

July 29, 2020

Mr. Ronald Chan and Mr. William Tseng  
Chartwell Capital Limited

Dear Mr. Chan and Mr. Tsang,

We very much appreciate your long-time investment in our stock and your support for our company. Chartwell Capital is impressive for its fine investment stewardship, financial strategies and collaborative communications. We highly value your suggestions regarding enhancing shareholder value.

#### **1. Investor communication and information disclosure**

The Investor newsletter is a new program which was recently added to improve communication with our investors. We distribute this newsletter through e-mails. Meanwhile, in liaison with our MarCom Department, we communicate this information through WeChat official accounts and other prestigious social media. The Investor newsletter program is at an initial stage. Your advice and suggestions on our effort will be most valuable.

Our dedicated teams in Mainland China, Europe, Japan, and Taiwan have built trusted relationships with industry suppliers, governments, and experts. Our supply chain management has long been in a functional and stable condition. The ESG section of our Annual Report discloses our supply chain framework so that investors can achieve a basic understanding of our supply chain management status and strategy. Exhaustive disclosure does not appear to be feasible at the current time, because it might require disclosure of our suppliers' confidential information as well as continuous inspection to document subtle changes that do not affect our suppliers' ability to meet our requirements. We maintain bilateral communication with our suppliers to identify and mitigate unplanned issues that could jeopardize their ability to meet our requirements.

Shanghai Huali Microelectronics ("HLMC") is our sister company with a sound technology reputation and vast business potential. Disclosure on HLMC, an unlisted company, is not required. The value reflected on our balance sheet is reviewed on a regular basis to ensure the integrity and reliability of our financial reports.

#### **2. Improve return on equity through share buyback**

Your share buyback proposal is fully appreciated. Taking into consideration the planned large

investment in our Wuxi Fab and uncertainty in world markets due to the coronavirus, we felt it prudent to adopt a zero dividend policy this year and have not explored the option of a share buyback. We believe consistent pursuit of our wafer fab expansion and technical innovation strategies must take precedence over optimizing ROE at the present time.

### **3. Increasing liquidity to attract a larger investor base**

Sino Alliance and NEC are also our strategic partners. Stock reduction for better liquidity may be made at the appropriate time.

We are doing internal research on the feasibility of dual-listing. So far, no decision has been made by the Board of Directors regarding A-Share listing.

Thank you very much for your constructive suggestions. I hope this letter adequately addresses the issues you have raised. Please stay safe and I am looking forward to a face-to-face meeting in the near future.

Best regards,



Daniel Wang  
Executive Vice President and Chief Financial Officer  
Hua Hong Semiconductor Limited