and construction of production lines	1.2% per annum	HLMC provided mortgage guarantee to the entrusted lender with equipment valued at a total of RMB1.1626396 billion
310020230110 0002961	HLMC	China Development Bank Shanghai Branch, Bank of Communications Co., Ltd. Shanghai New Area Sub- branch, Bank of Shanghai Co., Ltd. Xuhui Sub-branch, China Construction Bank Corporation Shanghai Zhangjiang Branch	96,000.00	February 2023-February 2031	R&D	3%	HLMC provided mortgage guarantee to the lender with equipment valued at a total of RMB290,528,500

Report users are advised to take note that this appraisal does not consider the possible impact of the aforementioned mortgage or pledge matters on the appraisal results.

2. Leases

No.	Lessor	Lease address	Leased area	Lease term	Usage
1	Shanghai Grace Semiconductor Manufacturing Corporation	Premise at Plot 2, Block 13, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai	91,563.11 square meters	March 1, 2010 to February 28, 2030	Plant
2			Chemical warehouse, power plant, and production plant	20 years from the date of acceptance and delivery	
3			192 square meters	June 1, 2021 to December 31, 2025	

3. Leasing-out

No.	Lessor	Lessee	Subject of lease	Usage
1	HLMC	Shanghai Huali Integrated Circuit Manufacturing Co., Ltd.	Part of the clean plant	Accommodation of equipment
2	HLMC	Company B	Equipment	For use in production and operations

4. Contingencies

As of August 31, 2025, the outstanding balance of bank guarantees for HLMC was RMB10,000,000.00, with the last guarantee expiring on February 10, 2026.

As of August 31, 2025, the unused amount of irrevocable letters of credit not yet fulfilled by HLMC was USD1,360,050.00 (equivalent to RMB9,660,435.15), with the last one maturing on January 13, 2026.

This appraisal did not consider the impact of the aforementioned contingencies on the appraisal.

Save for the above disclosed matters, the appraiser did not find any other related matters through on-site investigation. However, due to the limitations of the asset appraiser's verification methods and the concealment caused by guarantees and contingent liabilities (assets), the appraisal institution cannot issue a definitive opinion on the completeness of the above matters.

(VIII) Defects that may have a significant adverse impact on the appraisal conclusion in the economic behavior corresponding to this asset appraisal:

In the economic behavior corresponding to this asset appraisal, we have not found any defects that may have a significant impact on the appraisal conclusions.

(IX) Other matters requiring explanation:

1. In this asset appraisal report, all tables or textual expressions denominated in RMB ten thousands, and any difference between the total amount and the sum of the individual sub-values is due to rounding off.
2. When assessing the assets within the scope of appraisal, we did not consider the impact of the appraised appreciation of certain assets on income tax.
3. This appraisal report only serves the valuation purpose corresponding to the economic behavior agreed upon in the client's contract, and does not constitute investment advice or decision-making recommendations for other investors in the market regarding the relevant target.
4. Spin-off of the appraised entity

On June 26, 2025, pursuant to the general meeting resolution Hu HLMC Gu (2025) No. 4, all shareholders unanimously agreed to the spin-off plan, pursuant to which the company will be divided into Shanghai Huali Microelectronics Corporation (the surviving company, hereinafter referred to as "HLMC After Spin-off") and the new company by way of spin-off. HLMC After Spin-off will continue to operate the 12-inch wafer foundry and related businesses located at No. 568 Gaosi Road, China (Shanghai) Pilot Free Trade Zone, and will assume the related assets, creditor's rights and liabilities, personnel, and other agreed rights and obligations. The new company will assume long-term equity investments and corresponding businesses, assets, creditor's rights and liabilities, personnel, and other agreed rights and obligations. HLMC After Spin-off and the new company will maintain independence from each other in terms of business, assets, personnel, finance, and organization. The Company completed the spin-off on August 21, 2025. The sum of the registered capital of HLMC After Spin-off and the new company is equal to the registered capital of HLMC before this spin-off. The shareholding ratio of each shareholder in HLMC After Spin-off and the new company is consistent with their shareholding ratio in HLMC before this spin-off. HLMC After Spin-off will be the target asset to be injected into Huahong Company for this reorganization.

The appraisal subject is HLMC After Spin-off. Based on this, the appraisal is carried out on the basis of the pro forma financial statements prepared by HLMC under the spin-off framework and the business substance reflected therein.

5. Exchange rate fluctuation risk

Given that the appraised entity involves foreign currency settlement, its operating results is inevitably affected by exchange rate fluctuations. However, exchange rate fluctuations are constrained by various complex factors, including macroeconomic and geopolitical factors, which are intertwined, making it difficult for appraisers to accurately assess and quantify the specific degree of risk caused by exchange rate fluctuations.

Given that the listed company comparison method is adopted for this appraisal, the selected listed companies in the semiconductor manufacturing industry generally face the risk of exchange rate fluctuations. This industry commonality implies that the market approach-based appraisal results have, to a certain extent, already factored in the impact of exchange rate fluctuation risks. Accordingly, this appraisal does not separately consider the additional impact of exchange rate fluctuation risk.

Users of this asset appraisal report should pay full attention to the impact of the aforementioned special matters on the appraisal conclusion when using this report.

XII. LIMITATIONS OF USE OF APPRAISAL REPORT

- (I) This asset appraisal report shall only be used for the purposes of appraisal and economic behaviors as set out herein.
- (II) The appraisal institution and asset appraisers shall not be liable if the client or other users of the asset appraisal report use this asset appraisal report beyond the scope of use stipulated by laws and administrative regulations and stated in this asset appraisal report.
- (III) Except for the client, other users of the asset appraisal report as stipulated in the asset appraisal engagement contract, and users of the asset appraisal report as stipulated by laws and administrative regulations, no other institution or individual may be a user of this report.
- (IV) The users of the asset appraisal report should correctly understand and use the appraisal conclusions. The appraisal conclusions are not equivalent to the realizable price of the appraisal object, and should not be regarded as a guarantee of the realizable price of the appraisal object.
- (V) If this appraisal engagement involves state-owned assets and is required to comply with the filing and approval procedures of the state-owned assets supervision and administration authority in accordance with the relevant regulations, this appraisal report shall be filed with the state-owned assets supervision and administration authority before it can be formally used, and the appraisal conclusion shall only apply to the economic behaviors shown in this report.

- (VI) This asset appraisal report contains certain annexes and appraisal schedules, all of which also constitute an important part of this report, but shall be valid only when used in conjunction with the body of this report. The appraisal institution and the asset appraiser assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the non-asset appraisal report user or the non-asset appraisal report user who otherwise has access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the non-asset appraisal report user the losses incurred as a result.
- (VII) The right to interpret the contents of this asset appraisal report shall rest with the appraisal institution, and no other entity or department shall have the right to interpret it, unless otherwise expressly and specifically provided for in national laws and regulations; any extract, quote or disclosure of the whole or part of the contents of the appraisal report in the public media shall be subject to the written consent of the appraisal institution and the undersigning appraiser of the report after the appraisal institution has reviewed the relevant contents. unless otherwise provided by laws and regulations or agreed by the relevant parties.

XIII.DATE OF APPRAISAL REPORT

The date of the asset appraisal report is the date on which the appraisal conclusion is made, and the date of this asset appraisal report is December 29, 2025.

Appraisal institution	Shanghai Orient Appraisal Co., Ltd.	
Legal representative	Xu Feng	
Signatory asset appraiser	Yu Zhechao	Wong Xin
Date of appraisal report	December 29, 2025	

Annexes Asset Appraisal Report

(Appendix)

Engagement Name **Asset Appraisal Report on the Value of All Shareholders' Equity of Shanghai Huali Microelectronics Corporation in connection with the Proposed Issuance of Shares by Hua Hong Semiconductor Limited for the Acquisition of Assets**

Report No. Orient Ping Bao Zi [2025] No. 2446

No. Name of Attachment

1. Economic behavior documents corresponding to the purpose of appraisal
2. Business licenses of the client and appraised entity
3. Registration certificate of state-owned assets of the client and the assessed entity
4. Special audit report of the appraised entity
5. Patent certificates and other rights certificates of the appraised entity
6. Letter of undertakings of the client and related parties
7. Engagement contract for asset appraisal
8. Business license of Shanghai Orient Appraisal Co., Ltd.
9. Securities-related assets appraisal certificate of Shanghai Dongzhou Assets Appraisal Co., Ltd.
10. Asset appraisal qualification certificate of Shanghai Orient Appraisal Co., Ltd.
11. Qualification certificates of asset appraisers responsible for the appraisal business
12. Letter of undertaking from asset appraisal institution and asset appraisers
13. Explanation about significant differences between the book value of assets and the appraisal conclusion
14. Summary or detailed statement of asset appraisal
15. Report schedule – Patent List

Explanation About Significant Differences Between the Book Value of Assets and the Appraisal Conclusion

Shanghai Orient Appraisal Co., Ltd., entrusted by your company, conducted an appraisal of the market value of all shareholders' equity of Shanghai Huali Microelectronics Corporation as at August 31, 2025, which is involved in the acquisition of 97.4988% equity interest in HLMC held by four HLMC shareholders, including Shanghai Huahong (Group) Co., Ltd., Shanghai Integrated Circuit Industry Investment Fund Co., Ltd., China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd., and Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership), through the issuance of shares. This appraisal was performed in accordance with laws, administrative regulations, and asset appraisal standards, adhering to the principles of independence, objectivity, and impartiality, and utilizing the asset-based approach and market approach, following the necessary appraisal procedures. The explanations for the significant differences between the book value of assets and the appraisal conclusions are as follows:

The shareholders' equity declared by the appraised entity is RMB2.0019138 billion. The appraised value is RMB8.48 billion, indicating the appraisal appreciation of RMB6.4780862 billion, which is precisely because of the market approach appraisal conclusion. The company possesses significant intangible resource values, such as process routes, enterprise management level, talent and technical team, and self-created goodwill, which are not reflected in the book value of the enterprise. Therefore, the market approach results in a large appreciation compared to the book value.

FURTHER EXPLANATORY NOTES TO THE APPRAISAL REPORT

A. Conclusion of the Asset-Based Approach Appraisal

The asset-based approach was adopted to evaluate the value of all shareholders' equity of the enterprise, and the appraisal results of the appraised entity on the base date are as follows:

As of the base date, the book value of the owner's equity of the appraised entity was RMB2.0019138 billion, the appraised value was RMB7.8276424 billion, the appraisal appreciation was RMB5.8257286 billion, and the appreciation rate was 291.01%. Among them, the book value of total assets was RMB7.2585028 billion, the appraised value was RMB13.0683929 billion, the appraisal appreciation was RMB5.8098901 billion, and the appreciation rate was 80.04%. Total liabilities book value RMB5.256589 billion, appraised value RMB5.2407505 billion, appraised impairment RMB15.8385 million, impairment rate 0.30%.

Comparison of Appraisal Conclusion under Asset-based Approach with Book Value and Explanation of Changes

The main reasons for the changes in the appraisal conclusion under this asset-based approach are analyzed as follows:

Unit: RMB0,000

Item	Book Value A	Appraised Value B	Appreciation Amount C=B-A	Appreciation Rate % D=C/A×100%
Current Assets	502,209.71	526,180.75	23,971.04	4.77
Non-Current Assets	223,640.57	780,658.54	557,017.97	249.07
Long-term Receivables	6,362.46	6,362.46	0.00	0.00
Fixed Assets	150,987.78	558,573.56	407,585.78	269.95
Construction in Progress	13,740.65	13,816.45	75.80	0.55
Right-of-Use Assets	38,118.47	38,118.47	0.00	0.00
Intangible Assets	12,989.24	162,349.10	149,359.86	1,149.87
Long-term Deferred Expenses	526.11	526.11	0.00	0.00
Other Non-Current Assets	915.86	912.39	-3.47	-0.38
Total Assets	725,850.28	1,306,839.29	580,989.01	80.04
Current Liabilities	204,107.99	204,135.14	27.15	0.01
Non-Current Liabilities	321,550.91	319,939.91	-1,611.00	-0.50
Total Liabilities	525,658.90	524,075.05	-1,583.85	-0.30
Owner's Equity (Net Assets)	200,191.38	782,764.24	582,572.86	291.01

1. Current Assets

The book value of current assets is RMB5,022,097,100, and the appraised value is RMB5,261,807,500, representing an appraisal appreciation of RMB239,710,400. The appreciation mainly derives from the appraisal of inventory. The book value of finished goods and work-in-progress only reflects production costs, whereas during the appraisal, the value is determined based on the ex-factory price excluding taxes, after deducting the necessary taxes and fees required to realize sales. This appraised value is higher than production cost, leading to the appraisal appreciation.

2. Fixed Assets

The book net value of fixed assets is RMB1,509,877,800, and the appraised net value is RMB5,585,735,600, representing an appraisal appreciation of RMB4,075,857,800. The appreciation is mainly due to two reasons: (i) the Company's financials use the straight-line method to calculate depreciation for equipment assets, which results in faster depreciation. The appraisal determines the newness rate based on the economic life of the equipment and its actual condition, which reflects the actual value of the equipment on a more objective basis. The fact that depreciation period adopted by the financial principals is shorter than the economic life used in the appraisal leads to such appraisal appreciation; and (ii) the equipment assets not reflected on the books are included in the scope of this appraisal, resulting in such appraisal appreciation.

3. Construction in Progress

The book value of construction in progress is RMB137,406,500, and the appraised value is RMB138,164,500, representing an appraisal appreciation of RMB758,000. The main reason is that the appraisal takes into account the capital cost of construction in progress, hence resulting in the appraisal appreciation.

4. Intangible Assets

The book value of intangible assets is RMB129,892,400, and the appraised value is RMB1,623,491,000, representing an appraisal appreciation of RMB1,493,598,600. The appreciation is mainly attributable to two reasons: (i) some software and licenses, though amortized on the books, are still usable in practice, and their reasonable value has been reflected in this appraisal, resulting in the appraisal appreciation; (ii) some previously unrecorded intangible assets such as patents and layout designs are included in the scope of this appraisal, resulting in the appraisal appreciation.

5. *Other Non-Current Assets*

The book value of other non-current assets is RMB9,158,600, and the appraised value is RMB9,123,900, representing a decreased value of RMB34,700. The main reason is that other non-current assets include foreign currency receivables for which the appraised value is determined by converting these accounts into RMB based on the exchange rate prevailing on the benchmark date. The valuation impairment resulted from fluctuations between the exchange rate at the time of recording the foreign currency accounts receivable and the exchange rate on the benchmark date.

6. *Liabilities*

The book value of liabilities is RMB5,256,589,000, and the appraised value is RMB5,240,750,500, representing a decreased value of RMB15,838,500. The main reason for such appraisal depreciation is that deferred income for which obligations have been fulfilled is appraised as zero.

For detailed appraisal conclusions, please refer to the appraisal result summary table and appraisal detail declaration table.

B. Market Approach Appraisal

Introduction to Application of Market Approach

Definition of Market Approach

The market approach refers to an appraisal approach that determines the value of the appraisal object by comparing it with comparable listed companies or comparable transaction cases. The market approach is essentially a valuation technique that determines the value of an enterprise or equity by utilizing transaction information or reasonable quotation data of similar cases that have been transacted in an active trading market, through comparative analysis.

Two methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to a specific method for determining the value of an appraisal object by obtaining and analyzing the operating and financial data of comparable listed companies, calculating appropriate value ratios, and conducting a comparative analysis with the appraised entity. Comparable companies in the listed company comparison method should be listed companies normally traded in the open market. The appraisal conclusion should take into account the impact of liquidity on the appraisal object's value.

The transaction case comparison method refers to a specific method for determining the value of an appraisal entity by obtaining and analyzing information on the transaction, acquisition and merger cases of comparable companies, calculating appropriate value ratios, and conducting a comparative analysis with the appraised entity. When applying the transaction case comparison method, the impact of differences between the appraisal object and the transaction cases on the value should be considered.

Characteristics of Market Approach

- (1) The valuation data is derived directly from the market, making the valuation process simple and intuitive.
- (2) The valuation method is market-oriented, and the valuation results are highly persuasive.

Prerequisites for Applying the Market Approach

- (1) There must be a well-developed and active capital market;
- (2) There are three or more comparable companies, which should be in the same industry or subject to similar economic factors as the appraised enterprise;
- (3) The value-influencing factors for comparable companies and the appraised enterprise are clear, quantifiable, and relevant information can be collected.

Valuation Assumptions

- (1) It is assumed that the appraised entity strictly adheres to the Accounting Standards for Business Enterprises and its relevant regulations, and that the financial data at the base date and for all historical periods are true and reliable;
- (2) It is assumed that the financial and operating data disclosed by the selected comparable listed companies are true and reliable;
- (3) Unless otherwise specified, it is assumed that all capital market transactions are based on the principles of openness, fairness, voluntariness, and impartiality.
- (4) Neither the impact of natural forces and other force majeure factors nor the possible impact of a special transaction method on the appraisal conclusion are taken into consideration.
- (5) The possible mortgage and guarantee in the future are not considered.

Introduction to Market Approach Valuation Model

(1) Listed company comparison method

The listed company comparison method refers to a specific method for determining the value of an appraisal object by obtaining and analyzing the operating and financial data of comparable listed companies, calculating appropriate value ratios, and conducting a comparative analysis with the appraised entity.

(2) Transaction case comparison method

The transaction case comparison method refers to a specific method for determining the value of an appraisal entity by obtaining and analyzing information on the transaction, acquisition and merger cases of comparable companies, calculating appropriate value ratios, and conducting a comparative analysis with the appraised entity.

Given that at least three comparable listed companies in the same industry as the appraisal subject can be found in the A-share capital market, and their operating and financial data can be fully and reliably obtained, the listed company comparison method is selected for this appraisal.

How to Implement Appraisal Approach

The basic appraisal approach under this listed company comparison method is as follows:

Identify comparable companies

Since the appraised entity is a non-listed company, its equity does not have a publicly traded market, and therefore its market value cannot be directly determined. We select comparable companies from domestic listed companies, and the screening process for comparable companies is as follows:

- (1) Preliminary screening is conducted based on the industry, main business model, and product type of the entity being evaluated. The screening criteria for comparable companies are as follows:
 - 1) As of the base date, it must have been listed for at least two years to avoid the impact of share price fluctuations caused by insufficient market information, IPO effects, market expectations, and other factors.
 - 2) The industry where it operates must be the semiconductor manufacturing or wafer foundry industry, i.e., the industry of the appraised entity, and its main business model is IDM or Foundry, which involves large-scale investment, high capital expenditure, and continuous investment in technology and processes, and its product application areas are similar to those of the appraised entity.
 - 3) The shares were normally traded on the base date and were not in an abnormal trading state such as a trading halt, nor did the share price fluctuate abnormally due to a recent merger, acquisition, or restructuring transaction on the base date.

- 4) Given that ST shares are more likely to deviate significantly from their actual value due to speculative and manipulative factors in the market, ST shares are excluded from the scope of comparable companies.

The appraisers in this appraisal have screened listed companies that belong to the same category as the appraised entity under the SWS Industry Classification – Electronics – Semiconductors – Discrete Devices, Integrated Circuit Manufacturing, and a total of 25 listed companies was selected. These companies are screened in accordance with the aforementioned screening criteria, with details as follows:

Stock code	Name of securities	Date of listing	Screening process
688249.SH	Nexchip	May 5, 2023	Its operating model is mainly Foundry model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688347.SH	Hua Hong	August 7, 2023	The company experienced abnormal trading such as trading suspension during the recent period prior to the base date, so it is excluded from screening
688396.SH	CR Micro	February 27, 2020	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688469.SH	UNT	May 10, 2023	The company experienced merger, acquisition and restructuring during the recent period prior to the base date, so it is excluded from screening
688691.SH	Brite	April 11, 2024	It mainly operates under Fabless model, which is significantly different from the operating model of the appraised entity, so it is excluded from screening
688981.SH	SMIC	July 16, 2020	It mainly operates under Foundry model, and there are significant differences in process technology, so it is excluded from screening
300456.SZ	SMEI	May 14, 2015	It mainly operates under Foundry model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
600360.SH	* ST Huawei	March 16, 2001	Its shares are under special treatment (ST), and its share price deviates significantly from its actual value, so it is excluded from screening
600460.SH	Silan Microelectronics	March 11, 2003	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
600745.SH	Wingtech Technology	August 28, 1996	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
603290.SH	StarPower Semiconductor	February 4, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening

Stock code	Name of securities	Date of listing	Screening process
605111.SH	NCE Power	September 28, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688048.SH	Everbright	April 1, 2022	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688167.SH	Focuslight Technologies	December 24, 2021	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688172.SH	Yandong Microelectronics	December 16, 2022	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688230.SH	Prisemi	December 1, 2021	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688261.SH	Oriental Semiconductor	February 10, 2022	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688498.SH	Yuanjie Technology	December 21, 2022	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688689.SH	Galaxy Microelectronics	January 27, 2021	It mainly conducts semiconductor packaging and testing, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688693.SH	Convert	August 18, 2023	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688711.SH	MACMIC	September 1, 2021	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
300046.SZ	Tech Semi	January 20, 2010	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
300373.SZ	Yangjie Technology	January 23, 2014	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
300623.SZ	Jie Jie Microelectronics	March 14, 2017	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
300831.SZ	Peri	May 7, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening

After preliminary screening, the company profiles that meet the above reference standards are shown in the following table:

Stock Code	Name of security	Corporate Profile	Composition of Main Operations
688249.SH	Nexchip	The main business of Hefei Nexchip Semiconductor Corporation is 12-inch wafer foundry business and its supporting services. The company's main products are DDIC, CIS, PMIC, MCU, and Logic.	Integrated circuit wafer foundry: 98.5703%; Other operations: 1.4020%; Others: 0.0277%
688396.SH	CR Micro	The principal business of China Resources Microelectronics Limited is power semiconductors, smart sensors, and smart control, providing customers with a wide range of semiconductor products and system solutions. The Company's main products are MOSFETs, IGBTs, power diodes, IoT application-specific ICs, power ICs, optocouplers and sensors, SiC, and GaN.	Products and solutions: 50.9277%; Manufacturing and services: 46.3278%; Other businesses: 2.7445%
600460.SH	Silan Microelectronics	Hangzhou Silan Microelectronics Co., Ltd. is mainly engaged in the research and development, manufacturing, and sales of electronic components. The company's main products are silicon-based integrated circuits, discrete devices, and compound semiconductor devices (LED chips and finished products, SiC, GaN power devices).	Discrete device products: 48.4601%; Integrated circuits: 36.5858%; Light-emitting diode products: 6.8476%; Other businesses: 4.4177%; Others: 3.6887%
688172.SH	Yandong Microelectronics	The principal business of Beijing Yandong Microelectronics Co., Ltd. consists of two categories: products and solutions, and manufacturing and services. The Company's main products are products and solutions, manufacturing and services.	Products and solutions: 47.1756%; Manufacturing and services: 43.9067%; Others: 5.7855%; Other businesses: 3.1323%

Stock Code	Name of security	Corporate Profile	Composition of Main Operations
300373.SZ	Yangjie Technology	The main business of Yangzhou Yangjie Electronic Technology Co., Ltd. is the design, manufacturing, packaging, testing, research and development, production, and sale of power semiconductor wafers, chips, and devices. The company's main products are semiconductor devices, semiconductor chips, and semiconductor wafers.	Semiconductor devices: 86.2474%; Semiconductor chips: 8.3270%; Semiconductor silicon wafers: 3.0766%; Other business income: 2.3490%
300623.SZ	Jie Jie Microelectronics	The main business of Jiangsu JieJie Microelectronics Co., Ltd. is the research and development, design, production, and sales of power semiconductor chips and devices. The Company's main products are thyristor series, protection device series, diode series, MOSFET series, IGBT series, thick film modules, silicon carbide devices, and others.	Power semiconductor devices: 66.9693%; power semiconductor chips: 31.0471%; other business income: 1.3637%; power device packaging and testing: 0.6199%

- (2) Given that the appraised entity is an independent wafer foundry, if the business scale of comparable listed companies is smaller than that of the appraised entity and the gap is significant, their comparability will be correspondingly weakened. In addition, considering that the book value of fixed assets of the appraised entity had been almost fully depreciated as of the base date, and its main production and operation sites were all leased, without self-owned factory buildings and land, comparable samples of equipment-type fixed assets with similar original book value were selected in this screening process.

The original book value of equipment-type fixed assets for each company is calculated as follows:

Stock code	Name of security	Original book value of equipment assets (RMB100,000,000)
688249.SH	Nexchip	373.37
688396.SH	CR Micro	208.96
600460.SH	Silan Microelectronics	114.24
688172.SH	Yandong Microelectronics	67.74
300373.SZ	Yangjie Technology	47.07
300623.SZ	Jie Jie Microelectronics	54.72
Assessed entity	HLMC	153.59

The profiles of the comparable listed companies finally selected are shown in the following table:

Stock code	Name of security	Date of listing	Corporate profile	Main operation
688249.SH	Nexchip	May 5, 2023	The main business of Hefei Nexchip Semiconductor Corporation is 12-inch wafer foundry business and its supporting services. The company's main products are DDIC, CIS, PMIC, MCU, and Logic.	12-inch wafer foundry business.
688396.SH	CR Micro	February 27, 2020	The principal business of China Resources Microelectronics Limited is power semiconductors, smart sensors, and smart control, providing customers with a wide range of semiconductor products and system solutions. The Company's main products are MOSFETs, IGBTs, power diodes, IoT application-specific ICs, power ICs, optocouplers and sensors, SiC, and GaN.	Integrated operation of the entire industry chain, including chip design, wafer manufacturing, and packaging and testing.
600460.SH	Silan Microelectronics	March 11, 2003	The principal business of Hangzhou Silan Microelectronics Co., Ltd. is the R&D, production and sale of electronic components. The company's main products are silicon-based integrated circuits, discrete devices, and compound semiconductor devices (LED chips and finished products, SiC, GaN power devices).	Research and development, production, and sales of electronic components.

Make necessary adjustments for the differences between the appraised entity and comparable companies.

Information of the comparable companies obtained from public and legal channels, including their operation and financial information, are compared and analyzed against the actual situation of the appraised entity. Necessary adjustments are made for differences.

Select and determine the value ratio.

(1) Selection of value ratio

Valuation ratios usually include asset value ratio, earnings ratio, revenue value ratios, and other specific value ratios. Applicable value ratio should be selected based on factors such as the industry characteristics and operating stage of the appraised entity, and the value ratio of each comparable listed company should be calculated. The following factors were fully considered during the selection process: the selected value ratio is conducive to reasonably determining the value of the subject of appraisal; the data scope and calculation method for calculating the value ratio are consistent; and when applying the value ratio, differences between comparable companies and the appraised entity are reasonably adjusted as much as possible. The value ratio selected is as follows:

1) Asset value ratio

Asset value ratios include price-to-book ratio (P/B), enterprise value to total business value of invested capital ratio (EV/TBVIC) and other ratios. Since the net value ratio of the major fixed assets of the appraised entity as of the base date had been relatively low, the net assets and total assets as of the base date were at a relatively low level in the enterprise's life cycle. In comparison, the average net asset ratio of the selected comparable listed companies was approximately 50%, indicating a significant difference in their asset bases. Although net assets and total assets are relatively less affected by cyclical fluctuations in the industry, their values often show significant differences at various stages of a company's life cycle. The current low net asset status of the appraised entity reflects the reality that its assets have accumulated depreciation over many years, resulting in a low book value. If value ratio based on book value, such as P/B or EV/TBVIC, were used at this time, it would easily lead to distorted appraisal results. Therefore, the asset value ratio was not adopted in this appraisal.

2) Earnings ratio

Earnings ratios include price-to-earnings ratio (P/E), enterprise value to earnings before interest and taxes ratio (EV/EBIT), and enterprise value to earnings before interest, taxes, depreciation and amortization ratio (EV/EBITDA) and others. As a wafer foundry enterprise, the appraised entity is characterized by high capital investment and a long return cycle. After deducting high depreciation and amortization expenses, earnings before interest and taxes (EBIT) often shows temporary losses or low profit levels. This situation will lead to a distortion of value ratios such as the price-to-earnings ratio (P/E) and the enterprise value to earnings before interest and taxes ratio (EV/EBIT). Therefore, the above value ratios are not applicable to this appraisal. In contrast, the enterprise value to earnings before interest, taxes, depreciation, and amortization ratio (EV/EBITDA), by adding back depreciation and amortization, eliminates the impact of high capital expenditure characteristics on EBIT, thus providing a fairer measure of the appraised entity's sustainable operations. Therefore, this appraisal adopts the Enterprise Value to Earnings Before Interest, Taxes, Depreciation and Amortization ratio (EV/EBITDA).

3) Revenue-to-value ratio

Revenue-to-value ratios include price-to-sales ratio (P/S), enterprise value-to-sales ratio (EV/S) and others. The valuation logic implied by the revenue-to-value ratio is that there is a direct and stable linear relationship between a company's core value and its sales revenue scale. However, for wafer foundries, their core value primarily depends on factors such as technological processes, which ultimately reflect the enterprise's sustainable operations. The earnings value ratio is more consistent with the valuation logic of the wafer foundry industry; therefore, the revenue value ratio was not adopted in this appraisal.

(2) Relevance test

The appraisers conducted a linear regression analysis of the EV/EBITDA value ratio for the three selected comparable companies, with Enterprise Value (EV) as the dependent variable and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) as the independent variable. The relevant analysis results are shown in the table below:

Test indicators	EV/EBITDA
R	0.9461
R-squared value	0.8951

After the relevance test, the R-squared value of EV/EBITDA is relatively high. An R-squared between 0.7 and 0.9 is generally considered to indicate a high degree of fit, meaning there is a strong positive correlation between EBITDA and enterprise value. Therefore, EV/EBITDA should be adopted as the valuation multiple for this appraisal.

Determine the appraisal conclusion

After adjusting and calculating the value ratios of comparable companies, and combining them with the relevant financial data or indicators of the appraised entity, the enterprise value of the appraised entity is calculated. By adjusting the non-operating assets, liabilities, and surplus assets of the appraised entity, the total equity value of the shareholders of the appraised entity is finally obtained.

Consideration of liquidity and control

The market approach in this appraisal adopts the listed company comparison method. Since the selected comparable companies are listed companies and the appraised entity is a non-listed company, the impact of liquidity on the value of the appraised entity has been considered in the valuation.

As there is currently no reliable control premium rate or authoritative statistical data on the lack of control discount rate for the Chinese market that is recognized by all market participants, the impact of control on the value of the appraisal subject was not considered in this market approach valuation.

Valuation Process under Market Approach

Selection of Comparable Companies

Since the appraised entity is a non-listed company, its equity does not have a publicly traded market, and therefore its market value cannot be directly determined. We select comparable companies from domestic listed companies, and the screening process for comparable companies is as follows:

- (1) Preliminary screening is conducted based on the industry, main business model, and product type of the entity being evaluated. The screening criteria for comparable companies are as follows:
 - 1) As of the base date, it must have been listed for at least two years to avoid the impact of share price fluctuations caused by insufficient market information, IPO effects, market expectations, and other factors.
 - 2) The industry where it operates must be the semiconductor manufacturing or wafer foundry industry, i.e., the industry of the appraised entity, and its main business model is IDM or Foundry, which involves large-scale investment, high capital expenditure, and continuous investment in technology and processes, and its product application areas are similar to those of the appraised entity.
 - 3) The shares were normally traded on the base date and were not in an abnormal trading state such as a trading halt, nor did the share price fluctuate abnormally due to a recent merger, acquisition, or restructuring transaction on the base date.
 - 4) Given that ST shares are more likely to deviate significantly from their actual value due to speculative and manipulative factors in the market, ST shares are excluded from the scope of comparable companies.

The appraisers in this appraisal have screened listed companies that belong to the same category as the appraised entity under the SWS Industry Classification – Electronics – Semiconductors – Discrete Devices, Integrated Circuit Manufacturing, and a total of 25 listed companies was selected. These companies are screened in accordance with the aforementioned screening criteria, with details as follows:

Stock code	Name of securities	Date of listing	Screening process
688249. SH	Nexchip	May 5, 2023	Its operating model is mainly Foundry model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688347. SH	Hua Hong	August 7, 2023	The company experienced abnormal trading such as trading suspension during the recent period prior to the base date, so it is excluded from screening
688396. SH	CR Micro	February 27, 2020	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688469. SH	UNT	May 10, 2023	The company experienced merger, acquisition and restructuring during the recent period prior to the base date, so it is excluded from screening
688691. SH	Brite	April 11, 2024	It mainly operates under Fabless model, which is significantly different from the operating model of the appraised entity, so it is excluded from screening
688981. SH	SMIC	July 16, 2020	It mainly operates under Foundry model, and there are significant differences in process technology, so it is excluded from screening
300456. SZ	SMEI	May 14, 2015	It mainly operates under Foundry model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
600360. SH	* ST Huawei	March 16, 2001	Its shares are under special treatment (ST), and its share price deviates significantly from its actual value, so it is excluded from screening
600460. SH	Silan Microelectronics	March 11, 2003	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
600745. SH	Wingtech Technology	August 28, 1996	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
603290. SH	StarPower Semiconductor	February 4, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening

Stock code	Name of securities	Date of listing	Screening process
605111. SH	NCE Power	September 28, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688048. SH	Everbright	April 1, 2022	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688167. SH	Focuslight Technologies	December 24, 2021	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688172. SH	Yandong Microelectronics	December 16, 2022	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
688230. SH	Prisemi	December 1, 2021	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688261. SH	Oriental Semiconductor	February 10, 2022	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688498. SH	Yuanjie Technology	December 21, 2022	It mainly operates under IDM model, and its product application areas are different from those of the appraised entity, so it is excluded from screening
688689. SH	Galaxy Microelectronics	January 27, 2021	It mainly conducts semiconductor packaging and testing, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688693. SH	Convert	August 18, 2023	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
688711. SH	MACMIC	September 1, 2021	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening

Stock code	Name of securities	Date of listing	Screening process
300046. SZ	Tech Semi	January 20, 2010	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening
300373. SZ	Yangjie Technology	January 23, 2014	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
300623. SZ	Jie Jie Microelectronics	March 14, 2017	Its operating model is mainly IDM model with product application areas being similar to the appraised entity, so the company is eligible for further screening
300831. SZ	Peri	May 7, 2020	It mainly operates under Fabless model, and its business model is significantly different from that of the appraised entity, so it is excluded from screening

After preliminary screening, the company profiles that meet the above reference standards are shown in the following table:

Stock Code	Name of security	Corporate Profile	Composition of Main Operations
688249. SH	Nexchip	The main business of Hefei Nexchip Semiconductor Corporation is 12-inch wafer foundry business and its supporting services. The company's main products are DDIC, CIS, PMIC, MCU, and Logic.	Integrated circuit wafer foundry: 98.5703%; Other operations: 1.4020%; Others: 0.0277%
688396. SH	CR Micro	The principal business of China Resources Microelectronics Limited is power semiconductors, smart sensors, and smart control, providing customers with a wide range of semiconductor products and system solutions. The Company's main products are MOSFETs, IGBTs, power diodes, IoT application-specific ICs, power ICs, optocouplers and sensors, SiC, and GaN.	Products and solutions: 50.9277%; Manufacturing and services: 46.3278%; Other businesses: 2.7445%

Stock Code	Name of security	Corporate Profile	Composition of Main Operations
600460. SH	Silan Microelectronics	Hangzhou Silan Microelectronics Co., Ltd. is mainly engaged in the research and development, manufacturing, and sales of electronic components. The company's main products are silicon-based integrated circuits, discrete devices, and compound semiconductor devices (LED chips and finished products, SiC, GaN power devices).	Discrete device products: 48.4601%; Integrated circuits: 36.5858%; Light-emitting diode products: 6.8476%; Other businesses: 4.4177%; Others: 3.6887%
688172. SH	Yandong Microelectronics	The principal business of Beijing Yandong Microelectronics Co., Ltd. consists of two categories: products and solutions, and manufacturing and services. The Company's main products are products and solutions, manufacturing and services.	Products and solutions: 47.1756%; Manufacturing and services: 43.9067%; Others: 5.7855%; Other businesses: 3.1323%
300373. SZ	Yangjie Technology	The main business of Yangzhou Yangjie Electronic Technology Co., Ltd. is the design, manufacturing, packaging, testing, research and development, production, and sale of power semiconductor wafers, chips, and devices. The company's main products are semiconductor devices, semiconductor chips, and semiconductor wafers.	Semiconductor devices: 86.2474%; Semiconductor chips: 8.3270%; Semiconductor silicon wafers: 3.0766%; Other business income: 2.3490%
300623. SZ	Jie Jie Microelectronics	The main business of Jiangsu JieJie Microelectronics Co., Ltd. is the research and development, design, production, and sales of power semiconductor chips and devices. The Company's main products are thyristor series, protection device series, diode series, MOSFET series, IGBT series, thick film modules, silicon carbide devices, and others.	Power semiconductor devices: 66.9693%; power semiconductor chips: 31.0471%; other business income: 1.3637%; power device packaging and testing: 0.6199%

- (2) Given that the appraised entity is an independent wafer foundry, if the business scale of comparable listed companies is smaller than that of the appraised entity and the gap is significant, their comparability will be correspondingly weakened. In addition, considering that the book value of fixed assets of the appraised entity had been almost fully depreciated as of the base date, and its main production and operation sites were all leased, without self-owned factory buildings and land, comparable samples of equipment-type fixed assets with similar original book value were selected in this screening process.

The original book value of equipment-type fixed assets for each company is calculated as follows:

Stock code	Name of security	Original book value of equipment assets
688249. SH	Nexchip	373.37
688396. SH	CR Micro	208.96
600460. SH	Silan Microelectronics	114.24
688172. SH	Yandong Microelectronics	67.74
300373. SZ	Yangjie Technology	47.07
300623. SZ	Jie Jie Microelectronics	54.72
Assessed entity	HLMC	153.59

The profiles of the comparable listed companies finally selected are shown in the following table:

Stock code	Name of security	Date of listing	Corporate profile	Main operation
688249. SH	Nexchip	May 5, 2023	The main business of Hefei Nexchip Semiconductor Corporation is 12-inch wafer foundry business and its supporting services. The company's main products are DDIC, CIS, PMIC, MCU, and Logic.	12-inch wafer foundry business.

Stock code	Name of security	Date of listing	Corporate profile	Main operation
688396. SH	CR Micro	February 27, 2020	The principal business of China Resources Microelectronics Limited is power semiconductors, smart sensors, and smart control, providing customers with a wide range of semiconductor products and system solutions. The Company's main products are MOSFETs, IGBTs, power diodes, IoT application-specific ICs, power ICs, optocouplers and sensors, SiC, and GaN.	Integrated operation of the entire industry chain, including chip design, wafer manufacturing, and packaging and testing.
600460. SH	Silan Microelectronics	March 11, 2003	The principal business of Hangzhou Silan Microelectronics Co., Ltd. is the R&D, production and sale of electronic components. The company's main products are silicon-based integrated circuits, discrete devices, and compound semiconductor devices (LED chips and finished products, SiC, GaN power devices).	Research and development, production, and sales of electronic components.

Financial Overview of Comparable Companies

Comparable Company 1: Silan Microelectronics (600460.SH)

Full Company Name: Hangzhou Silan Microelectronics Co., Ltd.

(1) Balance Sheet (Consolidated Statement)

Unit: RMB0,000

Item\ Year	December 31, 2023	December 31, 2024	June 30, 2025
Current Assets:			
Monetary funds	613,122.98	452,033.46	444,510.01
Trading financial assets	0.00	0.00	0.00
Derivative financial assets	0.00	0.00	0.00
Notes receivable and accounts receivable	244,610.00	303,671.42	327,813.76
Receivables financing	93,839.37	151,269.10	192,637.98
Prepayments	4,152.76	3,582.99	3,654.47
Other receivables (total)	2,552.38	2,253.64	2,387.59
Contract assets	0.00	0.00	0.00
Inventories	373,203.41	389,894.30	378,229.34
Assets held for sale	0.00	0.00	0.00
Non-current assets due within one year	1,720.00	960.00	1,200.00
Other current assets	15,329.26	31,437.47	13,912.33
Total current assets	1,348,530.16	1,335,102.39	1,364,345.47
Non-current Assets:			
Debt investments	0.00	0.00	0.00
Long-term receivables	3,610.00	2,650.00	1,750.00
Long-term equity investments	67,830.28	127,834.49	147,654.84
Other equity instrument investments	2,250.71	2,226.29	2,380.90
Other non-current financial assets	56,623.79	43,886.84	41,555.06
Investment property	0.00	0.00	0.00
Fixed assets (total)	643,080.08	687,001.45	686,726.42
Construction in progress (total)	149,717.00	180,666.10	207,442.93
Right-of-use assets	1,221.08	763.74	839.25
Intangible assets	47,186.51	36,951.98	31,462.31
Development expenditures	2,619.90	4,872.77	9,382.82
Goodwill	24,535.99	24,507.00	24,507.00
Long-term deferred expenses	10,177.79	7,209.44	6,702.13
Deferred income tax assets	10,736.87	15,788.13	14,577.91
Other non-current assets	22,638.42	10,236.49	11,561.12
Total non-current assets	1,042,228.41	1,144,594.71	1,186,542.71
Total Assets	2,390,758.57	2,479,697.11	2,550,888.18

Item\ Year	December 31, 2023	December 31, 2024	June 30, 2025
Current Liabilities:			
Short-term borrowings	181,056.81	149,163.93	161,461.23
Trading financial liabilities	111.63	0.00	0.00
Derivative financial liabilities	0.00	0.00	0.00
Notes payable and accounts payable	217,922.27	310,155.65	315,075.33
Advances from customers	0.00	0.00	0.00
Contract liabilities	2,409.47	2,526.23	2,390.84
Employee compensation payable	38,896.57	41,966.48	29,584.98
Taxes payable	11,017.49	9,956.03	11,030.06
Other payables (total)	6,981.88	7,593.75	9,987.80
Non-current liabilities due within one year	105,257.17	196,825.01	192,653.20
Other current liabilities	227.62	295.63	160.50
Total current liabilities	563,880.92	718,482.72	722,343.95
Non-current Liabilities:			
Long-term borrowings	343,094.60	260,300.26	347,305.44
Bonds payable	0.00	0.00	0.00
Lease liabilities	784.06	504.01	490.86
Long-term payables (total)	26,741.41	12,047.05	5,408.06
Long-term employee compensation payables	0.00	0.00	0.00
Projected liabilities	0.00	0.00	0.00
Deferred income tax liabilities	10,714.38	5,843.59	4,736.08
Deferred income – non-current liabilities	11,857.93	13,584.62	15,085.78
Other non-current liabilities	91,684.17	86,576.66	89,016.44
Total non-current liabilities	484,876.54	378,856.18	462,042.65
Total Liabilities	1,048,757.47	1,097,338.90	1,184,386.59
Owners' Equity (or Shareholders' Equity):			
Owners' Equity attributable to parent company			
(total)	1,202,160.63	1,221,478.52	1,230,102.77
Minority interests	139,840.48	160,879.69	136,398.81
Total owners' equity	1,342,001.10	1,382,358.20	1,366,501.59

(2) Income Statement (Consolidated Statement)

Unit: RMB0,000

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
(1) Total Operating Revenue	933,953.80	1,122,086.90	633,576.61
(2) Total Operating Costs	898,089.78	1,100,739.99	597,538.91
Operating Costs	726,479.50	907,870.61	504,223.06
Taxes and Surcharges	3,829.74	5,271.47	2,532.51
Selling Expenses	16,685.01	17,877.47	8,593.39
Administrative Expenses	37,866.14	46,075.83	23,036.89
Research and Development Expenses	86,377.31	103,448.04	47,820.57
Financial Costs	26,852.08	20,196.56	11,332.50
Gains from Changes in Fair Value	-61,282.20	-13,625.32	-2,331.78
Investment Income	21,622.84	-775.48	-2,841.70
Net Exposure Hedging Gains	0.00	0.00	0.00
Exchange Gains	0.00	0.00	0.00
Gains from Disposal of Assets	1,108.96	-274.65	60.88
Asset Impairment Losses	9,387.11	30,833.39	20,329.81
Credit Impairment Losses	2,459.33	4,554.64	2,825.29
Other Income	9,655.22	18,643.15	8,592.32
(3) Operating Profit	-4,877.60	-10,073.42	16,362.31
Add: Non-operating Income	116.34	445.96	185.88
Less: Non-operating Expenses	926.56	1,097.17	128.36
(4) Total Profit	-5,687.81	-10,724.63	16,419.83
Less: Income Tax Expense	767.95	-8,338.44	3,136.22
(5) Net Profit	-6,455.76	-2,386.19	13,283.62
Less: Gains and Losses Attributable to Minority Interest	-2,877.19	-24,372.98	-13,196.15
Net Profit Attributable to Owners of the Parent Company	-3,578.58	21,986.78	26,479.77

The above data is excerpted from Silan Microelectronics' historical annual reports.

Comparable Company 2: Nexchip (688249.SH)

Full Company Name: Hefei Nexchip Semiconductor Corporation

(1) Balance Sheet (Consolidated Statement)

Unit: RMB0,000

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
Current Assets:			
Monetary funds	652,622.76	582,775.72	310,395.47
Trading financial assets	154,842.49	106,612.55	157,389.87
Derivative financial assets	0.00	0.00	0.00
Notes receivable and accounts receivable	85,720.04	99,257.58	95,632.97
Receivables financing	377.71	13.07	258.65
Prepayments	8,439.72	3,750.70	3,354.56
Other receivables (total)	2,571.80	5,245.43	4,170.25
Contract assets	0.00	0.00	0.00
Inventories	149,268.54	150,332.06	164,554.75
Assets held for sale	0.00	0.00	0.00
Non-current assets due within one year	0.00	3,180.48	6,360.97
Other current assets	140,689.44	23,219.06	41,381.92
Total current assets	1,194,532.50	974,386.65	783,499.39
Non-current Assets:			
Debt investments	0.00	0.00	0.00
Long-term receivables	0.00	0.00	0.00
Long-term equity investments	10,000.00	17,711.10	27,354.45
Other equity instrument investments	10,366.92	13,424.43	17,444.90
Other non-current financial assets	30,653.50	60,738.86	50,616.15
Investment property	0.00	0.00	0.00
Fixed assets (total)	2,287,260.63	2,479,217.17	2,671,579.01
Construction in progress (total)	1,095,959.78	1,322,186.48	1,334,338.64
Right-of-use assets	355.91	85.70	0.00
Intangible assets	135,802.02	131,341.88	137,113.98
Development expenditures	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00
Long-term deferred expenses	8.87	0.00	0.00
Deferred income tax assets	0.00	0.00	0.00
Other non-current assets	50,687.84	40,765.67	98,702.02
Total non-current assets	3,621,095.46	4,065,471.30	4,337,149.12
Total Assets	4,815,627.96	5,039,857.94	5,120,648.52
Current Liabilities:			
Short-term borrowings	65,834.90	129,114.81	67,937.17
Trading financial liabilities	0.00	0.00	0.00
Derivative financial liabilities	0.00	0.00	0.00
Notes payable and accounts payable	799,976.35	219,372.58	271,923.94
Advances from customers	0.00	0.00	0.00
Contract liabilities	87,737.18	64,851.59	28,811.36
Employee compensation payable	11,638.49	17,094.28	21,061.78
Taxes payable	9,478.67	9,544.18	7,800.98
Other payables (total)	284,185.04	147,583.25	114,429.79

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
Non-current liabilities due within one year	140,334.36	150,494.10	171,357.91
Other current liabilities	2,475.00	4,521.77	6,656.28
Total current liabilities	1,401,659.99	742,576.55	689,979.22
Non-current Liabilities:			
Long-term borrowings	1,151,003.04	1,558,942.96	1,669,458.48
Bonds payable	0.00	79,988.88	99,991.02
Lease liabilities	0.00	0.00	0.00
Long-term payables (total)	0.00	0.00	0.00
Long-term employee compensation payables	977.20	700.83	1,225.90
Projected liabilities	0.00	0.00	0.00
Deferred income tax liabilities	0.00	0.00	0.00
Deferred income – non-current liabilities	48,171.21	48,751.98	45,663.14
Other non-current liabilities	0.00	0.00	0.00
Total non-current liabilities	1,200,151.45	1,688,384.65	1,816,338.54
Total Liabilities	2,601,811.44	2,430,961.20	2,506,317.76
Owners' Equity (or Shareholders' Equity):			
Owners' Equity attributable to parent company (total)	2,140,980.47	2,087,031.10	2,102,478.03
Minority interests	72,836.05	521,865.65	511,852.73
Total owners' equity	2,213,816.52	2,608,896.75	2,614,330.76

(2) Income Statement (Consolidated Statement)

Unit: RMB0,000

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
(1) Total Operating Revenue	724,354.14	924,925.23	519,845.47
(2) Total Operating Costs	724,299.13	889,949.83	497,180.83
Operating Costs	567,817.38	689,047.20	385,910.05
Taxes and Surcharges	3,186.36	3,232.45	1,957.68
Selling Expenses	5,019.63	5,483.66	2,817.30
Administrative Expenses	27,119.33	34,063.15	18,333.08
Research and Development Expenses	105,751.18	128,397.52	69,482.02
Financial Costs	15,405.24	29,725.86	18,680.70
Gains from Changes in Fair Value	1,133.40	771.60	997.75
Investment Income	7,319.44	4,118.22	1,357.56
Net Exposure Hedging Gains	0.00	0.00	0.00
Exchange Gains	0.00	0.00	0.00
Gains from Disposal of Assets	2.34	0.07	0.00
Asset Impairment Losses	8,108.60	2,404.05	6,205.87
Credit Impairment Losses	-10.61	-174.97	13.74
Other Income	11,145.40	10,560.26	4,244.29
(3) Operating Profit	11,557.58	48,196.47	23,044.63
Add: Non-operating Income	601.39	217.73	160.07
Less: Non-operating Expenses	224.93	168.25	0.00

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
(4) Total Profit	11,934.04	48,245.94	23,204.70
Less: Income Tax Expense	17.56	26.31	4.74
(5) Net Profit	11,916.48	48,219.63	23,199.96
Less: Gains and Losses Attributable to Minority Interest	-9,246.44	-5,064.43	-10,012.92
Net Profit Attributable to Owners of the Parent Company	21,162.91	53,284.06	33,212.88

The above data is extracted from Nexchip's historical annual reports.

Comparable Company Three: CR Micro (688396.SH)

Full Company Name: China Resources Microelectronics Ltd.

(1) Balance Sheet (Consolidated Statement)

Unit: RMB0,000

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
Current Assets:			
Monetary funds	1,173,652.79	868,294.30	893,689.13
Trading financial assets	6,200.08	2,978.39	0.00
Derivative financial assets	0.00	0.00	0.00
Notes receivable and accounts receivable	155,442.95	185,302.92	209,681.80
Receivables financing	67,164.99	54,183.15	74,844.21
Prepayments	6,302.52	5,474.46	6,939.98
Other receivables (total)	1,803.39	319.26	701.31
Contract assets	0.00	0.00	0.00
Inventories	196,574.29	209,642.48	213,370.04
Assets held for sale	0.00	0.00	0.00
Non-current assets due within one year	0.00	0.00	0.00
Other current assets	3,587.57	8,808.96	9,479.90
Total current assets	1,610,728.57	1,335,003.92	1,408,706.38
Non-current Assets:			
Debt investments	0.00	0.00	0.00
Long-term receivables	0.00	0.00	0.00
Long-term equity investments	392,166.99	601,169.18	574,644.09
Other equity instrument investments	0.00	0.00	0.00
Other non-current financial assets	50,227.69	44,054.32	44,310.49
Investment property	279.81	3,840.81	3,757.76
Fixed assets (total)	654,105.14	775,116.93	750,960.71
Construction in progress (total)	76,476.36	34,865.18	43,587.64
Right-of-use assets	10,417.80	8,342.90	7,683.92
Intangible assets	36,062.04	36,594.23	35,465.17

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
Development expenditures	0.00	0.00	0.00
Goodwill	18,532.66	52,543.54	52,543.54
Long-term deferred expenses	3,094.94	3,848.03	2,728.98
Deferred income tax assets	9,781.77	10,316.94	10,396.03
Other non-current assets	59,652.22	4,986.99	19,209.26
Total non-current assets	1,310,797.41	1,575,679.04	1,545,287.61
Total Assets	2,921,525.98	2,910,682.95	2,953,993.99
Current Liabilities:			
Short-term borrowings	2,244.42	3,382.05	4,779.00
Trading financial liabilities	0.00	8,167.02	8,167.02
Derivative financial liabilities	0.00	0.00	0.00
Notes payable and accounts payable	118,231.87	132,429.98	139,053.35
Advances from customers	0.00	0.00	0.00
Contract liabilities	17,420.67	17,797.24	22,956.91
Employee compensation payable	57,776.56	56,308.37	45,534.33
Taxes payable	7,930.70	6,589.45	8,899.89
Other payables (total)	203,009.22	173,668.21	173,964.37
Non-current liabilities due within one year	6,530.00	2,426.67	2,143.53
Other current liabilities	13,645.44	12,535.73	13,611.27
Total current liabilities	426,788.86	413,304.71	419,109.68
Non-current Liabilities:			
Long-term borrowings	90,665.96	0.00	0.00
Bonds payable	0.00	0.00	0.00
Lease liabilities	7,728.96	6,422.44	6,032.96
Long-term payables (total)	0.00	0.00	48.20
Long-term employee compensation payables	0.00	0.00	0.00
Projected liabilities	1,455.59	2,177.20	2,056.48
Deferred income tax liabilities	9,510.27	7,394.97	7,261.25
Deferred income – non-current liabilities	21,927.62	35,137.56	39,047.92
Other non-current liabilities	403.81	16,650.77	16,337.67
Total non-current liabilities	131,692.20	67,782.93	70,784.48
Total Liabilities	558,481.06	481,087.65	489,894.17
Owners' Equity (or Shareholders' Equity):			
Owners' Equity attributable to parent company			
(total)	2,155,805.67	2,230,621.31	2,270,626.79
Minority interests	207,239.24	198,974.00	193,473.03
Total owners' equity	2,363,044.92	2,429,595.31	2,464,099.82

(2) Income Statement (Consolidated Statement)

Unit: RMB0,000

Item/Year	December 31, 2023	December 31, 2024	June 30, 2025
(1) Total Operating Revenue	990,060.39	1,011,852.58	521,817.88
(2) Total Operating Costs	852,588.28	917,504.73	471,978.20
Operating Costs	671,021.63	736,683.88	387,973.12
Taxes and Surcharges	8,406.13	8,350.37	4,802.85
Selling Expenses	16,717.28	15,819.09	7,965.26
Administrative Expenses	65,511.45	52,316.06	26,337.17
Research and Development Expenses	115,411.23	116,711.32	54,794.38
Financial Costs	-24,479.45	-12,375.99	-9,894.58
Gains from Changes in Fair Value	-698.23	-2,846.35	256.17
Investment Income	8,574.85	-38,259.80	-23,155.15
Net Exposure Hedging Gains	0.00	0.00	0.00
Exchange Gains	0.00	0.00	0.00
Gains from Disposal of Assets	-494.02	-409.44	20.29
Asset Impairment Losses	2,553.45	7,423.00	2,147.16
Credit Impairment Losses	783.83	-136.26	85.41
Other Income	25,169.91	33,114.56	10,730.37
(3) Operating Profit	166,687.33	78,660.07	35,458.78
Add: Non-operating Income	2,256.61	986.55	251.26
Less: Non-operating Expenses	267.85	183.12	18.60
(4) Total Profit	168,676.08	79,463.50	35,691.43
Less: Income Tax Expense	24,861.52	13,293.21	7,791.06
(5) Net Profit	143,814.56	66,170.29	27,900.37
Less: Gains and Losses Attributable to Minority Interest	-4,112.01	-10,075.70	-5,979.16
Net Profit Attributable to Owners of the Parent			
Company	147,926.57	76,245.99	33,879.53

The above data is excerpted from CR Micro's historical annual reports.

Standardizing the Financial Statements of the Appraised Entity and Comparable Companies

For any enterprise, its balance sheet may include both operating assets and liabilities as well as non-operating assets, liabilities, and surplus assets. Its income statement may also include both operating income and expenses related to operating assets, as well as income and expenses related to non-operating assets, liabilities, and surplus assets. When appraisal professionals use the market approach for enterprise value appraisal, the impact of non-operating income and expenses, non-operating assets, liabilities, and surplus assets and their related income and expenses may cause the value ratios calculated based on financial statements to be incomparable. Therefore, when adopting the market approach for business value appraisal in this valuation, the non-operating assets, liabilities, surplus assets, and their related income and expenses of the comparable entities and the appraised entity are stripped out in a unified manner. The non-operating assets, liabilities and surplus assets are then added back to the final appraisal result at their respective values.

Given that non-operating assets and non-operating gains and losses of comparable companies cannot be obtained through detailed due diligence as with the appraisal entity, and considering data availability, our analysis of non-operating assets and non-recurring gains and losses is primarily limited to the following accounting items:

(1) Non-operating Assets (Liabilities)

Non-operating assets mainly include accounting items such as trading financial assets, derivative financial assets, assets held for sale, debt investments, long-term receivables, long-term equity investments, other equity instrument investments, other non-current financial assets and investment property. The full amounts of these items are generally treated as non-operating nature.

Non-operating liabilities mainly include accounting items such as trading financial liabilities, derivative financial liabilities and deferred income, and the full amounts of these items are generally treated as non-operating nature.

Due to data availability, the appraisal values of non-operating assets and liabilities are equal to their book values.

(2) Non-recurring Gains and Losses

Adjusted operating profit = operating profit – non-recurring operating income subject to adjustment + non-recurring operating costs and expenses for the period subject to adjustment – other income – investment income – net exposure hedging gain – gains from changes in fair value – credit impairment loss – asset impairment loss – gains from disposal of asset

The adjusted non-recurring gains and losses mainly include other income, investment income, net exposure hedging gain, gains from changes in fair value, credit impairment loss, asset impairment loss, and gains from disposal of asset.

Calculation of Value Ratios

Based on the above analysis process, the calculation of value ratios is as follows:

Specific Indicators	Formula	Assessed entity	Case 1	Case 2	Case 3
		HLMC Microelectronics	Silan Nexchip		CR Micro
Share Price (RMB/share)	A		26.86	21.97	47.74
Total Share Capital (10,000 shares)	B		166,407.18	200,613.52	132,752.94
Lack-of-Liquidity Discount Rate	C		39.26%	39.26%	39.26%
Market Value After Deducting Liquidity Discount	$D=A \times B \times (1-C)$		2,715,100.00	2,676,700.00	3,849,500.00
Net Value of Non-operating Assets and Liabilities on the Base Date	E		193,340.81	252,780.46	608,688.12
Operating Equity Value	$F=D-E$		2,521,759.19	2,423,919.54	3,240,811.88
Interest-bearing Debt	G		706,452.88	2,003,102.12	4,827.20
Minority Interest	H		136,398.81	511,852.73	193,473.03
Monetary Funds	I		444,510.01	310,395.47	893,689.13
Operating Enterprise Value Excluding Funds (EV)	$J=F+G+H-I$		2,920,100.87	4,628,478.92	2,545,422.98
EBITDA	K	87,291.27	173,149.07	426,382.53	216,387.18
EV/EBITDA ratio	$L=J \div K$		16.86	10.86	11.76

Calculation of Operating Equity Value

Operating equity value = Total shareholders' equity value (market capitalization of the listed company) – appraised value of non-operating assets and liabilities

Where: Total shareholders' equity value = Total share capital on the base date \times average trading price over the 120 days prior to the base date \times (1 – liquidity discount rate)

Non-tradable Discount

Since the values of the selected listed companies are calculated based on the price of tradable shares, and the appraisal entity is not a listed company, the operating equity value calculated using the adjusted value ratio needs to take into account a non-tradable discount.

It is generally believed that the price difference between non-tradable shares and tradable shares is mainly due to the following factors:

(1) Risks Undertaken

Tradable shares are highly liquid. When risks arise, holders of tradable shares can quickly sell their shares to mitigate or avoid those risks, while holder of non-tradable shares are unable to respond quickly and thus incur losses in case of the same situation.

(2) Level of Trading Activity

Tradable shares are traded on an active market with higher prices. Non-tradable shares lack sufficient trading volume, and given their typically large denominations, many investors lack the financial capacity to participate in their trading. Consequently, compared to tradable shares, trading in non-tradable shares is less active and prices tend to be lower..

Since the values of selected listed companies are calculated based on the price of tradable shares, and the appraisal entity is not a listed company, the market value calculated by reference to the tradable shares market of the comparable companies is subject to adjustment.

For liquidity discounts, appraisers make the calculation by reference to the pricing estimation for new share issuance, which involves studying the lack of liquidity by analyzing the difference between the new issuance price of domestic listed companies under their initial public offering (IPO) and the trading price of the shares upon their official listing.

Based on the sub-segment classification of the screened comparable companies, the appraisers collected the new issuance prices of companies within that industry classification that had been listed for at least one year as of the valuation benchmark date.. They then studied the relationship between the new issuance prices and the closing prices on the 90th, 120th, and 250th trading days after listing. The relevant information is summarized in the table below:

Stock code	Name of securities	Initial Offering Price	Closing Price on the 90th Day After Listing	Closing Price on the 120th Day After Listing	Closing Price on the 250th Day After Listing	Liquidity Discount on the 90th Day	Liquidity Discount on the 120th Day	Liquidity Discount on the 250th Day
600360. SH	* ST Huawei	8.4200	23.1000	19.7000	16.0900	63.55%	57.26%	47.67%
600460. SH	Silan Microelectronics	11.6000	16.1000	16.6000	35.0900	27.95%	30.12%	66.94%
603290. SH	StarPower Semiconductor	12.7400	190.3266	215.5800	242.4160	93.31%	94.09%	94.74%
605111. SH	NCE Power	19.9100	170.5000	166.5800	170.9505	88.32%	88.05%	88.35%
688048. SH	Everbright	80.8000	141.5232	110.8839	116.9314	42.91%	27.13%	30.90%
688167. SH	Focuslight Technologies	78.6900	99.7400	152.8600	93.7300	21.10%	48.52%	16.05%
688172. SH	Yandong Microelectronics	21.9800	22.8200	23.8300	17.5000	3.68%	7.76%	-25.60%
688230. SH	Prisemi	134.8100	90.5500	88.9800	83.7498	-48.88%	-51.51%	-60.97%
688249. SH	Nexchip	19.8600	18.5700	16.6800	14.3600	-6.95%	-19.06%	-38.30%
688261. SH	Oriental Semiconductor	130.0000	259.8600	299.8257	243.1371	49.97%	56.64%	46.53%
688347. SH	Hua Hong	52.0000	43.4700	35.0100	31.3794	-19.62%	-48.53%	-65.71%
688396. SH	CR Micro	12.8000	58.0960	50.2398	61.5187	77.97%	74.52%	79.19%
688469. SH	UNT	5.6900	5.3300	5.2800	3.9300	-6.75%	-7.77%	-44.78%
688498. SH	Yuanjie Technology	100.6600	221.3500	437.8892	209.0988	54.52%	77.01%	51.86%

Stock code	Name of securities	Initial Offering Price	Closing Price on the 90th Day After Listing	Closing Price on the 120th Day After Listing	Closing Price on the 250th Day After Listing	Liquidity Discount on the 90th Day	Liquidity Discount on the 120th Day	Liquidity Discount on the 250th Day
688689. SH	Galaxy Microelectronics	14.0100	30.6329	40.8573	38.5684	54.26%	65.71%	63.67%
688691. SH	Brite	19.8600	44.2566	55.5099	61.9895	55.13%	64.22%	67.96%
688693. SH	Convert	40.8300	44.4300	26.1600	23.9836	8.10%	-56.08%	-70.24%
688711. SH	MACMIC	27.5100	120.8700	96.5443	89.8930	77.24%	71.51%	69.40%
688981. SH	SMIC	27.4600	58.6400	61.5900	51.8800	53.17%	55.41%	47.07%
300046. SZ	Tech Semi	41.3000	36.2176	47.7013	59.1849	-14.03%	13.42%	30.22%
300373. SZ	Yangjie Technology	19.5000	54.4516	52.0239	52.3650	64.19%	62.52%	62.76%
300456. SZ	SMEI	14.0100	103.2000	103.2000	86.9700	86.42%	86.42%	83.89%
300623. SZ	Jie Jie Microelectronics	27.6300	63.8216	70.0792	63.6609	56.71%	60.57%	56.60%
300831. SZ	Peri	3.9800	19.7037	25.3133	10.1774	79.80%	84.28%	60.89%
Average						40.09%	39.26%	31.63%

The lack-of-liquidity discount rate adopted in this appraisal was determined as 39.26%, the median of the liquidity discount rates observed on the 90th, 120th, and 250th trading days following the listing.

Operating Enterprise Value Excluding Funds (EV)

Considering that an enterprise may have interest-bearing debt on one hand and monetary funds on the other, which are related to its monetary funds management practices, risk preferences, and seasonal fluctuations in operating capital, the influence of monetary funds is excluded when calculating the enterprise value to eliminate the impact of this factor. Therefore, the enterprise value excluding monetary funds is determined to calculate the value ratios. Unless specifically stated otherwise, the enterprise value (EV) in this assessment refers to the value excluding monetary funds. The calculation is as follows:

Enterprise Value (EV) = Total Enterprise Value (EV) – Non-operating assets and liabilities appraisal value

Total Enterprise Value (EV) = Operating equity value + interest-bearing debt + minority interests – monetary funds

Due to the availability and insignificance of data, the appraisal value of minority interests is equal to their book value.

Operating Profit and Loss

The base date for this appraisal is August 31, 2025. Since the comparable companies had only disclosed their interim financial reports for 2025 as of the base date, to ensure comparability of operating data over a complete accounting period, the financial data for 2024 has been uniformly adopted by the appraisers for the appraisal entity and all comparable companies as the basis for profit and loss comparisons.

Value Ratio Adjustments

This appraisal quantifies differences between the appraisal entity and comparable companies in terms of financial indicators and non-financial indicators. Financial indicators mainly cover a company's operating scale, solvency, operation capability and earnings, while non-financial indicators mainly refer to trading dates, trading conditions, development stage, R&D investment, equipment newness ratio, and main business model. Based on this foundation, we assigned corresponding weights to each indicator by considering industry characteristics and the inherent meaning of the selected value ratios. The specific details are shown in the table below:

Characteristic Indicators			Weights
Financial Indicators	Operating Scale	Total Assets	50%
		Operating Revenue	50%
	Solvency	Asset-Liability Ratio	50%
		Current Ratio	50%
	Operation Capability	Current Asset Turnover	50%
		Total Asset Turnover	50%
Non-Financial Indicators	Transaction Date		100%
	Transaction Condition		100%
	Development Stage		100%
	R&D Investment		100%
	Equipment Newness Ratio		100%
	Main Business Model		100%

Explanation of the adjustment system is as follows:

Operating Scale Adjustment

Different enterprises vary in their operating scale. When evaluating market position and market share, operating income and total assets are extremely important indicators. Given equal conditions, acquirers will have a stronger motivation to pursue mergers and acquisitions involving larger enterprises.

The metrics used to measure the operating scale in this instance include, among others, operating income and total assets. By adjusting scores to these two indicators affecting operating scale and weighting them according to their respective degree of importance in affecting the operating scale, the adjusted weighted scores are then used to establish the adjustment factors for each indicator.

The adjustment for operating scale is positive, which means the adjustment will be made upward for larger operating scale, and vice versa.

Solvency Adjustment

A company's solvency refers to its ability to repay both long-term and short-term debts using its assets. It is crucial for the company's healthy survival and development, serving as a key indicator of its financial condition and operational risks. Static solvency measures the company's capacity to settle debts using existing assets; dynamic solvency assesses its ability to repay debts using existing assets and the revenue generated by its ongoing operations.

The metrics used to measure solvency mainly include, among others, current ratio and asset-liability ratio. By adjusting scores to these two indicators affecting solvency and weighting them according to their respective degree of importance in affecting the solvency, the adjusted weighted scores are then used to establish the adjustment factors for each indicator.

The adjustment for asset-liability ratio is negative, which means the adjustment will be made downward for higher asset-liability ratio, and vice versa. The adjustment for current ratio is positive, which means the adjustment will be made upward for higher current ratio, and vice versa.

Operation Capability Adjustment

Operation capability refers to the extent to which an enterprise, constrained by the external market environment, leverages combination of internal human resources and production materials to achieve financial objectives. In gist, it is the ability of the company to use various assets to generate profits.

Financial analysis ratios for operation capability include, among others, total asset turnover and current asset turnover, which reveal the operation turnover of enterprise funds and reflect the enterprise's efficiency of managing and utilizing economic resources. The faster the asset turnover, the higher the liquidity, and the quicker the assets generate profits.

By adjusting scores to total asset turnover and current asset turnover and weighting them according to their respective degree of importance in affecting the company's solvency, the adjusted weighted scores are then used to establish the adjustment factors for each indicator.

The adjustment for operation capability is positive, which means the adjustment will be made upward for higher turnover rate, and vice versa.

Profitability Adjustment

The ratio of enterprise value to earnings before interest, taxes, depreciation, and amortization (EV/EBITDA) is adopted for this appraisal. Since this indicator is an earnings ratio, it is not appropriate to make further profitability adjustment. Therefore, no such adjustment is made for this value ratio.

Transaction Date Adjustment

Asset prices fluctuate over time, and the transaction dates of comparable enterprises generally differ from the appraisal base date. Thus, the prices of comparable enterprises at their transaction dates need to be adjusted to reflect the prices at the base date. This adjustment is referred to as “market condition adjustment” or “transaction date adjustment.” After applying this adjustment, the prices of comparable enterprises at the transaction date are converted to reflect the prices at the appraisal base date.

In this appraisal, the listed company comparison method is used, and the calculation is based on the recent average trading price of shares at the appraisal base date. Therefore, no transaction date adjustment is needed.

Transaction Condition Adjustment

The transaction price of comparable companies is for real, which may reflect normal and fair market value or may be under certain special conditions or terms. Since the appraised entity’s value must be objective and fair, any abnormal transaction price of a comparable company should be adjusted to a normal value. This adjustment to comparable transaction prices is referred to as “transaction condition adjustment.”

After due verification, the appraisers believe that the transaction prices of listed companies are all normal market prices under active and open trading conditions, so no transaction condition adjustment is needed.

Development Stage Adjustment

Comparable companies may be at different development stages, and the impact of development stage on enterprise value fundamentally originates from differences in market expectations for companies’ future earnings growth. Capital markets rely on these expectations to determine valuation logic of corporate merger and acquisition considerations and to assess equity trends of listed companies: the higher the growth expectation, the higher the corresponding valuation; conversely, the lower the expectation, the lower the valuation.

Given that the appraised entity is currently operating at near full production capacity, its future revenue growth will mainly depend on product price increases driven by overall market development. In contrast, the selected comparable listed companies are mostly in their stage of growth or maturity, with growth driven by capacity expansion and other factors, and their expected growth exceeds that of the appraised entity. Therefore, the development stage is adjusted according to capital market expectations for the comparable companies’ growth.

The maximum adjustment we make for the development stage is 10 units.

R&D Investment Adjustment

R&D investment refers to all expenses incurred by an enterprise for research and development of products, technology, materials, processes, and standards, which includes, among others, direct costs for materials, fuel and power relating to R&D activities, salaries, bonuses, allowances, subsidies, social insurance and housing funds for in-house R&D staff, and labor costs for external part-time R&D personnel, as well as depreciation or leasing costs for instruments, equipment and buildings and other fixed assets used for R&D activities.

A key indicator for measuring R&D investment is the R&D expense ratio, which is the proportion of R&D expenses to operating income. A higher R&D expense ratio indicates stronger willingness of a company to invest in innovation and technology R&D, which is beneficial for the company to maintain advancement in the future.

The adjustment to R&D expense ratio is positive, which means the adjustment will be made upward for higher R&D expense ratio, and vice versa.

Equipment Net Value Ratio Adjustment

The equipment net value ratio is a key indicator measuring the quality and technical status of an enterprise's fixed assets. A higher net value ratio means less physical wear, more reliable overall operating efficiency, and typically a more recent commissioning date, implying higher technical advancement and process level.

For wafer foundry enterprises, production equipment is the core production factor. A higher equipment net value ratio not only directly correlates to better production capacity performance, but also suggests lower future maintenance costs and capital expenditure for large-scale updates in the short term, which benefits the enterprise's cash flow.

Based on the above logic, adjustments have been made to the net value ratio of production equipment. Considering that the financial depreciation period for semiconductor equipment is shorter than its useful life, resulting in a relatively low book net value ratio, adjustments are made by revising the financial depreciation period to align with the average useful life before applying the final adjustment.

The equipment net value ratio positively affects enterprise value – the higher the net value ratio, the higher the upward adjustment, and vice versa.

Other Factor Parameters

In the semiconductor manufacturing field, there are mainly two business models: integrated device manufacturer (IDM) and foundry model (Foundry). They differ in industry chain positioning, operating logic, and value creation, as detailed below:

(1) Integrated Device Manufacturer (IDM) Model

The IDM model covers the entire industry chain from chip design and manufacturing to packaging and testing.

1) Core Advantages:

- ① Industry Chain Integration Capability: By internally integrating design, manufacturing, and packaging/testing, IDM enterprises can achieve full-process optimization, maximizing technical potential and balancing product performance, power consumption, and cost.
- ② Independent Production Capacity and Supply Chain Security: During market supply-demand tensions, their own independent production capacity can prioritize internal needs and quickly respond to market price changes, resulting in significant supply chain security and competitive advantages.
- ③ Deep Technical Barriers: Capability in design and manufacturing enables them to accumulate more technology and experience, forming higher technical barriers and core competitiveness.

2) Operating Risks:

- ① Higher Operating Risks: IDM enterprises, which are engaged in the whole production process throughout the entire industry chain, including design, manufacturing, packaging and testing, are susceptible to insufficient utilization rate and subject to relatively concentrated operating risks during market volatility, particularly during downturns.
- ② Management Complexity and Slower Technology Iteration: Managing a large organization across multiple fields may reduce efficiency. Besides, the necessity of conducting R&D iteration and technology innovation for the whole industry chain covering design, manufacturing, packaging and testing makes the IDM enterprises slower in their innovation as compared to the highly specialized foundry enterprises.

(2) Foundry Model

The foundry model specializes in one or multiple stages of chip sector, manufacturing, packaging or others, without engaging in chip design. Instead, they provides services to professional chip design companies (Fabless).

1) Core Advantages:

- ① **Rapid Technology Iteration:** By specializing in manufacturing and packaging processes, foundries can quickly iterate and optimize technology platforms, responding nimbly to market demand.
- ② **Economies of Scale and Cost Advantage:** Serving solely as foundries, they maximize capacity utilization, reduces unit costs, and achieves economies of scale by accepting orders from chip design companies across the entire market.
- ③ **Open Partner Ecosystem:** As they do not compete in chip design, foundries can collaborate with many Fabless companies, building an open industry ecosystem.

2) Operating Risks:

- ① **Insufficient Industry Chain Value Addition:** Being midstream players in the industry chain, their value addition depend on design of Fabless companies and demand of terminal market. Their ability to further meet customization needs may be limited.
- ② **Weaker Resistance to Market Fluctuations:** Their capacity utilization and financial position are directly affected by downstream order fluctuations, with more direct performance pressure during industry downturns.

Considering the aforementioned factors, although the IDM model presents disadvantages such as concentrated operational risks, complex management, and insufficient technological iteration speed, it still holds certain advantages over the foundry model attributable to the synergistic optimizations achieved through full-industry-chain integration, independent control over supply chain, and higher technological added value. We have revised our assessment of the IDM model upward. However, recognizing that differing business models also impact respective financial indicators, the maximum adjustment for business model differences is capped at 5 percentage points.

Comparison and Scoring Table

Items		Assessed entity		Case 1	Case 2	Case 3
		HLMC	Microelectronics	Silan	Nexchip	CR Micro
	Value Ratio EV (Excluding Monetary Funds)/EBITDA			16.86	10.86	11.76
Transaction Date Adjustment	Transaction Index	100		100	100	100
	Scoring Coefficient	100.0		100.0	100.0	100.0
Transaction Condition Adjustment	Transaction Condition	Normal market	Normal market	Normal market	Normal market	Normal market
		transaction	transaction	transaction	transaction	transaction
	Scoring Coefficient	100.0		100.0	100.0	100.0
	Expected Earnings Growth	Maturity stage	Growth stage –	Growth stage –	Growth stage –	Growth stage –
Development Stage Adjustment			Maturity stage	Maturity stage	Maturity stage	Maturity stage
	Scoring Coefficient	100.0		110.0	110.0	110.0
Operating Scale Adjustment	Total Assets	718,952.0	2,357,547.4	4,867,843.2	2,331,281.7	
	Scoring Coefficient	100.0		105.0	105.0	105.0
	Operating income	451,697.1	1,122,086.9	924,925.2	1,011,852.6	
	Scoring Coefficient	100.0		105.0	105.0	105.0
	Subtotal	100.0		105.0	105.0	105.0
	Asset-Liability Ratio	72.9%	49.6%	50.5%	19.0%	
Solvency Adjustment	Scoring Coefficient	100.0		102.0	102.0	104.0
	Current Ratio	2.5	1.9	0.9	3.4	
	Scoring Coefficient	100.0		99.0	97.0	102.0
	Subtotal	100.0		100.5	99.5	103.0
Operation Capability Adjustment	Current Asset Turnover	0.9	0.8	1.5	0.7	
	Scoring Coefficient	100.0		99.0	103.0	99.0
	Total Asset Turnover	0.6	0.5	0.2	0.4	
	Scoring Coefficient	100.0		99.0	97.0	98.0
	Subtotal	100.0		99.0	100.0	98.5
R&D Investment Adjustment	R&D Expense Ratio	7.2%	9.2%	13.9%	11.5%	
	Scoring Coefficient	100.0		101.0	105.0	103.0
Equipment Newness Ratio Adjustment	Equipment Newness Ratio	60.6%	78.1%	85.0%	68.8%	
	Scoring Coefficient	100.0		103.0	104.0	101.0
Other Factors Adjustment	Business Model	Foundry	IDM	Foundry	IDM	
	Scoring Coefficient	100.0		105.0	100.0	105.0

Calculation of Total Shareholders' Equity Value under the Market Approach

Valuation Estimate of the Subject of Appraisal

Items	Case 1 Silan Microelectronics	Case 2 Nexchip	Case 3 CR Micro
Value Ratio EV (Excluding Monetary Funds)/EBITDA	16.86	10.86	11.76
Transaction Date Adjustment	100/100	100/100	100/100
<input type="checkbox"/> Transaction Condition Adjustment	100/100	100/100	100/100
<input type="checkbox"/> Development Stage Adjustment	100/110	100/110	100/110
<input type="checkbox"/> Operating Scale Adjustment	100/105	100/105	100/105
<input type="checkbox"/> Solvency Adjustment	100/100.5	100/99.5	100/103
<input type="checkbox"/> Operation Capability Adjustment	100/99	100/100	100/98.5
<input type="checkbox"/> Profitability Adjustment	100/100	100/100	100/100
R&D Investment Adjustment	100/101	100/105	100/103
Equipment Newness Ratio Adjustment	100/103	100/104	100/101
Other Factors Adjustment	100/105	100/100	100/105
Adjusted Value Ratio EV/EBITDA	13.43	8.65	9.19
Weight	33%	33%	33%
Adjusted Value Ratio × Weight	4.48	2.88	3.06
Weighted Adjusted Value Ratio EV/EBITDA			10.42
Target Entity EBITDA			87,781.97
Comprehensive Operating Enterprise Value (Excluding Monetary Funds)			914,688.16
Less: Interest-bearing Debt			373,753.75
Less: Minority Interest			0.00
Operating Equity Value (Excluding Monetary Funds)			540,934.41
Add: Non-operating Assets and Liabilities			6,898.29
Add: Monetary Funds			300,352.21
Appraised Value			848,000.00

Appraisal Conclusion under Market Approach

Under the market approach, the value of total shareholders' equity in the enterprise was appraised with the appraisal result as of the base date as follows:

The book value of the appraised entity's shareholders' equity is RMB2,001,913,800, and the appraised value is RMB8,480,000,000, representing an appraisal appreciation of RMB6,478,086,200 and an appreciation rate of 323.59%.

APPENDIX II
REPORT ISSUED BY THE HONG KONG INDEPENDENT FINANCIAL ADVISER ON
THE VALUATION REPORT AND THE QUALIFICATION OF THE VALUER

The following is the text of a letter received from the Hong Kong Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Shareholders, and the Proposed Acquisition LR Independent Shareholders, addressed to the Board and prepared for the sole purpose of inclusion in this announcement.



Innovax Capital Limited
Flat B, 13/F
Neich Tower
128 Gloucester Road, Wanchai
Hong Kong, PRC

31 December 2025

The Board of Directors
Hua Hong Semiconductor Limited
Room 2212,
Bank of America Tower
12 Harcourt Road, Central
Hong Kong, PRC

Dear Sirs,

We refer to the valuation report (the “Valuation Report”) of the Target Assets prepared by Shanghai Orient Appraisal Co., Ltd. (the “Valuer”) as set out in appendix I to this announcement (the “Announcement”), of which this letter forms part. We are required to report on the Valuation Report under Rule 11.1(b) of the Takeovers Code. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless the context requires otherwise.

We have relied on the information and materials supplied, and the opinions expressed to us, by the management of the Group and the Valuer which we have assumed to be true, accurate, complete, and not misleading in all material aspects at the relevant time they were supplied or expressed. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy, or completeness of the information furnished.

We have reviewed the Valuation Report and the underlying calculations relating to the Valuation, and have discussed with the Valuer the Valuation Report, including, in particular, the valuation approach and the key bases and assumptions adopted in the Valuation. We have also carried out reasonable review work to assess the qualifications and experience of the Valuer responsible for the preparation of the Valuation Report, including reviewing documentary evidence regarding their professional qualifications, and holding discussions with representatives of the Valuer in respect of their credentials, experience, expertise and industry knowledge. On the basis of the foregoing, we concur with the Valuer that the valuation approach, the bases and assumptions adopted in the Valuation and the Valuation itself have been made/prepared by the Valuer with due care, consideration and objectivity, and on a reasonable basis. We are also satisfied that the Independent Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation competently.

Our work does not constitute any valuation of the Target Company. Our opinion in this letter has been given for the sole purpose of compliance with Rule 11.1(b) of the Takeovers Code. We and our respective director and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective director and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Proposed Acquisition (including the issue of consideration shares under specific mandate) and the Whitewash Waiver. Shareholders are recommended to read all information as set out in the Announcement.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Alvin Kam
Managing Director

Erica Ling
Director

APPENDIX III

THE COMPANY'S REPORT ON THE PROPOSED ACQUISITION AND PROPOSED NON-PUBLIC ISSUANCE OF RMB SHARES AND RELATED PARTY TRANSACTIONS, INED OPINIONS, PRC INDEPENDENT FINANCIAL ADVISER'S APPRAISAL OPINION, PRC INDEPENDENT FINANCIAL ADVISER'S OPINION, EXPLANATION ON THE DILUTION OF IMMEDIATE RETURNS, AUDITOR'S REVIEW REPORT ON PRO FORMA FINANCIAL INFORMATION

(A) EXCERPT FROM THE REPORT ON THE ACQUISITION OF ASSETS BY ISSUING SHARES AND RAISING SUPPORTING FUNDS AND CONNECTED TRANSACTIONS OF HUA HONG SEMICONDUCTOR LIMITED (THE "COMPANY" OR "LISTED COMPANY") (DRAFT)

I. Risks related to the transaction

(I) Approval risk

As of the signing date of this report, the decision-making and approval procedures for the transaction that have not yet been completed, include but are not limited to:

1. the valuation report of the Target Assets involved in the transaction has been filed with the competent state-owned assets supervision and administration authority;
2. consideration and approval of the transaction at the general meeting of the Listed Company;
3. the necessary approval procedures of the Hong Kong SFC and the Stock Exchange;
4. the transaction is subject to review and approval by the Shanghai Stock Exchange and registration approval by the CSRC;
5. other necessary approvals, consents, reviews, filings or permits as may be required by relevant laws and regulations (if applicable).

There is uncertainty as to whether the above-mentioned approval, review, or consent to registration for the transaction can be obtained, and the time at which the approval, review, or consent to registration will finally be obtained. Investors are advised to pay attention to investment risks.

(II) Risk of suspension, discontinuation or cancelation of the transaction

As the transaction involves applying for review and registration with relevant regulatory authorities such as the Shanghai Stock Exchange (“SSE”) and the CSRC, whether the aforementioned work can be completed smoothly as scheduled may have a significant impact on the timeline of the transaction. During the advancement of the transaction, market conditions may change or significant unforeseeable events may occur, in which case the transaction may not proceed as scheduled or may need to be re-initiated, facing the risk of re-pricing.

In addition, the transaction is subject to the following risks of suspension, discontinuation, or cancelation:

1. the transaction may be suspended, discontinued, or canceled due to abnormal fluctuations or unusual trading in the Listed Company’s share price, which may involve suspected insider trading;
2. the transaction is subject to the risk that the Target Assets may be suspended, discontinued or canceled due to unforeseen risk events;
3. risks that the transaction may be suspended, terminated or canceled due to other reasons.

The abovementioned circumstances may lead to the suspension, discontinuation or cancelation of the transaction. Investors are reminded to pay attention to investment risks. The board of directors of the Listed Company will promptly announce the progress of relevant work during the transaction process, so that investors can understand the progress of the transaction and make corresponding judgments.

(III) Risks that the fund raised cannot be implemented or the amount of fund raised is lower than expected

As part of the transaction plan, the Listed Company intends to issue shares to no more than 35 qualified specific target subscribers to raise supporting funds. In the event that national laws, regulations or other normative documents impose new provisions or regulatory opinions upon the target subscribers, and issuance size, etc., the Listed Company will make corresponding adjustments in accordance with the latest provisions or regulatory opinions. There is still uncertainty as to whether the aforementioned supporting fund raising will be approved by the SSE and registered with the CSRC. In addition, if there are fluctuations in share price or changes in market conditions, there is a risk that the amount of supporting funds to be raised may be insufficient or even that the fundraising may fail.

(IV) Risks of acquisition and integration

Upon completion of the transaction, the Target Assets will be included in the Listed Company's management and consolidation scope. The Listed Company's business scale and personnel will be further expanded, and the Listed Company will also face challenges in business management. After the completion of the transaction, there is uncertainty as to whether the Listed Company can maintain the original competitive advantages of the Target Assets through integration and fully leverage the synergistic effects of mergers and acquisitions. Investors are advised to pay attention to the relevant risks.

Impact of the transaction on key financial indicators of the Listed Company

Based on financial reports of the Listed Company and the Pro Forma Review Report issued by Ernst & Young, excluding the supporting fund raising, the impact of the transaction on the key financial indicators of the Listed Company is as follows:

Unit: RMB '0000

Item	January-August 2025/31 August 2025		2024/31 December 2024	
	Listed Company (unaudited)	Pro Forma Statement	Listed Company (unaudited)	Pro Forma Statement
Total assets	8,675,067.15	9,336,321.50	8,793,523.15	9,356,042.83
Total liabilities	2,405,282.56	2,876,137.81	2,521,468.25	2,965,008.50
Equity attributable to shareholders of the Company	4,441,608.15	4,627,662.31	4,360,233.22	4,474,671.92
Operating revenue	1,099,550.25	1,436,020.59	1,438,830.77	1,927,405.55
Total profit	-58,047.40	-6,855.73	-98,831.81	-36,817.13
Net income	-64,572.94	-13,381.28	-103,218.38	-41,203.70
Net profit attributable to shareholders of the parent company	19,072.28	70,459.76	38,057.62	95,531.55
Basic earnings per share (RMB/Share)	0.11	0.37	0.22	0.50

Upon completion of the transaction, the Target Company will become a subsidiary within the consolidated scope of the Listed Company.

SECTION X FINANCIAL ACCOUNTING INFORMATION

I. Financial and accounting information of the Target Company

According to the audit report (Da Hua Shen Zi [2025] No. 0011016213) issued by Da Hua Certified Public Accountants (Special General Partnership), the main financial data of the Target Company for the past two full financial years and the eight months ended 31 August 2025 are as follows:

(I) Summary of consolidated balance sheet

Unit: RMB '0000

Item	31 August 2025 (audited)	31 December 2024 (audited)	31 December 2023 (audited)
Total assets	725,850.28	625,889.26	889,982.17
Total liabilities	525,658.90	499,195.99	815,741.47
Total ownership interest	200,191.38	126,693.27	74,240.70
TOTAL LIABILITIES AND OWNERS' EQUITY	725,850.28	625,889.26	889,982.17

(II) Key information of consolidated income statement

Unit: RMB '0000

Item	January to August 2025 (audited)	2024 (audited)	2023 (audited)
I. Total operating revenue	343,066.86	498,797.09	257,920.73
IV. Total profit (total loss is indicated by "-")	51,464.21	52,152.40	-37,229.11
V. Net profit (net loss is indicated by "-")	51,464.21	52,152.40	-37,229.11
1. Net profit attributable to owners of the parent company	51,464.21	52,152.40	-37,229.11

(III) Key information of the consolidated cash flow statement

Unit: RMB '0000

Item	January to August 2025 (audited)	2024 (audited)	2023 (audited)
Net cash flows from operating activities	111,551.00	205,760.40	-35,654.79
Net cash flow from investing activities	-19,675.93	-5,407.40	-26,274.55
Net cash flow from financing activities	69,038.66	-364,375.59	-28,917.02
V. Net increase in cash and cash equivalents	156,382.21	-158,723.93	-86,038.47

Analysis on the Impact of the transaction on the Listed Company

(I) Impact of the transaction on the Listed Company's current earnings per share and other financial and non-financial indicators

According to the Pro Forma Review Report issued by Ernst & Young Hua Ming LLP, and the Listed Company's audit report for 2024, the change in earnings per share of the Listed Company before and after the completion of the transaction is as follows:

Item	January to August 2025		For the year of 2024	
	Before the transaction (unaudited)	After the transaction (pro forma consolidated)	Before the transaction (audited)	After the transaction (pro forma consolidated)
Equity attributable to shareholders of the parent company (RMB '0000)	4,441,608.15	4,627,662.31	4,360,233.22	4,474,671.92
Net profit attributable to owners of the parent company (RMB '0000)	19,072.28	70,459.76	38,057.62	95,531.55
Basic earnings per share (RMB/Share)	0.11	0.37	0.22	0.50

Note: The above pro forma consolidated financial data does not take into account the impact of the supporting fund raising.

If the transaction is implemented, the Listed Company's equity attributable to owners of the parent company, net profit attributable to owners of the parent company, and basic earnings per share will increase.

Main liabilities and contingent liabilities

As of 31 August 2025, the key liabilities of the Target Company (audited) are as follows:

Unit: RMB '0000, %

Item	Amount	Percentage
Accounts payable	73,971.83	14.07
Contract liabilities	12,293.71	2.34
Employee benefits payable	638.10	0.12
Taxes payable	771.20	0.15
Other payables	11,263.49	2.14
Non-current liabilities due within one year	103,907.18	19.77
Other current liabilities	1,262.49	0.24
Current liabilities	204,107.99	38.83
Long-term borrowings	289,733.75	55.12
Lease liabilities	30,080.68	5.72
Provisions	125.48	0.02
Deferred revenue	1,611.00	0.31
Non-current liabilities	321,550.91	61.17
Total	525,658.90	100.00

VII. Main Financial Data of the Target Company

The audited key financial data of the Target Company for the two years ended 31 December 2024 and the eight months ended 31 August 2025 are as follows:

Unit: RMB '0000

Item	31 August 2025 (audited)	31 December 2024 (audited)	31 December 2023 (audited)
Total assets	725,850.28	625,889.26	889,982.17
Total liabilities	525,658.90	499,195.99	815,741.47
Equity	200,191.38	126,693.27	74,240.70
Equity attributable to shareholders of the Company	200,191.38	126,693.27	74,240.70

Item	January to August 2025 (audited)	2024 (audited)	2023 (audited)
Operating revenue	343,066.86	498,797.09	257,920.73
Total profit	51,464.21	52,152.40	-37,229.11
Net profit	51,464.21	52,152.40	-37,229.11

VIII. Key Financial Data of the Listed Company

(II) Key financial indicators

Item	January to September 2025 (unaudited)	2024 (audited)	2023 (audited)	2022 (audited)
Basic earnings per share (RMB)	0.15	0.22	1.31	2.31
Weighted average return on net assets (%)	0.57	0.88	6.49	16.30
Debt-to-asset ratio (%)	28.36	28.67	27.20	42.48
Gross profit margin (%)	18.92	17.43	27.10	35.86

V. Ownership of Major Assets, Major Liabilities and External Guarantees of the Target Company

(I) Major assets

1. Major fixed assets

As of 31 August 2025, the fixed assets of the Target Company (unaudited) were as follows:

Unit: RMB '0000

Fixed assets	Original book value	Net book amount	Depreciation rate
Plant facilities	126,417.52	7,779.34	6.15%
Machinery and equipment	1,387,913.35	141,351.51	10.18%
Tools and instruments	1,177.73	230.15	19.54%
Computer and communication equipment	20,202.18	1,578.58	7.81%
Office equipment	118.30	19.85	16.78%
Transportation equipment	72.33	28.35	39.20%
Total	1,535,901.41	150,987.78	9.83%

As of 31 August 2025, the Target Company did not own any properties, and the details of its major operating lease properties are as follows:

Lessor	Address of lease property	Leased area	Lease term	Usage
HHGrace	Premise at Plot 2, Block 13, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai	91,563.11 square meters	1 March 2010 to 28 February 2030	Plant
		Chemical warehouse, power plant and production plant 192 square meters	20 years from the date of acceptance and delivery 1 June 2021 to 31 December 2025	Plant

The use of the above premises by the Target Company by way of lease does not violate the mandatory provisions of laws and administrative regulations.

II. Pro Forma Consolidated Financial Statements of the Listed Company

(I) Pro forma consolidated balance sheet

Unit: RMB '0000

Item	31 August 2025	31 December 2024
Current assets:		
Monetary funds	3,050,302.33	3,397,570.68
Prepayments	6,352.60	4,630.04
Other receivables	7,584.52	2,388.88
Inventories	674,078.54	653,791.40
Other current assets	316,200.64	244,568.01
Total current assets	4,298,023.12	4,567,887.28
Long-term equity investments	58,308.08	53,950.10
Other equity instrument investments	256,774.42	200,930.40
Investment properties	37,853.32	—
Fixed assets	3,258,230.99	3,057,530.27
Construction in process	1,310,403.34	1,351,831.32
Intangible assets	66,362.06	73,912.89
Deferred income tax assets	8,349.80	14,512.28
Total non-current assets	5,038,298.38	4,788,155.55
Total assets	9,336,321.50	9,356,042.83
Accounts payable	265,979.01	300,880.32
Employee compensation payables	31,892.49	72,825.17
Taxes payable	13,687.24	29,760.24
Other payables	367,810.89	490,956.82
Non-current liabilities due within one year	329,357.21	285,959.74
Other current liabilities	55,206.20	51,719.95
Total current liabilities	1,169,028.08	1,321,600.79
Long-term borrowings	1,690,586.84	1,620,985.06

Item	31 August 2025	31 December 2024
Deferred revenue	1,611.00	1,611.00
Deferred income tax liabilities	4,062.84	7,296.21
Total non-current liabilities	1,707,109.73	1,643,407.71
Total liabilities	2,876,137.81	2,965,008.50
Shareholder's equity		
Share capital	3,493,536.48	3,465,470.33
Capital reserves	708,007.28	693,037.15
Other comprehensive income	94,884.37	55,597.51
Special reserves	207.49	—
Surplus reserves	179,983.81	170,368.19
Undistributed profits	151,042.89	90,198.75
Total equity attributable to the shareholders of the parent company	4,627,662.31	4,474,671.92
Minority interests	1,832,521.37	1,916,362.41
Total shareholders' equity	6,460,183.68	6,391,034.33
Total liabilities and owners' equity	9,336,321.50	9,356,042.83

(II) Pro forma consolidated income statement

Unit: RMB '0000

Item	January to August 2025	2024
I. Total operating revenue	1,436,020.59	1,927,405.55
II. Total operating costs	1,392,085.26	1,900,280.18
Including: Cost of sales	1,152,708.56	1,597,673.33
Taxes and surcharges	8,647.67	10,540.31
Administrative expenses	58,170.95	94,154.00
Finance costs	21,223.39	4,528.77
Including: interest charges	43,133.60	74,059.54
Interest income	37,290.25	89,252.46
Add: Other income	21,925.47	26,383.74
Investment income	2,357.98	1,099.09
III. Operating profit (loss indicated by “-”)	-6,865.34	-36,836.71
Add: Non-operating income	112.24	596.83
Less: Non-operating expenses	102.64	577.25
IV. Total profit (total loss indicated by “-”)	-6,855.73	-36,817.13
Less: Income tax expenses	6,525.55	4,386.57
V. Net profit (net loss indicated by “-”)	-13,381.28	-41,203.70
1. Net profit attributable to owners of the parent company	70,459.76	95,531.55
2. Minority interest income	-83,841.04	-136,735.25
VI. Total comprehensive income	25,905.58	-31,464.87
Total comprehensive income attributable to the owner of the parent company	109,746.62	105,270.39
Total comprehensive income attributable to minority shareholders	-83,841.04	-136,735.25
VII. Earnings per share	—	—
Basic earning per share	0.37	0.50
Diluted earning per share	0.37	0.50

(IV) Sensitivity analysis

In the valuation model under the market approach, both the average transaction price of comparable companies on the valuation date and the discount for lack of marketability have a greater impact on the valuation results under the market approach. Therefore, a sensitivity analysis was conducted for both the average transaction price of comparable companies on the valuation date and the discount for lack of marketability, with the results as follows:

1. Sensitivity analysis on changes in average price of comparable companies on the valuation date

Using the current average transaction price of comparable companies on the valuation date as the baseline, and assuming that other measurement parameters remain unchanged, the sensitivity analysis on changes in the average transaction price of comparable companies on the valuation date to the valuation under the market approach is as follows (assuming consistent percentage changes in the average transaction price of each comparable company on the valuation date):

Unit: RMB '0000

Volatility of share prices	Appraised value	Amount of change in appraised value for every 1.0% change in share price	Rate of change in appraised value	Rate of change in appraised value for every 1.0% change in share price
-3.00%	821,000.00	10,000.00	-3.18%	1.18%
-2.00%	831,000.00	8,000.00	-2.00%	0.94%
-1.00%	839,000.00	9,000.00	-1.06%	1.06%
0.00%	848,000.00	—	—	—
1.00%	858,000.00	10,000.00	1.18%	1.18%
2.00%	867,000.00	9,000.00	2.24%	1.06%
3.00%	876,000.00	9,000.00	3.30%	1.06%
Average		9,166.67	—	1.08%

From the table above, it can be seen that, with all other measurement parameters held constant, each 1.0% increase in the average stock transaction price of comparable companies as at the valuation date would affect the appraised value by approximately RMB91.6667 million, representing a change rate of appraised value of approximately 1.08%.

2. Sensitivity analysis of changes in discount for lack of marketability

Using the current illiquidity discount rate as the baseline, and assuming other measurement parameters remain unchanged, the sensitivity analysis of changes in the illiquidity discount rate on the appraised value under the market approach is as follows:

Unit: RMB '0000

Changes in discount for lack of marketability	Appraised value	Amount of change in valuation for every 1.0% change in discount for lack of marketability	Rate of change in appraised value	Assessed change in valuation for every 1.0% change in discount for lack of marketability
-3.00%	867,000.00	7,000.00	2.24%	0.83%
-2.00%	860,000.00	5,000.00	1.42%	0.59%
-1.00%	855,000.00	7,000.00	0.83%	0.83%
0.00%	848,000.00	—	—	—
1.00%	843,000.00	5,000.00	-0.59%	0.59%
2.00%	837,000.00	6,000.00	-1.30%	0.71%
3.00%	831,000.00	6,000.00	-2.00%	0.71%
Average		6,000.00	—	0.71%

From the table above, it can be seen that, with all other measurement parameters remaining unchanged, a 1.0% decrease in the illiquidity discount rate would affect the valuation by approximately RMB60 million, and the change rate of the appraised value would be approximately 0.71%.

The above sensitivity analysis calculation is only to reveal the impact of the uncertainty of the estimated valuation parameters on the valuation and to illustrate the uncertainty in the valuation conclusion, but it does not affect the valuer's estimation judgment on the relevant valuation parameters based on the information and data obtained, nor does it affect the validity of the valuation conclusion.

SECTION XIV CONCLUSIVE OPINIONS OF THE INDEPENDENT DIRECTORS AND INTERMEDIARIES ON THE TRANSACTION

I. Opinion of the Independent Directors

In accordance with the provisions of the Company Law, the Securities Law, the Administrative Measures for Reorganization, the Administrative Measures for Independent Directors of Listed Companies, the Rules Governing the Listing of Securities on the STAR Board, and other relevant laws, regulations, and normative documents, the independent directors have conducted a serious review of the matters considered by the board of directors of the Company and have carefully reviewed the relevant information. The independent directors, based on their independent judgment, have expressed the following independent opinions:

1. In accordance with the relevant provisions of laws, regulations and normative documents including the Securities Law, the Administrative Measures for Reorganization, the Measures for the Administration of Registration, the Regulatory Guidelines for Listed Companies No. 9 — Regulatory Requirements for the Planning and Implementation of Material Asset Restructurings by Listed Companies, the Rules for the Review of Material Asset Restructurings of Listed Companies on the Shanghai Stock Exchange and the Self-Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 6 — Material Asset Restructuring, the Company satisfies the various conditions for this issuance of shares to purchase assets and raising of supporting funds as well as the connected transaction, and is in compliance with the relevant provisions of the aforesaid laws, regulations and normative documents.
2. The Company intends to adjust the method of payment for the acquisition of assets from the issuance of shares and payment of cash to the issuance of shares. The adjustment to the plan for transaction complies with the provisions of relevant laws, regulations and normative documents, is in the interests of all shareholders of the Company, and there are no circumstances that are detrimental to the interests of the Company and other shareholders, particularly the minority shareholders. Pursuant to the provisions of the Opinions on Application of Articles 29 and 45 of the Administrative Measures for the Major Asset Restructuring of Listed Companies — Securities and Futures Law Application Opinion No. 15, the adjustment to the plan for transaction does not constitute a major adjustment.
3. The formulation of the Company's plan for the issuance of shares to purchase assets and raise matching funds is in line with the actual circumstances of the Company and is feasible and operable. The implementation of the plan is conducive to the development of the Company's principal business, enhances its market competitiveness and strengthens its capacity for sustainable operation, and does not prejudice the interests of minority shareholders.
4. To complete the transaction, the Company has prepared the Report on the Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Hua Hong Semiconductor Limited and Related Party Transaction (Draft) and its summary in accordance with the relevant provisions of the Securities Law, the Administrative Measures for Reorganizations, the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 26 – Material Asset Reorganizations of Listed Companies, and other laws, regulations, and regulatory documents. The relevant draft and its summary are prepared in compliance with the Company's actual conditions, feasible and practicable.

5. In view of the completion of the audit and valuation work involved in the transaction, and to further clarify the rights and obligations of the Company and the counterparties in the transaction, the consideration for the Target Assets under the transaction, payment methods, and the number of shares to be issued, it was agreed that the Company would enter into a conditional Supplemental Agreement to the Agreement on Asset Acquisition by Issuing Shares with the shareholders of the Target Company, including Shanghai Huahong (Group) Co., Ltd., Shanghai Integrated Circuit Industry Investment Fund Co., Ltd., China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd., and Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership).
6. To clarify the impairment test, compensation arrangements, and rights and obligations of relevant parties involved in the Target Assets in the transaction, it was agreed that the Company would enter into a conditional impairment compensation agreement with Shanghai Huahong (Group) Co., Ltd..
7. Among the transaction counterparties for this share issuance and asset acquisition, Huahong Group is the indirect controlling shareholder of the Listed Company, and Shanghai IC Fund is an enterprise whose director previously was a director of the Listed Company. Therefore, the transaction is expected to constitute a connected transaction under the Administrative Measures for Reorganization and the Rules Governing the Listing of Securities on STAR Board.
8. The calculation basis in the transaction did not exceed 50% of the corresponding indicators of the Listed Company, therefore, the transaction does not constitute a material asset restructuring. There has been no change in the actual control of the Listed Company within 36 months before the transaction. The direct controlling shareholder of the Company remains Huahong International, the indirect controlling shareholder remains Huahong Group, and the de facto controller remains Shanghai SASAC, both before and after the transaction. This transaction will not lead to a change in the actual control of the Company. Therefore, the transaction does not constitute a backdoor listing as stipulated in the Administrative Measures for Reorganization.
9. The transaction is in compliance with Article 11 and Article 43 of the Administrative Measures for Reorganization.
10. The transaction is in compliance with Article 4 of the Supervisory Guidelines for Listed Companies No. 9 – Regulatory Requirements for Planning and Implementing Major Asset Reorganization by Listed Companies.
11. The Target Assets of this transaction align with the positioning of the STAR Board. It operates in the same industry as the Company and possess synergistic effects with the Company's principal business, which will facilitate the integration and upgrading of the principal business and enhance the Company's sustainable operating capabilities. The transaction complies with Article 11.2 of the Rules Governing the Listing of Securities on STAR Board, Article 20 of the Administrative Measures for Continuing Supervision over Companies Listed on STAR Board (Trial), and Article 8 of the Rules for Review of Restructuring.

12. The entities involved in the transaction are not subject to the circumstances stipulated in Article 12 of the Regulatory Guidelines for Listed Companies No. 7 or Article 30 of the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 6 that prohibit participation in any material asset reorganization of listed companies.
13. During the 20 trading days prior to the suspension of trading for the transaction, after excluding the impact of the aforementioned market factors and peer industry sector factors, the cumulative increase of the Company's share price during the 20 trading days prior to the suspension of trading for the transaction exceeded 20%. During the planning process of the transaction, the Company has adopted necessary and sufficient confidentiality measures in accordance with laws and regulations and relevant provisions of securities regulatory authorities to limit the scope of insiders with knowledge of relevant sensitive information, and strictly fulfilled its confidentiality obligations regarding the transaction information before its lawful disclosure. At the same time, the Company has completed the filing and submission of the transaction progress memorandum and relevant materials of insiders with knowledge of inside information as required by the Shanghai Stock Exchange.
14. The Company does not fall under any of the circumstances where no shares shall be issued to specific targets as stipulated in Article 11 of the Administrative Measures for Registration.
15. Within the 12 months prior to the transaction, the Listed Company did not engage in any transactions involving the purchase or sale of the same or related assets relevant to the transaction, and there are no circumstances requiring inclusion in the cumulative calculation scope of the transaction.
16. The Company has implemented necessary measures to prevent the disclosure of confidential information and has strictly complied with its confidentiality obligations. Neither the Company nor its directors or senior management have used such information to trade or recommend others to trade in the Company's shares, nor have they engaged in insider trading based on such information.
17. The legal procedures performed by the Company for the transaction at this stage are complete and effective, and comply with the provisions of relevant laws, regulations and normative documents, and the Articles of Association of Hua Hong Semiconductor Limited. The legal documents submitted by the Company for the transaction are lawful and effective.
18. The valuation agency engaged for the transaction is independent, the valuation assumptions are reasonable, the valuation method is relevant to the valuation purpose, the valuation conclusion of the asset valuation report issued by the valuer is reasonable, and the valuation pricing is fair.
19. Consider and approve the audited financial reports of the target company involved in the transaction, the valuation report, and the pro forma financial statements reviewed by the Listed Company.

20. The transaction is priced based on the valuation report issued by an valuation institution that is in compliance with the Securities Law, and the price is determined based on negotiation between the parties to the transaction, which complies with the relevant regulations. The transaction pricing is fair and reasonable without prejudice to the legitimate rights and interests of the Company and its shareholders.
21. The Company's proposed measures to address the dilution of immediate returns on key financial indicators resulting from this transaction comply with relevant laws, regulations and relevant rules of the CSRC. These measures facilitate its directors and senior management in faithfully and diligently performing their duties, safeguard the interests of minority investors, and protect the lawful rights and interests of the Company and all shareholders. The Company's directors, senior management, controlling shareholders, and indirect controlling shareholders have made relevant commitments.
22. The Company's engagement of intermediaries in the transaction is legal and compliant, in line with the provisions of the Opinions on Strengthening the Prevention and Control of Professional Integrity Risks of Securities Companies Engaging Third Parties in Investment Banking Business (CSRC Announcement [2018] No. 22).
23. The application by Shanghai Huahong (Group) Co., Ltd. for a whitewash waiver in accordance with the relevant provisions of the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs is in compliance with the provisions of relevant laws, regulations and normative documents, is in the interests of all shareholders of the Company, and there is no circumstance prejudicial to the interests of the Company and other shareholders, especially the minority shareholders.
24. Pursuant to Rule 25 of the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, the transaction is regarded as a special deal under the relevant rules and is subject to the consent of the Executive of the Securities and Futures Commission of Hong Kong, and requires a public statement from an independent financial adviser stating that it considers the terms of the special deal to be fair and reasonable, and the approval of the special deal by the independent shareholders by way of poll at a general meeting.

(B) Extract from the independent opinion of independent directors on the issuance of shares to purchase assets and raise supporting funds and related (connected) transactions

After review, we are of the view that:

- In accordance with the relevant provisions of the Securities Law of the People's Republic of China, the Administrative Measures for the Major Asset Restructuring of Listed Companies, the Administrative Measures for the Registration of Securities Issuance by Listed Companies, the Regulatory Guidelines for Listed Companies No. 9 — Regulatory Requirements for Planning and Implementing Major Asset Reorganization by Listed Companies, the Shanghai Stock Exchange Rules for the Review of Major Asset Restructuring of Listed Companies, the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 6 — Major Asset Restructuring, and other laws, regulations, and normative documents, and after careful self-examination and verification of the Company's actual situation and related matters, we believe that the Company meets all conditions for this issuance of shares to acquire assets and raise supporting funds, as well as the related party transactions, and complies with the relevant provisions of the aforementioned laws, regulations, and normative documents.

- The valuation agency engaged for the transaction is independent, the valuation assumptions are reasonable, the valuation method is relevant to the valuation purpose, the valuation conclusions in the asset valuation report issued are reasonable, and the valuation pricing is fair.
- We unanimously agree to use the Audit Report of Shanghai Huali Microelectronics Corporation issued by Da Hua Certified Public Accountants (Special General Partnership), the report from Da Hua Moore International CPA Limited on the historical financial information of Shanghai Huali Microelectronics Corporation, the Pro Forma Consolidated Financial Statements and Review Report of Hua Hong Semiconductor Limited (for 2024 and the eight months ended 31 August 2025) issued by Ernst & Young Hua Ming LLP, report from Ernst & Young on the unaudited pro forma financial information of Hua Hong Semiconductor Limited and the Asset Valuation Report on the Value of All Shareholders' Equity of Shanghai Huali Microelectronics Corporation in connection with the Proposed Issuance of Shares by Hua Hong Semiconductor Limited for the Acquisition of Assets issued by Shanghai Orient Appraisal Co., Ltd. for information disclosure of the transaction and as application materials submitted to regulatory authorities.
- The transaction price was determined based on the valuation report issued by an valuation agency in compliance with the provisions of the Securities Law of the People's Republic of China, and mutually agreed upon by both parties to the transaction, which complies with relevant laws and regulations. The transaction pricing is fair and reasonable, and does not harm the legitimate rights and interests of the Company and its shareholders.
- Guotai Haitong Securities Co., Ltd., Shanghai Llinks Law Firm, Da Hua Certified Public Accountants (Special General Partnership), Da Hua Moore International CPA Limited, Ernst & Young Hua Ming LLP, Ernst & Young, Shanghai Orient Appraisal Co., Ltd., Innovax Capital Limited, Herbert Smith Freehills Kramer, and Beijing Xiangshi Qiyuan Management Consulting Co., Ltd., all engaged by the Company for the transaction, are securities service institutions required to be engaged by law for the transaction. Their engagement is legal and compliant, and in line with the provisions of the Opinions on Strengthening the Prevention and Control of Professional Integrity Risks of Securities Companies Engaging Third Parties in Investment Banking Business (CSRC Announcement [2018] No. 22). Save for the above-mentioned engagement, the Company has not directly or indirectly engaged any other third-party institution or individual for remuneration in the transaction.

(C) Excerpt from the Verification Opinion of Guotai Haitong Securities Co., Ltd. on the Impact of This Material Asset Restructuring on the Immediate Returns of the Listed Company and the Preventive and Remedial Measures For The Dilution of Immediate Returns

Impact of the Transaction on the Earnings Per Share of the Company and Risk Alert on the Dilution of Immediate Returns by the Transaction

According to the financial reports of the Listed Company and the Pro Forma Review Report issued by Ernst & Young, the changes in the earnings per share of the Listed Company before and after the completion of the transaction are as follows:

Item	January to August 2025		2024	
	Before the transaction	Pro forma amount	Before the transaction	Pro forma amount
Basic earnings per share (RMB/Share)	0.11	0.37	0.22	0.50

There is a possibility that the transaction may dilute the immediate returns of the Listed Company. In order to fully protect the interests of the Company's public shareholders, the Company has formulated relevant remedial measures to prevent the dilution of immediate returns from the transaction. The formulation of remedial measures shall not be deemed as a guarantee of the Company on its future profits.

In summary, upon verification, the PRC independent financial adviser is of the view that: the estimated impact of this material asset restructuring on the Company's immediate returns is consistent with the Company's actual situation, the preventive measures formulated and the measures to compensate for the possible dilution of immediate returns are proactive and effective, and the Company has issued relevant undertakings, which are in line with the spirit of protecting small and medium investors in the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium Investors in the Capital Market.

(D) Excerpt from the PRC Independent Financial Adviser's Report issued by Guotai Haitong Securities Co., Ltd. on the Acquisition of Assets by Issuing Shares and Raising Supporting Funds and Connected Transactions of Hua Hong Semiconductor Limited

Section VIII Verification Opinions of the PRC Independent Financial Adviser

II. Analysis of the compliance of the transaction

Upon verification, the PRC independent financial adviser is of the opinion that:

- The transaction is in compliance with the national industrial policies and the provisions of laws and administrative regulations on environmental protection, land management, anti-monopoly, foreign investment and external investment, and complies with the provisions of Article 11 (1) of the Administrative Measures for Reorganization;
- The transaction will not result in the Listed Company's shares failing to meet the listing conditions, and it complies with the provisions of Article 11(2) of the Administrative Measures for Reorganization;
- The ownership of the assets to be involved in the transaction is clear, there are no legal obstacles to the transfer of assets, and the transaction does not involve the handling of creditors' rights and debts, which complies with the provisions of Article 11(4) of the Administrative Measures for Reorganization;
- The transaction is conducive to enhancing the Listed Company's ability to continue its operations, and there are no circumstances that may cause the Listed Company's principal assets to be cash or have no specific business operations after the reorganization, which complies with the provisions of Article 11(5) of the Administrative Measures for Reorganization;
- The transaction will not adversely affect the independence of the Listed Company, and the independence of the Listed Company complies with relevant regulations and Article 11(6) of the Administrative Measures for Reorganization;
- The transaction is beneficial to the Company in maintaining a sound and effective corporate governance structure, and complies with the requirements of Article 11(7) of the Administrative Measures for Reorganization;
- The transaction will not lead to a change in control of the Listed Company and does not constitute a backdoor listing as stipulated in Article 13 of the Administrative Measures for Reorganization;
- The transaction is in compliance with the provisions of Article 43(1) of the Administrative Measures for Reorganization;
- The transaction is in compliance with the provisions of Article 43(2) of the Administrative Measures for Reorganization;
- The transaction is in compliance with the provisions of Article 44 of the Administrative Measures for Reorganization;
- The transaction is in compliance with the requirements of Article 45 of the Administrative Measures for Reorganization and its applicable opinions;

- The transaction is in compliance with the provisions of Article 46 of the Administrative Measures for Reorganization;
- The transaction is in compliance with the provisions of Article 47 of the Administrative Measures for Reorganization;
- The transaction is in compliance with Article 20 of the Measures for the Ongoing Supervision of Companies Listed on the STAR Board (Trial), Rule 11.2 of the Rules Governing the Listing of Stocks on the STAR Board and Article 8 of the Rules for Review of Restructuring;
- The transaction is beneficial to the Listed Company in enhancing its market position and operating performance, strengthening its sustainable development capabilities, and improving its corporate governance mechanism;
- The transaction is conducive to enhancing its sustainable operating capabilities, and improving its corporate governance mechanism, which complies with the requirements of the Code of Corporate Governance for Listed Companies and other regulations and guidelines;
- The asset delivery arrangement agreed upon in the transaction will not lead to the risk that the Listed Company will not be able to acquire the Target Assets in a timely manner after the transaction, and the default liabilities related to the asset delivery arrangement are valid and effective;
- The transaction constitutes a connected transaction, and the pricing and procedures of the connected transaction comply with relevant regulations; The transaction is necessary for the continuous and stable development of the Listed Company; this related party transaction is in the interests of the Listed Company and all shareholders, and does not harm the interests of the Listed Company and non-connected shareholders;
- There has been no material adverse change in the financial condition and operating results of the Target Company of the transaction. After the completion of the transaction, the Listed Company will have the ability to continue operating. The transaction will not have a material adverse effect on the financial position and operating results of the Listed Company, and it is conducive to the sustainable development of the Listed Company.
- The assets involved in the transaction are fairly priced, and there is no impairment of the legitimate rights and interests of the Listed Company and its shareholders, which complies with Article 11(3) of the Administrative Measures for Reorganization;
- Some of the counterparties in the transaction are private equity investment funds, and the relevant counterparties have completed the private equity investment fund filing procedures;
- In the transaction, the PRC independent financial adviser did not directly or indirectly engage any third parties for remuneration; and the issuer's aforementioned engagement of other third parties for consideration is legal and compliant and satisfies the requirements of the relevant provisions of the Opinions on Strengthening the Prevention and Control of Integrity Risks in the Engagement of Third Parties by Securities Companies in Investment Banking Businesses;

- The Listed Company in the transaction is a SSE STAR Board Listed Company. The Target Assets operate in the semiconductor and integrated circuit industry, which aligns with the STAR Board’s positioning. The industry of the Target Assets is the same as that of the Listed Company, and the Target Assets have synergistic effects with the Listed Company’s principal business. The transaction complies with Article 11.2 of the Rules Governing the Listing of Securities on STAR Board, Article 20 of the Measures for the Continuous Supervision of Companies Listed on the Sci-Tech Innovation Board (Trial), and Article 8 of the Rules for the Review of Restructuring;
- The transaction does not involve the issuance of convertible bonds, preferred shares, targeted warrants, or depositary receipts;
- The share lock-up period arrangements obtained by the relevant counterparties to the transaction are in compliance with the relevant provisions such as Article 74 and Item (3) of Paragraph 1 of Article 63 of the Measures for the Administration of Takeovers of Listed Companies;
- The profit and loss arrangement during the transitional period of the transaction is reasonable;
- The specific integration and control arrangements of the Listed Company for the assets to be acquired are in line with industry development trends and the actual situation of the Company, and the relevant arrangements can achieve the Listed Company’s control over the assets to be acquired, which is reasonable;
- As of the date of this PRC independent financial adviser’s report, the transaction has fulfilled the approval and authorisation procedures that should be fulfilled at this stage; and the decision-making procedures and approval procedures yet to be performed for the transaction and related risks have been disclosed in the restructuring report;
- The proceeds raised from the transaction comply with the provisions of Articles 11, 12, and 55 to 58 of the Administrative Measures for Registration;
- The transaction does not involve approval related to project establishment, and environmental protection, etc;
- As of the date of this PRC independent financial adviser report, the ownership of the Target Company to be acquired was clear. External guarantees, major liabilities, and contingent liabilities have been disclosed in the restructuring report. There were no restrictions on the equity interests of the Target Company in the transaction, such as mortgages or pledges, and there are no major disputes involving litigation, arbitration, judicial enforcement, or other circumstances that would hinder the transfer of ownership;
- As of the date of this independent financial adviser report, the ownership of the major assets of the Target Company to be acquired was clear, and there were no circumstances such as seizure or freezing, except for certain equipment mortgaged for loans. The relevant circumstances have been disclosed in the restructuring report, and the Target Company was not involved in major disputes such as litigation, arbitration, or judicial enforcement;

- The transaction does not involve the acquisition of non-equity assets;
- The Target Company's main assets and main products are not involved in any material outstanding litigation, and the transaction complies with the provisions of Article 11 and Article 44 of the Administrative Measures for Reorganization;
- The Target Company's main assets and main products are not involved in any material disputes, such as pending material litigation;
- As of the signing date of the PRC independent financial adviser report, there was no non-operating appropriation of funds of the Target Company by its related parties;
- As of the signing date of this report from the PRC independent financial adviser, the Target Company was not involved in NEEQ listing, previous IPO, or restructuring that has been rejected or terminated;
- The number of target subscribers for the transaction does not exceed 200. The target subscribers are not unlisted joint stock companies with more than 200 shareholders. Therefore the relevant rules and regulations for the aforesaid scenarios do not apply;
- The Target Company's related party identification and disclosure of related party transaction information during the reporting period are complete, and the related party transactions are necessary and reasonable;
- During the reporting period, the related party transactions of the Target Company were necessary and reasonable, and there were no circumstances that materially affected independence or were obviously unfair;
- After the completion of the transaction, the Listed Company will not have any new obviously unfair connected transactions, and the decision-making authority and decision-making procedures for connected transactions are stipulated in the Listed Company's institutional documents;
- After the completion of the transaction, the Listed Company will not enter into any new related party transactions that are obviously unfair, and the transaction complies with the relevant provisions of Article 44 of the Administrative Measures for Reorganization;
- The Listed Company, the counterparty, and other relevant parties have issued undertakings in accordance with the Administrative Measures for Reorganization, Format Standard No. 26, and 1-7 of the Applicable Guidelines under Regulatory Rules – Listing No. 1, among other provisions;
- As of the date of this PRC independent financial adviser's report, there was no significant public opinion or media questioning that would have a material adverse impact on the transaction;
- This appraisal has given full consideration to matters that may have a material impact on the appraisal conclusion, and the assessment and handling of relevant matters are reasonable and fair;

- This appraisal adopts the appraisal results under the market approach as the final appraisal conclusion, and does not involve using the appraisal results under the income approach as the pricing basis;
- The specific appraisal model, selection, and basis for the market value ratio in the market approach adopted in this appraisal are reasonable. The basis for the selection of comparable companies, adjustment factors, and liquidity discount is reasonable. Through a comprehensive and reasonable analysis of listed companies in the same industry, comparable listed companies to the Target Company were selected, and the selection of these comparable companies is reasonable;
- This appraisal adopts the appraisal results under the market approach as the final appraisal conclusion, and does not involve using the appraisal results under the asset-based approach as the pricing basis;
- The transaction did not use the results of other appraisal methods or appraisal reports as the pricing basis;
- The reasons for the differences between the appraised value in the transaction and the prices of previous equity transfers or capital increases are reasonable;
- In the appraisal process, considering the transaction value multiples, appraisal appreciation rate, the operating model of the Target Assets, R&D investment, performance growth, and pricing of comparable companies and transactions in the same industry, the appraisal price of the transaction is reasonable, and the comparable listed companies and comparable transactions are comparable;
- The pricing process and the consideration of the transaction are fair and reasonable;
- No relevant matters that would have a significant impact on the appraisal results occurred between the appraisal date and the date of issuance of the restructuring report;
- The transaction does not involve goodwill accounting treatment and impairment risks;
- The relevant industrial policies, international trade policies, laws and regulations affecting the development of the industry in which the assets to be acquired in the transaction are located, as well as related risks, have been disclosed in the restructuring report;
- The selection of comparable companies in the same industry is objective, comprehensive, accurate, and comparable;
- The restructuring report quoted third-party data, and the data quoted are authentic and authoritative;
- The Target Company's sales and procurement business models are stable, the pricing of related transactions is fair, and they are commensurate with the business scale of its customers and suppliers;
- During the reporting period, transactions between the Target Company and new customers and suppliers with larger transaction amounts were reasonable;

- During the reporting period, among the top five customers of the Target Company, there were enterprises associated with its controlling shareholder, Shanghai Huahong (Group) Co., Ltd.. Save for the above, during the reporting period, the Target Company, its controlling shareholder, de facto controller, directors, supervisors, senior management and other core personnel were associated with the top five customers and suppliers;
- During the reporting period, the Target Company did not have sales to a single customer exceeding 50% of its operating revenue. The concentration of its top five customers is generally consistent with comparable companies Nexchip and UNT. The higher sales concentration compared to other comparable companies is due to its smaller business scale, which is reasonable. There was no case where the proportion of purchases from a single supplier exceeded 50% of the total purchases, or where there was significant reliance on a few suppliers. The pricing of the related transactions is fair, and the relatively high sales concentration will not have a material adverse impact on the Target Company's ability to continue as a going concern;
- The financial position of the Target Company is real, and its operating results are consistent with industry characteristics, scale characteristics, and sales models;
- The provision policy for bad debts of the Target Company's accounts receivable does not have significant differences from those of listed companies in the same industry. Although there are some differences in the provision ratio for bad debts compared to listed companies in the same industry, it is more prudent. The Target Company's accounts receivable mainly consist of amounts due from semiconductor design enterprises. Based on the subsequent collection status from major customers and publicly available information to verify customer credit or financial conditions, no further individual impairment provision is required, and relevant bad debt provisions have been adequately made;
- At the end of each reporting period, the Target Company had no long-term idle or damaged fixed assets involving asset impairment; the depreciation policy for the Target Company's significant fixed assets did not differ significantly from that of comparable companies in the same industry, was reasonable, and depreciation of fixed assets was fully provided; the method for determining the recoverable amount of the Target Company's fixed assets was appropriate, the impairment test methods, key assumptions, and parameters were reasonable, and the accounting treatment related to asset impairment was accurate;
- The provision for impairment of inventories of the Target Company is adequate, and there are no material anomalies in the inventory count results;
- The Target Company does not have intangible assets identified and recognized in a business combination;
- The Target Company has no financial investments;

- During the reporting period, the changes in the revenue structure of the Target Company matched the needs of its customers, and the differences from comparable listed companies in the same industry were reasonable due to their respective characteristics. The seasonal fluctuations in the Target Company's revenue are consistent with those of comparable listed companies in the same industry. The proportion of domestic and overseas revenue is reasonable due to different business characteristics and differences from listed companies, and the revenue-related situation of the Target Company is reasonable;
- The specific revenue recognition policy of the Target Company matches the contractual agreements and actual implementation, does not differ significantly from that of comparable companies in the same industry, and complies with the provisions of the Accounting Standards for Business Enterprises and relevant rules;
- The Target Company is not involved in concession rights;
- The operating revenue of the Target Company during the reporting period is true, accurate, and complete, and there are no special or abnormal circumstances;
- The changes in income of the assets to be acquired and the matching relationship between such income and financial data such as costs and expenses are reasonable;
- The cost allocation method of the Target Company is in line with accounting standards, the cost allocation is accurate and complete, and there is no significant difference between the cost composition and that of comparable companies in the same industry;
- The reasons for the fluctuation in the gross profit margin of the Target Company are reasonable, and the differences in the gross profit margin of the Target Company's related products compared to comparable companies in the same industry due to differences in product structure, product process platforms, and business models are also reasonable;
- The changes in sales expenses, administrative expenses, and research and development expenses of the Target Company during the reporting period were reasonable, and the differences in the proportion of relevant expenses to operating revenue compared to comparable companies in the same industry were also reasonable. The sales expenses during the reporting period were legal, compliant, true, and complete;
- During the reporting period, the Target Company did not experience a situation where net cash flow from operating activities was consistently negative or significantly lower than net profit;
- The Target Company does not involve resource-based rights such as land use rights and mining rights;
- The consideration for the transaction is fair and reasonable, fully protecting the legitimate rights and interests of all shareholders of the Listed Company;
- The appraisal method for the transaction is appropriate, the appraisal assumptions are reasonable, and the values of important appraisal parameters are reasonable;

- After the completion of the transaction, the Listed Company will continue to maintain its sound and effective corporate governance structure in accordance with relevant regulations such as the Company Law, the Securities Law, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Rules Governing the Listing of Securities on STAR Board;
- The relevant information in the application documents is true, accurate and complete, and contains information that is material to investors in making investment decisions, and the level of disclosure has reached the extent necessary for investors to make investment decisions;
- The information disclosed in the transaction is consistent, reasonable and inherently logical; it is concise and easy to understand and can be read and comprehended by general investors. The information for which exemption from disclosure is sought in the transaction, in strict accordance with Article 4, Article 5, and Article 6 of the “Format Standard No. 26” and Article 20 of the Rules for Review of Restructuring and other relevant laws and regulations, is information involving business secrets. It does not involve information that has a significant impact on the judgment of the Company’s financial condition, research and development status, operating condition, or continuous operating capability, nor is it publicly available information. The exemption from disclosure will not constitute a significant obstacle to investors’ decision-making;
- The transaction does not constitute a material asset restructuring and does not involve the divestment of assets. The independent financial advisor, legal counsel and accountants have conducted special reviews on the disclosures of the Listed Company in accordance with the Guidance on the Application of Regulatory Rules – Listing Category No. 1, issued clear opinions, and submitted special review reports.

(E) Excerpt from the Explanation from Board of Directors of Hua Hong Semiconductor Limited Regarding the Dilution of Immediate Returns and Remedial Measures in connection with the Transaction

II. Measures taken by the Company to prevent the dilution of immediate returns and to enhance its ability to provide future returns from the transaction

In order to fully protect the interests of the Company’s public shareholders, the Company has formulated relevant remedial measures to prevent the dilution of immediate returns from the transaction. The formulation of remedial measures shall not be deemed as a guarantee of the Company on its future profits. Details are as follows:

(I) Effectively integrate the Target Assets and accelerate the release of synergies

Both the Company and the Target Company are engaged in the wafer foundry business. The transaction is an industry merger and acquisition integration, and both parties to the transaction have significant synergistic effects in terms of process technology platforms, customer resources, supply chain management, technology, and production capacity. Upon completion of the transaction, the Company will implement an integration plan in terms of assets, business, personnel, finance, and organization, to fully leverage synergistic effects, and strengthen its risk resistance capabilities.

(II) Further strengthen operation management and internal control to increase operating efficiency

Upon completion of the transaction, the Company will further improve its governance system, management system, and institutional framework based on actual conditions, strengthen corporate operation and management and internal control, establish sound incentive and restraint mechanisms, enhance the Company's daily operating efficiency, reduce operating costs, better safeguard the Company's overall interests, and effectively control the Company's operating and management risks.

(III) Improve the profit distribution policy and strengthen the investor return mechanism

Upon completion of the transaction, the Company, on the basis of continuing to adhere to the relevant profit distribution policies in the Articles of Association of Hua Hong Semiconductor Limited, will, in accordance with the relevant regulations of the CSRC and in consideration of the Company's operating conditions and development plans, continuously improve its profit distribution policy and optimize its investment return mechanism. This will ensure reasonable investment returns to shareholders under the premise of guaranteeing the Company's sustainable development, thereby better safeguarding the interests of the Company's shareholders and investors.

III. Undertakings of the Company's controlling shareholder, directors, and senior management regarding remedial measures for the dilution of immediate returns from the transaction

In accordance with relevant regulations of the CSRC, the Company's immediate controlling shareholder, indirect controlling shareholder, and the Company's directors and senior management have issued relevant undertakings to ensure the effective implementation of the Company's remedial measures for immediate returns.

(I) Undertakings by the Company's direct and indirect controlling shareholders

To protect the legitimate rights and interests of the Company and all shareholders, Shanghai Hua Hong International, Inc., the direct controlling shareholder of the Company, and Shanghai Huahong (Group) Co., Ltd., the indirect controlling shareholder, hereby make the following undertakings:

- "1. The enterprise undertakes not to interfere with the operation and management activities of the Listed Company beyond its authority and not to encroach on the interests of the Listed Company;
2. From the date of this commitment letter until the completion of the transaction, if the China Securities Regulatory Commission or the Shanghai Stock Exchange or other securities regulatory authorities issue new regulatory provisions concerning the measures to compensate for returns and the commitments of relevant personnel, and if the aforementioned commitments cannot meet such new regulatory provisions of the securities regulatory authorities, the enterprise undertakes to issue supplementary commitments in accordance with the latest provisions of the securities regulatory authorities at that time;

3. The enterprise undertakes to earnestly implement the remedial measures to current returns formulated by the Listed Company and to perform the undertakings made by the enterprise in respect of the remedial measures to current returns. If the Enterprise violates the above undertakings and causes losses to the Listed Company or investors, the enterprise undertakes to indemnify the Listed Company or investors in respect of any losses incurred in accordance with the laws.”

(II) Undertakings by directors and senior management of the Company

In order to protect the legitimate rights and interests of the Company and all shareholders, all directors and senior management of the Company make the following undertakings:

- “1. I undertake not to transfer any benefits to other entities or individuals without consideration or under unfair terms, and shall not damage the interests of listed companies in any other manner;
2. I undertake to restrict my position-related consumption;
3. I undertake not to use the assets of the Listed Company to engage in investment or consumption activities unrelated to the performance of my duties;
4. Within the scope of my legal authority, I will ensure that the remuneration system formulated by the Board or the Remuneration Committee is linked to the implementation of the Listed Company’s measures to make up for returns;
5. If the Listed Company implements an equity incentive plan in the future, within the scope of my legal authority, I will ensure that the vesting conditions set in the proposed equity incentive plan are linked to the implementation of the Listed Company’s return compensating measures;
6. If, from the date of this undertaking letter until the completion of the transaction, China Securities Regulatory Commission or the Shanghai Stock Exchange or other securities regulatory authorities issue new regulatory provisions regarding measures to compensate for returns and related personnel undertakings, and the aforementioned undertakings cannot satisfy such new regulatory provisions of the securities regulatory authorities, I undertake to issue supplementary undertakings in accordance with the latest provisions of the securities regulatory authorities at that time;
7. I undertake to effectively implement the relevant remedial measures for return formulated by the Listed Company and any of my undertakings related thereto. If I breach such undertakings and cause losses to the Listed Company or the investors, I am willing to bear the compensation liability to the Listed Company or the investors in accordance with laws.”

(F) Excerpt from the Pro Forma Consolidated Financial Statements and Review Report for 2024 and the eight months ended 31 August 2025

Review Report

Ernst & Young Hua Ming (2025) Zhuan Zi No. 60985153_B01
Hua Hong Semiconductor Limited

To all shareholders of Hua Hong Semiconductor Limited:

We have reviewed the accompanying pro forma consolidated financial statements of Hua Hong Semiconductor Limited prepared on the basis of preparation described in Note 2 to the pro forma consolidated financial statements, which comprise the pro forma consolidated balance sheet as at 31 December 2024 and 31 August 2025, the pro forma consolidated income statement for the year 2024 and the eight months ended 31 August 2025 and notes to the pro forma consolidated financial statements. The preparation of these pro forma consolidated financial statements is the responsibility of the management of Hua Hong Semiconductor Limited, and our responsibility is to issue a review report on these financial statements based on the implementation of our review work.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statements. The standard requires us to plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of relevant personnel of the company and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not conducted an audit and therefore do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying pro forma consolidated financial statements are not prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the pro forma financial statements.

We draw the attention of users of the pro forma consolidated financial statements to Note 2 to the pro forma consolidated financial statements, which describes the basis of preparation. The management of Hua Hong Semiconductor Limited prepared the pro forma consolidated financial statements for the purpose of the major asset reorganization of the Listed Company. As a result, the pro forma consolidated financial statements may not be suitable for other purposes. This report is for the sole purpose of Hua Hong Semiconductor Limited submitting documents to the Shanghai Stock Exchange for the purpose of a major asset restructuring and shall not be used for any other purpose. The content of this paragraph does not affect the published review conclusions.

Basis of preparation

In accordance with the relevant provisions of the Rules No. 26 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities – Significant Asset Restructuring of Listed Companies (Revised in 2018) (the “Format Standard No. 26”) issued by the CSRC, these pro forma financial statements are prepared by the Company for the purpose of applying to the CSRC for the proposed acquisition of assets by issuing shares as described in Note 1, and are only for the Company’s application to the China Securities Regulatory Commission for the acquisition of assets by issuing shares and raising supporting funds.

For the purpose of providing users with more relevant information, the pro forma consolidated financial statements have been prepared on the assumption that the business structure resulting from the spin-off described in Note 1.1(2) and the transaction described in Note 1.2 has been in existence at the beginning of the earliest period presented in the pro forma consolidated financial statements, and have been prepared in accordance with the following specific methods:

- (1) The pro forma consolidated financial statements are prepared based on the consolidated financial statements of the Group for the eight months ended August 31, 2025 (unaudited) and for the year 2024 (audited) (the “Relevant Period”) and the post-spin-off financial statements of the Target Company for the relevant period (audited by Da Hua Certified Public Accountants (Special General Partnership), which issued a standard unqualified audit report, with the report number of Da Hua Shen Zi 0011016213);
- (2) The pro forma consolidated financial statements consider the effect of the new issue of shares in accordance with the asset acquisition plan by way of issuing shares as described in Note 1.2, assuming that the Company had purchased 97.4988% equity interest in the Target Company by way of issuing 190,768,392 new A shares at a price of RMB43.34 per share as proposed in the Proposed Acquisition, and the transaction was completed before January 1, 2024.
- (3) Assuming the spin-off was completed on January 1, 2024, the Group has continuously held a 2.5012% equity interest in the new company during the Relevant Period;
- (4) As described in Note 1, the ultimate actual controller of the Company and the Target Companies is the Shanghai SASAC. Based on the assumption that the asset acquisition by way of share issuance was completed before January 1, 2024, and the organizational structure and related businesses after the completion of the acquisition existed as of January 1, 2024, the transaction is subject to the accounting principles for business combinations under common control. This means that, from the beginning of the earliest period presented in these pro forma consolidated financial statements (January 1, 2024), the assets and liabilities of the Target Companies acquired by the Company are consolidated into the pro forma consolidated financial statements at their carrying amounts in the financial statements of the ultimate controlling party, and the difference from the transaction price is adjusted to capital reserve. The net profit attributable to shareholders of the parent company/total comprehensive income in the pro forma consolidated income statement represents the sum of the net profit attributable to shareholders of the Company/total comprehensive income before the reorganization and the net profit attributable to the Target Companies/total comprehensive income before the reorganization, taking into account consolidation elimination adjustments;

- (5) The pro forma consolidated financial statements have eliminated all intra-group assets, liabilities, equities, income, and expenses arising from transactions between the Group and the Target Company in accordance with the business structure after the completion of the aforementioned assumed transaction;
- (6) For the specific purpose of preparing these pro forma consolidated financial statements, these pro forma consolidated financial statements only present the pro forma consolidated balance sheet and the consolidated income statement of the enlarged group for the Relevant Period, but exclude the presentation of the consolidated cash flow statement, the consolidated statement of changes in owners' equity and the related notes. The management of the Company believes that the pro forma consolidated cash flow statement, pro forma consolidated statement of changes in owners' equity, and related notes for the Relevant Period are not materially significant to the users of these pro forma consolidated financial statements for specific purposes. Therefore, these pro forma consolidated financial statements do not include a pro forma consolidated cash flow statement, pro forma consolidated statement of changes in owners' equity, and related notes. Additionally, these pro forma consolidated financial statements only present limited pro forma consolidated notes relevant to the basis of preparation of the aforementioned pro forma consolidated financial statements, and do not disclose information related to earnings per share, risks associated with financial instruments, fair value, capital management, and segment reporting;
- (7) As the financial statements of the Target Company for the Relevant Period after the spin-off only present the total equity in the owners' equity section, without specifically distinguishing the detailed items of owners' equity, and the notes do not disclose the amount of deductible temporary differences and deductible losses for which deferred tax assets are not recognized, nor the explanation of the relationship between income tax expense and accounting profit, the relevant presentation and disclosure in these pro forma consolidated financial statements are consistent with them;
- (8) The audited financial statements of the Target Company for the Relevant Period have been prepared in accordance with the same accounting system and accounting policies as those of the Company, in accordance with the relevant provisions of the Standard on Format No. 26;
- (9) The relevant proposals as described in Note 1.2 to the pro forma consolidated financial statements were able to be approved by the China Securities Regulatory Commission, and the reorganization was able to be implemented in accordance with the proposal;

- (10) The transaction does not take into account the transaction costs and related taxes that may arise.

Save for the assumptions described above, the pro forma consolidated financial statements have not considered the effects of other events that may be relevant to the Proposed Acquisition. Due to certain inherent limitations in the preparation of the pro forma consolidated financial statements that affect the reliability of the information, they may not give a true picture of the Group's consolidated financial position as at 31 December 2024 and 31 August 2025, and the consolidated operating results for the eight months ended 31 August 2025 and for 2024 if the transaction of acquisition of assets by way of issuing shares had been completed on January 1, 2024.

The pro forma financial statements are presented on a going concern basis.

In preparing the pro forma consolidated financial statements, historical cost is used as the valuation principle, except for certain financial instruments. In the event that impairment of assets occurs, a provision of impairment is made accordingly in accordance with the relevant regulations.

The pro forma consolidated financial statements are prepared by the Company for the purpose of reporting to the China Securities Regulatory Commission on the issuance of shares for the acquisition of assets and the raising of supporting funds, and shall not be used for any other purpose.