HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1347)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

The board of directors (the "**Board**") of Hua Hong Semiconductor Limited (the "**Company**") is pleased to announce the consolidated results of the Company for the year ended 31 December 2014.

Highlights include:

- Record-high sales of US$664.6 million in 2014, a 13.7% increase from US$584.7 million in 2013, primarily due to increased demand for eNVM, discrete, analog and power management ICs.
- China remained our largest market in 2014, contributing approximately 53.6% of our total revenue as compared to 49.8% in 2013.
- Increased customer demand lifted wafer shipments to 1.4 million in 2014, representing a 14.6% increase over 2013.
- Our monthly capacity increased by 5,000 wafers per month to 129,000 wafers per month.
- Utilization increased to 93.5% from 84.0% in 2013.
- Gross margin increased to 29.8% from 21.5% in 2013, as a result of the increased revenue, improved product mix, higher utilization and decrease in depreciation and amortization expenses.
- Net cash flow from operating activities was US$221.7 million in 2014 compared to US$184.2 million in 2013.
- Profit for the year attributable to owners of the Company was US$93.1 million in 2014 compared to US$61.8 million in 2013, an increase of 50.5%.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

LETTER TO SHAREHOLDERS

Dear Shareholders:

Thanks to your trust and support, Hua Hong Semiconductor Limited was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") in October 2014. We are pleased to report the operating results of the Company for the year. With its continued focus on market development at home and aboard, the Company was successful in improving these results dramatically.

As of the end of 2014, the Company had already experienced 16 consecutive profitable quarters and achieved a record high in both sales revenue and gross margin. In particular, the sales revenue of US$665 million represented a year-on-year increase of 13.7%. The gross margin reached 29.8%, up 8.3 percentage points from the previous year, and the net profit reached US$93 million, a year-on-year increase of 50.5%.

In 2014, the Company's annual wafer output increased by 15.3% as compared with 2013, with an average capacity utilization rate of 93.5% and an overall production yield of 99.2%. We ended 2014 with a monthly processing capacity of 129,000 8-inch wafers in total from our three 200mm fabs in Shanghai. This production capacity will be further increased step by step to a total monthly capacity of about 139,000 by the end of 2015.

At the same time, the Company's shipment of chips for smart cards reached 3.14 billion pieces, of which 2.66 billion chips were for SIM cards, accounting for approximately 50% of the global market share. As the world's largest 200mm wafer foundry for power discretes, our accumulative shipments exceeded 3.4 million wafers. In addition, the Company has also achieved outstanding performance in light-emitting diode ("**LED**") lighting, smart meters, communications and automotive. We serve customers from China (including Taiwan), Japan, Europe and North America.

In technology research and development, we have an extensive and highly competitive technology platform spanning the 1μm to 90nm technology nodes, strategically focused on the advanced geometries of 0.13μm, 0.11μm and 90nm. Our technology platform covers embedded non-volatile memory, power discretes, radio frequency, analog and mixed signal, and power management integrated circuits ("**ICs**"). We are also developing various micro-electromechanical systems ("**MEMS**") solutions on an ongoing basis for these high-growth markets.

In 2015, based on the foundation of our smart card business reaching another record high, we will significantly increase our banking IC business, another high-growth opportunity. Through close cooperation with our long-term technology partners, who are also our best clients, the Company will improve product competitiveness in all our endeavors and provide a green platform to manufacture chips with lower power consumption, higher efficiency and smaller size. We aim to seize high-margin and high-growth opportunities, in particular, applications that promote global technology development, including the Internet of Things and automotive electronics. We sincerely hope that you will continue to lend us your valued support.

In conclusion, we would like to express our highest respect and deepest gratitude to you.

Mr. Wenbiao Fu	**Mr. Yu Wang**
Chairman and Executive Director	*President and Executive Director*

BUSINESS REVIEW

BUSINESS OVERVIEW

Shipments, Capacity, and Utilization in 2014

- Increased customer demand lifted wafer shipments to 1.4 million in 2014, a 14.6% increase over 2013.
- Our monthly capacity increased by 5,000 wafers per month to 129,000 wafers per month.
- Utilization increased to 93.5% from 84.0% in 2013.

Markets Analysis and Growth Segments

We derive 96.5% of our revenue from the sale of semiconductor wafers.

Revenue by service type	**2014**	2013
	%	%
Wafers	**96.5**	96.9
Others (masks, probe cards, etc.)	**3.5**	3.1
Total	**100.0**	100.0

Revenue contribution from systems and fabless companies increased to 75.6% of our total revenues in 2014, compared to 67.5% in 2013.

Revenue by customer types	**2014**	2013
	%	%
Systems and fabless companies	**75.6**	67.5
Integrated Device Manufacturers ("**IDMs**")	**24.4**	32.5
Total	**100.0**	100.0

China remained our largest market in 2014, contributing approximately 53.6% of our total revenue. Our second largest market, the United States, contributed 20.8% of our total revenue for the same period. We will continue working closely with our customers, leveraging our scale and technology leadership to address opportunities in the global semiconductor markets, particularly in fast growing China.

Revenue by geography	**2014**	2013
	%	%
China[1]	**53.6**	49.8
United States	**20.8**	25.0
Asia[2]	**10.0**	8.9
Europe	**9.1**	7.2
Japan[3]	**6.5**	9.1
Total	**100.0**	100.0

1 Includes Hong Kong.
2 Excludes China and Japan.
3 Includes a major customer in Japan that was acquired by a U.S. headquartered company in 2013.

Embedded non-volatile memory ("**eNVM**") revenue contribution increased to 41.8% of our total revenues in 2014, compared to 34.8% in 2013. Analog and power management revenue contribution increased to 15.5% in 2014, compared to 12.4% in 2013.

Revenue by technology platform	**2014**	2013
	%	%
eNVM	**41.8**	34.8
Discrete	**18.5**	19.5
Analog & power management ("**PM**")	**15.5**	12.4
Logic & RF	**14.1**	20.5
Standalone non-volatile memory ("**NVM**")	**9.1**	11.5
Others	**1.0**	1.3
Total	**100.0**	100.0

The revenue from the more advanced process technology nodes of 0.13μm, 0.11μm and 90nm increased to 39.1% of our total revenues in 2014, compared to 31.5% in 2013, as a result of our strategic focus on these geometries.

Revenue by process technology node	**2014**	2013
	%	%
≤ 0.13μm	**39.1**	31.5
0.15μm & 0.18μm	**20.4**	25.8
0.25μm	**0.8**	2.4
≥ 0.35μm	**39.7**	40.3
Total	**100.0**	100.0

Consumer Electronics and Communications were our first and second largest end market segments, respectively, together contributing over 75% of our total revenue in 2014.

Revenue by end market distribution	**2014**	2013
	%	%
Consumer Electronics	**50.5**	45.5
Communications	**27.4**	29.8
Computing	**10.0**	14.9
Industrial & Automotive	**12.1**	9.8
Total	**100.0**	100.0

BUSINESS STRATEGIES FOR IMPROVED PROFITABILITY

Continue to Improve Product Mix, Capture Higher-Margin and Higher-Growth Opportunities

We continue to shift our product mix towards higher margin and higher growth opportunities. The key end market applications include smart cards, microcontroller units ("**MCUs**"), automotive ICs, smart grids, LED lighting, wearable devices and connected sensors via the Internet of Things. We believe these applications are fast-growing and the relevant semiconductor products should command higher margins.

Continue to Engage in R&D of Differentiated Advanced Technologies

We differentiate ourselves from our global peers through the depth of our specialty process technology portfolio and our focus on advanced technology nodes on 200mm wafers. We continue to engage in research and development ("**R&D**") projects that are expected to result in better production yield, smaller die size and lower power consumption in order to maintain and grow our market leadership and maintain our competitive advantage. Our ability to develop our own advanced technologies and to co-develop specialty technologies with our customers and partners remains a cornerstone of our economic success.

Continue to Realize Merger Synergies

Key benefits from our merger in 2011 include greater manufacturing flexibility, an enlarged customer base, a more comprehensive and complementary product portfolio, increased economies of scale and a stronger financial base. Additionally we have been able to leverage the enlarged business to negotiate more favorable terms with suppliers.

Pursue Capacity Expansion Strategically and Profitably

We have been using the net proceeds from our global offering to invest prudently to expand our manufacturing capacity. We have readily available areas within our current fabs that enable us to expand capacity without having to undertake substantial infrastructure projects.

Strengthen Collaboration with Key Customers and Continue to Provide High Quality Service

We continue strengthening and deepening relationships with our key customers through strategic alliances on critical design and product development roadmaps. We believe such collaborative relationships solidify our position with our customers, enhance our competitiveness and accelerate our drive for deeper market penetration.

RESEARCH AND DEVELOPMENT

For years, we have been a technology leader in smart card IC manufacturing and we are now the largest smart card IC foundry in the world. We shipped 3.14 billion smart card chips, including 2.66 billion SIM card chips in 2014, accounting for approximately 50% share in the global market. Such significant growth has mainly benefited from the applications of Java smart cards driven by the mobile communication market.

By leveraging technology and R&D advantages, we have delivered multiple project wafers on 90nm to selected customers. The 90nm project for platform is expected to start production by the end of 2015.This technology will primarily be used in smart cards and consumer products.

We place emphasis in our R&D to address new business opportunities enhancing our integration capabilities across different technologies. Specifically, we are focused on the integration of our eFlash and RF technologies to provide cost-effective solutions for wearable devices, Internet of Things ("**IoT**") and automotive applications. Our 0.11μm ultra-low leakage embedded flash technology with RF capability is expected to be in production in the first half of 2015. This technology will be used in wireless MCU applications for the IoT market. Additionally, we are engaged in R&D of RF products using silicon on insulator ("**SOI**") substrates for improved performance, lower power consumption, and lower cost for wireless RF front-end modules.

Sensors are a new growth opportunity for our Company, in particular those that utilize MEMS technology. We are working together with customers to develop MEMS sensors for the mobile markets. The single-chip 3-axis MEMS accelerometer, developed by one of our customers on our MEMS technology, has successfully passed functional test. We will expand our capabilities into other MEMS sensor opportunities such as micro-bolometers, pressure sensors and gyroscopes for the IoT market.

In the high-voltage MOSFET business, a new generation of Field-Stop insulated-gate bipolar transistors ("**IGBT**") has successfully reached mass production. We are planning to launch the third generation Super Junction MOSFET ("**SJNFET**") technology platform with state of the art performance in 2015. This will consolidate our leadership in power discrete devices by providing customers with low-cost and high-performance solutions.

During 2014, our group achieved over 400 patent filings as a result of our R&D efforts. R&D projects generated significant innovations, resulting in a continuing increase in patents and patent applications. We view our patent portfolio as an important factor in ensuring our competitiveness and a critical entry barrier for competitors. We will continue to expand and vigorously defend our intellectual property portfolio.

OUTLOOK FOR 2015

We are in an exciting period, ready to serve the increasing demand for 200mm wafers. The PRC Government considers the domestic manufacturing of semiconductor products as being strategic and key for Chinese economic growth. We believe we are well positioned to benefit from the strong demand in the smart card market, especially for domestic bank IC cards. We intend to take full advantage of the introduction of MCUs and MEMS sensors into the IoT market in 2015, a key sales growth factor.

The traditional MOSFET business will continue to benefit from the very large market size and demand from tier-1 IDM customers. The product mix will be further improved by introducing more SJNFET and IGBT products for the popular applications in booming areas, such as portable equipment, 4G network, cloud computing.

In power management IC field, we expect to grow on the 0.35um and above nodes for products in consumer, computing and industrial applications. We believe that 700V BCD process technology may become the mainstream technology for LED lighting starting in 2015.

We will continue to use the net proceeds from our global offering to invest prudently to expand our manufacturing capacity and R&D capability by procuring high quality, pre-owned factory-refurbished equipment to manage our capital expenditure. We believe we can increase our 200mm manufacturing capacity to approximately 139,000 wafers per month by the end of 2015, and 164,000 wafers per month by the end of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

	2014	2013	Change
	US$'000	*US$'000*	%
Revenue	**664,586**	584,719	13.7%
Cost of sales	**(466,815)**	(459,270)	1.6%
Gross profit	**197,771**	125,449	57.7%
Other income and gains	**23,886**	30,605	(22.0)%
Fair value gain on an investment property	**1,127**	2,095	(46.2)%
Selling and distribution expenses	**(7,206)**	(8,052)	(10.5)%
Administrative expenses	**(85,053)**	(69,043)	23.2%
Other expenses	**(2,433)**	(199)	1,122.6%
Finance costs	**(12,136)**	(16,479)	(26.4)%
Share of profits of an associate	**4,856**	6,437	(24.6)%
Profit before tax	**120,812**	70,813	70.6%
Income tax expense	**(27,722)**	(8,964)	209.3%
Profit for the year	**93,090**	61,849	50.5%

Explanation on Items with fluctuation over 5%

Revenue

Revenue increased by 13.7% from US$584.7 million in 2013 to US$664.6 million in 2014, primarily due to increased demand for eNVM, discrete, analog and power management ICs.

Gross Profit

Gross profit increased by 57.7% from US$125.4 million in 2013 to US$197.8 million in 2014. The increase was mainly attributable to the increased revenue, improved product mix, high utilization and a decrease in depreciation and amortization expenses.

Other income and gains

Other income and gains decreased by 22.0% from US$30.6 million in 2013 to US$23.9 million in 2014. The decrease was mainly due to (i) less interest income as an entrusted loan was paid back by an associate in 2014, and (ii) nil foreign exchange gains due to the strengthening of US dollar in 2014.

Fair value gain on an investment property

Fair value gain on an investment property represent an increase in valuation on our investment property. Market value for our property remained stable in 2014 compared to 2013, resulting in a less of an increase of its fair value in 2014.

Selling and distribution expenses

Selling and distribution expenses decreased by 10.5% from US$8.1 million in 2013 to US$7.2 million in 2014, primarily due to a better control on marketing expenses.

Administrative expenses

Administrative expenses increased by 23.2% from US$69.0 million in 2013 to US$85.1 million in 2014. The increase was mainly due to (i) increased labor expenses, (ii) the occurrence of one-off listing expenses, and (iii) increased dormitory rental expenses.

Other expenses

Other expenses increased by 1,122.6% from US$0.2 million in 2013 to US$2.4 million in 2014, mainly because of foreign exchange loss in 2014 due to RMB depreciation.

Finance costs

Finance costs decreased by 26.4% from US$16.5 million in 2013 to US$12.1 million in 2014, mainly due to the decrease in bank borrowings.

Share of profits of an associate

Share of profits of an associate decreased by 24.6% from US$6.4 million in 2013 to US$4.9 million in 2014, due to decreased profit realized by the associate.

Income tax expense

Income tax expense increased from US$9.0 million in 2013 to US$27.7 million in 2014, as a result of increased taxable profit and withholding tax accrued for dividend distribution.

Profit for the year

As a result of the cumulative effect of the above factors, profit for the year increased from US$61.8 million in 2013 to US$93.1 million in 2014. Net profit margin increased from 10.6% in 2013 to 14.0% in 2014.

FINANCIAL STATUS

	31 December 2014	31 December 2013	Change
	US$'000	*US$'000*	%
Non-current assets			
Property, plant and equipment	**568,626**	579,304	(1.8)%
Investment property	**191,533**	191,098	0.2%
Investment in an associate	**42,030**	45,115	(6.8)%
Available-for-sale investments	**230,512**	172,219	33.8%
Other non-current assets	**56,330**	56,095	0.4%
Total non-current assets	**1,089,031**	1,043,831	4.3%
Current assets			
Inventories	**93,988**	99,229	(5.3)%
Trade and notes receivables	**107,509**	105,525	1.9%
Other current assets	**50,185**	79,915	(37.2)%
Pledged deposits	**2,583**	2,072	24.7%
Cash and cash equivalents	**646,773**	317,045	104.0%
Total current assets	**901,038**	603,786	49.2%
Current liabilities			
Trade payables	**63,532**	60,227	5.5%
Other current liabilities	**184,349**	162,119	13.7%
Interest-bearing bank borrowings	**81,690**	101,513	(19.5)%
Total current liabilities	**329,571**	323,859	1.8%
Net current assets	**571,467**	279,927	104.1%
Non-current liabilities			
Interest-bearing bank borrowings	**183,031**	265,012	(30.9)%
Deferred tax liabilities	**11,988**	2,527	374.4%
Total non-current liabilities	**195,019**	267,539	(27.1)%
Net assets	**1,465,479**	1,056,219	38.7%

Explanation on Items with fluctuation over 5%

Investment in an associate

Investment in an associate decreased from US$45.1 million as of 31 December 2013 to $42.0 million as of 31 December 2014. The decrease was mainly due to receipt of dividends distributed by the associate, partially offset by the profit shared from the associate in 2014.

Available-for-sale investments

Available-for-sale investment increased from US$172.2 million as of 31 December 2013 to US$230.5 million as of 31 December 2014. The increase was mainly due to i) the additional investment of $57.2 million paid to Shanghai Huali Microelectronics Co., Ltd. (上海華力微電子有限公司) ("**Shanghai Huali**"), in which we hold 17.72% of equity interest, and ii) We made an investment of US$1.7 million to QST Corporation ("**QST**"), in which we hold 16.41% of equity interest.

Inventories

Inventories decreased from US$99.2 million as of 31 December 2013 to US$94.0 million as of 31 December 2014, primarily due to a lower unit cost of work in progress as a result of improved fab utilization.

Other current assets

Other current assets include prepayments, deposits and other receivables and due from related parties. The total amount of other current assets decreased from US$79.9 million as of 31 December 2013 to US$50.2 million as of 31 December 2014, mainly due to the recovery of an entrusted loan from an associate in 2014.

Pledged deposits

Pledged deposits increased from US$2.1 million as of 31 December 2013 to US$2.6 million as of 31 December 2014, largely due to the issuance of more letters of credit at 2014 end.

Cash and cash equivalents

Cash and cash equivalents increased from US$317.0 million as of 31 December 2013 to US$646.8 million as of 31 December 2014, mainly due to (i) the IPO proceeds received in 2014 and, (ii) net cash flows from operating activities, offset by cash used in investment activities and repayment of bank borrowings.

Trade payables

Trade payables increased from US$60.2 million as of 31 December 2013 to US$63.5 million as of 31 December 2014, primarily due to increased material purchase in 2014.

Other current liabilities

Other current liabilities increased from US$162.1 million as of 31 December 2013 to US$184.3 million as of 31 December 2014, primarily due to (i) increased payroll and bonus payables, and (ii) increased income tax payable.

Interest-bearing bank borrowings

Total Interest-bearing bank borrowings decreased from US$366.5 million as of 31 December 2013 to US$264.7 million as of 31 December 2014, as a result of the repayment of bank borrowings in 2014.

Deferred tax liabilities

Deferred tax liabilities arose from withholding tax accrued for dividend distribution and fair value gains on investment property.

CASH FLOW

	2014	2013	Change
	US$'000	*US$'000*	%
Net cash flows from operating activities	**221,740**	184,234	20.4%
Net cash flows used in investing activities	**(96,930)**	(16,754)	478.5%
Net cash flows generated from/(used in) financing activities	**206,731**	(72,059)	(386.9)%
Net increase in cash and cash equivalents	**331,541**	95,421	247.5%
Cash and cash equivalents at beginning of the year	**317,045**	218,170	45.3%
Effect of foreign exchange rate changes, net	**(1,813)**	3,454	(152.5)%
Cash and cash equivalents at end of the year	**646,773**	317,045	104.0%

Explanation on items with fluctuation over 5%

Net cash flows from operating activities increased from US$184.2 million in 2013 to US$221.7 million in 2014, mainly due to increased revenue in 2014.

Net cash flows used in investing activities was US$96.9 million in 2014, which was primarily attributed to (i) the additional investment of US$57.2 million paid to Shanghai Huali, (ii) payment for purchase of equipment, intangible assets and other assets of US$80.2 million, offset by (i) the recovery of an entrusted of US$24.5 million from an associate, (ii) a receipt of dividend of US$8.2 million distributed by an associate, (iii) a receipt of interest income of US$4.6 million.

Net cash flows generated from financing activities was US$206.7 million in 2014, primarily attributed to the receipts of IPO proceeds of US$320.2 million, offset by the repayment of principal and interests of bank borrowings.

As a result of the cumulative effect of the above factors, cash and cash equivalents increased from US$317.0 million as of 31 December 2013 to US$646.8 million as of 31 December 2014.

FINANCIAL RISKS

Foreign exchange risk

We are exposed to foreign exchange risks. Such exposures arise when transactions of our PRC operating subsidiary are denominated in US dollars, rather than its functional currency which is RMB.

As of 31 December 2014, if US dollars had weakened/strengthened against the RMB by 5%, with all other variables held constant, our profit before tax for the year would have been approximately US$2.5 million higher/lower.

Interest rate risk

Our exposure to risk of changes in market interest rates relates primarily to our interest-bearing loans and borrowings with a floating interest rate. Our policy is to manage our interest costs using a mix of fixed and variable rate debts.

As of 31 December 2014, if interest rates on bank loans had been 1% higher/lower with all other variables held constant, our profit before tax for the year would have been approximately US$2.6 million lower/higher, as a result of higher/lower interest expenses.

Credit risk

We have policies in place to ensure credit terms are only granted to customers with an appropriate credit history, and we perform periodic credit evaluations on them, taking into account their financial position, past experience and other factors. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

As of 31 December 2014, all of our cash and cash equivalents were deposited with major financial institutions in the PRC and Hong Kong, which do not have recent history of default. Our management does not expect to incur any loss from non-performance by these financial institutions.

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk.

Liquidity risk

Our liquidity position is monitored closely by our management. We maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

THE GLOBAL OFFERING

	Number of shares *Shares'000*	**Amount of share capital** *US$'000*
Before the Global Offering	805,176	1,229,996
The Global Offering	228,696	320,168
After the Global Offering	1,033,872	1,550,164

The Global Offering (as defined in the Company's prospectus dated October 3, 2014) comprised the Hong Kong Public Offering of 22,870,000 Shares and the International Offering of an aggregate of 205,826,000 Shares. The offering price has been determined at HK$11.25 per Share (exclusive of brokerage fee of 1.0%, Securities and Futures Commission ("**SFC**") transaction levy of 0.003% and Stock Exchange trading fee of 0.005%).

Based on the offering price of HK$11.25 per Share, the net proceeds from the Global Offering, after deducting the underwriting fees and commissions and other expenses in relation to the Global Offering were US$320.2 million.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from 15 October 2014, the date on which the Shares were listed on the Stock Exchange (the "**Listing Date**") up to 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 13 May 2015 to 15 May 2015 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2015 annual general meeting, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 12 May 2015.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. Detailed corporate governance practices will be stated in the Company's annual report for the year ended 31 December 2014. The Board is of the view that since the Listing Date the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2014

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of the Company is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 with comparative figures for the year 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Revenue	4	**664,586**	584,719
Cost of sales		**(466,815)**	(459,270)
Gross profit		**197,771**	125,449
Other income and gains	4	**23,886**	30,605
Fair value gains on an investment property		**1,127**	2,095
Selling and distribution expenses		**(7,206)**	(8,052)
Administrative expenses		**(85,053)**	(69,043)
Other expenses		**(2,433)**	(199)
Finance costs	6	**(12,136)**	(16,479)
Share of profits of an associate		**4,856**	6,437
PROFIT BEFORE TAX	5	**120,812**	70,813
Income tax expense	7	**(27,722)**	(8,964)
PROFIT FOR THE YEAR		**93,090**	61,849
Attributable to owners of the parent		**93,090**	61,849
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	8		
Basic			
– For profit for the year		**US$0.11**	US$0.08
Diluted			
– For profit for the year		**US$0.11**	US$0.08

Details of the dividends payable and proposed for the year are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	US$'000	*US$'000*
PROFIT FOR THE YEAR	**93,090**	61,849
OTHER COMPREHENSIVE INCOME		
Other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,998)**	30,613
Net other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods	**(3,998)**	30,613
OTHER COMPREHENSIVE (LOSSES)/INCOME FOR THE YEAR, NET OF TAX	**(3,998)**	30,613
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**89,092**	92,462
Attributable to owners of the parent	**89,092**	92,462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2014

	Notes	31 December 2014 US$'000	31 December 2013 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**568,626**	579,304
Investment property		**191,533**	191,098
Prepaid land lease payments		**24,194**	25,004
Intangible assets		**14,708**	22,838
Investment in an associate	*10*	**42,030**	45,115
Available-for-sale investments		**230,512**	172,219
Long term prepayments		**8,237**	1,056
Deferred tax assets		**9,191**	7,197
Total non-current assets		**1,089,031**	1,043,831
CURRENT ASSETS			
Inventories		**93,988**	99,229
Trade and notes receivables	*11*	**107,509**	105,525
Prepayments, deposits and other receivables		**7,007**	7,193
Due from related parties	*15(e)*	**43,178**	72,722
Pledged deposits		**2,583**	2,072
Cash and cash equivalents		**646,773**	317,045
Total current assets		**901,038**	603,786
CURRENT LIABILITIES			
Trade payables	*12*	**63,532**	60,227
Other payables, advances from customers and accruals		**72,310**	65,649
Interest-bearing bank borrowings	*13*	**81,690**	101,513
Government grants		**63,885**	63,462
Due to related parties	*15(e)*	**25,006**	22,009
Income tax payable		**23,148**	10,999
Total current liabilities		**329,571**	323,859
NET CURRENT ASSETS		**571,467**	279,927
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,660,498**	1,323,758

Continued/...

	Notes	31 December 2014 US$'000	31 December 2013 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,660,498**	1,323,758
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**183,031**	265,012
Deferred tax liabilities		**11,988**	2,527
Total non-current liabilities		**195,019**	267,539
Net assets		**1,465,479**	1,056,219
EQUITY			
Equity attributable to owners of the parent			
Share capital: nominal value		**–**	8,052
Other statutory capital reserves		**1,550,164**	1,221,944
Share capital and other statutory capital reserves		**1,550,164**	1,229,996
Other reserves		**(84,685)**	(173,777)
Total equity		**1,465,479**	1,056,219

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

Hua Hong Semiconductor Limited (the "Company") is a limited liability company incorporated in Hong Kong on 21 January 2005. The registered office of the Company is located at Room 2212, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company's subsidiaries were principally engaged in the manufacturing and trading of semiconductor products.

In the opinion of the directors, the parent and the ultimate parent of the Company are Shanghai Alliance Investment Ltd. ("SAIL") and INESA Holding Group ("INESA"), which are state-owned companies established in the People's Republic of China ("PRC"), supervised by the State-owned Assets Supervision and Administration Commission ("SASAC").

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for an investment property which has been measured at fair value. The financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the above revised standards and new interpretation has had no significant effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKAS 1	*Presentation of Financial Statements – Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities – Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of semiconductor products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

The principal assets employed by the Group are located in Shanghai, the PRC. Therefore, no segment information based on the geographical location of assets is presented for the year.

Revenues are attributed to geographic areas based on the location of customers. Revenues regarding geographical segments based on the location of customers for the year are presented as follows:

	2014	2013
	US$'000	*US$'000*
China (including Hong Kong)	**356,412**	291,414
United States of America	**138,148**	146,458
Asia (excluding China and Japan)	**66,556**	51,500
Europe	**60,488**	42,193
Japan	**42,982**	53,154
	664,586	584,719

Information about major customers

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the year ended 31 December 2014 (2013: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2014	2013
	US$'000	*US$'000*
Revenue		
Sale of goods	**664,586**	584,719
Other income		
Rental income	**13,270**	12,952
Interest income	**4,592**	8,226
Government subsidies	**663**	550
Sale of scrap materials	**466**	808
Rendering of service	**1,081**	1,487
Others	**3,412**	536
	23,484	24,559
Gains		
Gain on disposal of items of property, plant and equipment and prepaid land lease payments	**402**	795
Exchange gain	**–**	5,251
	402	6,046
	23,886	30,605

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	**2014**	2013
		US$'000	*US$'000*
Cost of inventories sold		**466,815**	459,270
Depreciation		**71,613**	87,514
Recognition of prepaid land lease payments		**721**	711
Amortisation of intangible assets		**12,154**	18,339
Research and development costs		**30,791**	25,693
Operating lease expenses		**3,425**	2,025
Auditors' remuneration		**770**	339
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other benefits		**116,572**	98,480
Pension scheme contribution		**11,340**	10,506
		127,912	108,986
Rental income on an investment property, net	*4*	**(13,270)**	(12,952)
Government subsidies		**(663)**	(550)
Foreign exchange differences, net		**1,385**	(5,251)
Impairment of other receivables		**246**	–
Write-down of inventories to net realisable value		**3,823**	3,362
Changes in fair value of an investment property		**(1,127)**	(2,095)

6. FINANCE COSTS

	2014	2013
	US$'000	*US$'000*
Interest on bank loans	**12,136**	16,479

7. INCOME TAX

Hong Kong profits were subject to profit tax at the rate of 16.5% during the year (2013: 16.5%). No provision for Hong Kong profits tax has been made as the Company and a subsidiary incorporated in Hong Kong had no assessable income during the year (2013: Nil).

The Company's subsidiary incorporated in the Cayman Islands is not subject to corporate income tax ("CIT") as it does not have a place of business (other than a registered office) or carry on any business in the Cayman Islands.

All of the Group's subsidiaries registered in the PRC and only having operations in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25%.

Pursuant to relevant laws and regulations in the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries, Shanghai Huahong Grace Semiconductor Manufacturing Corporation ("HHGrace"), is qualified as an enterprise producing integrated circuits of 0.25μm in width and thus was entitled to a preferential tax rate of 15% from 2013 to 2017.

Pursuant to relevant laws and regulations in the PRC and with approval from the tax authorities in charge, two of the Group's subsidiaries, Shanghai Hua Hong NEC Electronics Co., Ltd. ("HHNEC") and Shanghai Grace Semiconductor Manufacturing Corporation ("Grace Shanghai"), are qualified as "High and New Technology Enterprises" and thus were entitled to the a preferential tax rate of 15%.

The Company's subsidiary incorporated and operating in Japan is subject to a corporation tax rate of 25.5% (2013: 25.5%).

The Company's subsidiary incorporated and operating in the United States is subject to a federal corporation income tax rate of 34% during the year (2013: 34%), as well as state tax at 8.84% (2013: 8.84%).

The major components of income tax expense of the Group are as follows:

	2014	2013
	US$'000	*US$'000*
Current income tax – PRC	**20,220**	10,226
Current income tax – elsewhere	**29**	22
Deferred tax	**7,473**	(1,284)
	27,722	8,964

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2014	2013
	US$'000	*US$'000*
Profit before tax	**120,812**	70,813
Tax at the statutory tax rate	**30,203**	17,703
Lower tax rates for specific provinces or enacted by local authority	**(12,177)**	(6,077)
Adjustments in respect of current tax of previous period	**(4)**	(179)
Profits attributable to an associate	**(728)**	(966)
Income not subject to tax	**(140)**	–
Expenses not deductible for tax	**697**	596
Tax losses utilised from previous periods	**–**	(3,352)
Tax losses not recognized	**476**	5
Temporary differences not recognized	**–**	(517)
Adjustments in respect of deferred tax of previous years	**68**	(223)
Additional deduction of research and development costs	**–**	(200)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**9,327**	2,174
Tax charge at the Group's effective rate	**27,722**	8,964

The share of tax attributable to an associate amounting to US$811,000 for the year (2013: US$2,166,000) is included in "Share of profits of an associate" in the consolidated statement of profit or loss.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 853,421,114 in issue during the year (2013: 805,175,656).

The Group had no potentially dilutive ordinary shares in issue during the year (2013: Nil).

The calculation of earnings per share is based on:

	2014	2013
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**93,090**	61,849

	Number of share	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**853,421,114**	805,175,656

9. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

10. INVESTMENT IN AN ASSOCIATE

	2014	2013
	US$'000	*US$'000*
Share of net assets	**42,030**	45,115

Particulars of the Group's subsidiaries are as follows:

Name of company	**Place and date of incorporation/ registration and place of business**	**Paid-in capital** *RMB'000*	**Percentage of equity interest attributable to the Group**	**Principal activities**
Shanghai Huahong Technology Development Co., Ltd. ("Huahong Technology Development")	PRC/Mainland China	548,000	50%	Technology development and investment

The financial statements of this associate were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The Group's voting power held and profit sharing arrangement in relation to Huahong Technology Development are 40% and 50%, respectively.

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's associate:

	2014	2013
	US$'000	*US$'000*
Current assets	**185,530**	240,273
Non-current assets	**19,892**	14
Current liabilities	**(41,277)**	(87,751)
Non-current liabilities	**(80,085)**	(62,306)
Net assets	**84,060**	90,230
Net assets, excluding goodwill	**84,060**	90,230
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's interest in the associate	**50%**	50%
Group's share of net assets of the associate, excluding goodwill	**42,030**	45,115

	2014	2013
	US$'000	*US$'000*
Revenue	**21,305**	34,755
Profit for the year	**9,697**	12,873
Other comprehensive income	**15**	–
Total comprehensive income	**9,712**	12,873
Dividend received	**(8,186)**	–

11. TRADE AND NOTES RECEIVABLES

	2014	2013
	US$'000	*US$'000*
Trade receivables	**76,638**	88,778
Notes receivable	**32,729**	18,612
	109,367	107,390
Impairment of trade receivables	**(1,858)**	(1,865)
	107,509	105,525

The Group's trading terms with its customers are mainly on credit and the credit period is generally 30 to 45 days, extending up to 60 days for major customers. There is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date and net of provisions, is as follows:

	2014	2013
	US$'000	*US$'000*
Within 3 months	**73,515**	79,768
3 to 6 months	**913**	6,686
6 to 12 months	**352**	459
	74,780	86,913

The movements in provision for impairment of trade receivables are as follows:

	2014	2013
	US$'000	*US$'000*
At 1 January	**1,865**	1,814
Exchange realignment	**(7)**	51
	1,858	1,865

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$1,858,000 as at 31 December 2014 (2013: US$1,865,000), with a carrying amount before provision of US$1,858,000 (2013: US$1,865,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014	2013
	US$'000	*US$'000*
Neither past due nor impaired	**59,208**	67,516
Less than 1 month past due	**12,596**	12,324
1 to 3 months past due	**2,249**	5,497
3 to 6 months past due	**657**	1,331
6 to 12 months past due	**70**	245
	74,780	86,913

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	US$'000	*US$'000*
Within 1 month	**34,796**	34,388
1 to 3 months	**21,520**	17,274
3 to 6 months	**1,180**	2,428
6 to 12 months	**1,013**	1,719
Over 12 months	**5,023**	4,418
	63,532	60,227

The trade payables are unsecured, non-interest-bearing and normally settled on 30 to 60 day terms.

13. INTEREST-BEARING BANK BORROWINGS

	31 December 2014			31 December 2013		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Current portion of long term bank loans – secured	**2.0-6.6**	**2015**	**81,690**	2.0-7.1	2014	101,513
Non-current						
Secured bank loans	**2.0-6.6**	**2016-2018**	**183,031**	2.0-7.1	2015-2018	265,012
			264,721			366,525

	2014	2013
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year	**81,690**	101,513
In the second year	**62,079**	81,831
In the third to fifth years, inclusive	**120,952**	183,181
	264,721	366,525

Included in secured bank loans were long term loans due within one year of US$38,940,000 and long term loans of US$41,371,000 as at 31 December 2014 (2013: US$58,764,000 and US$80,602,000, respectively), which were denominated in RMB. All other loans were denominated in US$.

As at 31 December 2014 and 2013, the Group's bank loans were secured by the pledges of the Group's assets with carrying values as follows:

	2014	2013
	US$'000	*US$'000*
Property, plant and equipment	**458,462**	456,687
Investment property	**191,533**	191,098
Prepaid land lease payments	**24,914**	25,726
Intangible assets	**10,599**	11,383
	685,508	684,894

In addition to the assets pledged above, the Group's secured bank loans as at 31 December 2014 and 2013 were secured by the Company's 36.23% of equity interest in its subsidiary, HHGrace.

14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2014	2013
	US$'000	*US$'000*
Contracted, but not provided for:		
Property, plant and equipment	**24,176**	16,405
Equity investment	**–**	57,406

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	**Relationship with the Group**
Huahong Group and its subsidiaries	
– Shanghai Huahong (Group) Co., Ltd. ("Huahong Group")	the holding company of Huahong International
– Shanghai Huahong Zealcore Electronics Co., Ltd. ("Huahong Zealcore")	Subsidiary of Huahong Group
– Shanghai Hongri International Electronics Co., Ltd. ("Hongri")	Subsidiary of Huahong Group
– Shanghai Integrated Circuit Research and Development Center ("ICRD")	Subsidiary of Huahong Group
– Shanghai Hua Hong Jitong Smart System Co., Ltd. ("Jitong")	Subsidiary of Huahong Group
Shanghai Belling and its subsidiaries	
– Shanghai Belling Co., Ltd. ("Shanghai Belling")	the holding company of Hylintek
– Hylintek Limited ("Hylintek")	Shareholder of the Company
NEC Corporation ("NEC")	Shareholder of the Company
– NEC Management Partner, Ltd.* ("NEC Management")	Subsidiary of NEC
SAIL and its subsidiaries	
– Sino-Alliance International Ltd. ("SAIL International")	Subsidiary of SAIL
– Shanghai Huali Microelectronics Co., Ltd. ("Shanghai Huali")	Subsidiary of SAIL
– Shanghai EverDisplay Optronics Co., Ltd. ("EDO")	Subsidiary of SAIL
– QST Corporation ("QST")	Subsidiary of SAIL

Name of related party	Relationship with the Group
INESA and its subsidiaries	
– Shanghai INESA Intelligent Electronics Co., Ltd. (“Shanghai INESA”)	Subsidiary of INESA
– Shanghai Nanyang Software System Integration Co., Ltd. (“Nanyang Software”)	Subsidiary of INESA
– Shanghai Nanyang Wanbang Information Technology Service Co., Ltd. (“Wanbang IT”)	Subsidiary of INESA
Huahong Technology Development	Associate of the Group
Huahong Real Estate Co., Ltd. (“Huahong Real Estate”)	Subsidiary of Huahong Technology Development
Shanghai Huajin Property Management Co., Ltd. (“Huajin”)	Subsidiary of Huahong Technology Development
CEC and its subsidiaries	
– China Electronic Corporation (“CEC”)	Shareholder of Huahong Group
– CEC Huada Electronic Design Co., Ltd. (“Huada”)	Subsidiary of CEC
– China Huada Integrated Circuit Design (Group) Co., Ltd. (“Huada IC”)	Subsidiary of CEC
– Shanghai Huahong Integrated Circuit Co., Ltd. (“Shanghai Huahong IC”)	Subsidiary of CEC
– Beijing Huahong IC Design Co., (“Beijing Huahong IC”)	Subsidiary of CEC

* *NEC Management is previously known as NEC Purchasing Service, Ltd.*

(b) Related party transactions

Group

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2014	2013
	US$'000	*US$'000*
Sales of goods to related parties *(note (i))*		
Huada	**45,761**	41,718
Huahong Zealcore#	**11,303**	6,917
Shanghai Huahong IC	**10,408**	8,679
ICRD	**6,204**	1,254
Shanghai Belling	**5,323**	5,704
Hongri	**1,021**	810
Beijing Huahong IC	**705**	–
QST#	**408**	–
Shanghai Huali	**7**	–

	2014	2013
	US$'000	*US$'000*
Purchases of goods from related parties *(note (ii))*		
Hylintek	**4,928**	2,563
Hongri	**3,566**	1,652
NEC Management#	**559**	475
Huahong Zealcore#	**448**	559
Jitong	**18**	–
ICRD	**1**	156
Service fees income from related parties *(note (iii))*		
QST#	**1,059**	–
EDO	**–**	1,487
Shanghai Huali	**–**	133
Service fee charged by related parties *(note (iv))*		
Nanyang Software#	**214**	11
Huajin#	**205**	–
Wanbang IT#	**39**	55
Shanghai INESA#	**25**	9
Huahong Real Estate	**–**	2,260
Rental income from a related party *(note (iii))*		
Shanghai Huali#	**13,270**	12,952
Rental expense charged by a related party *(note (iv))*		
Huahong Real Estate#	**1,653**	–
Expense paid on behalf of a related party *(note (v))*		
Shanghai Huali	**25,614**	19,105
Entrusted loans		
Huahong Technology Development – interest	**324**	2,965
Huahong Technology Development – principal	**–**	24,500

The related party transactions in respect of items denoted with "#" above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Note (i): *The sales of goods to the related parties were made according to the prices and terms agreed between the related parties.*

Note (ii): *The purchases of goods from the related parties were made according to the prices and terms offered by the related parties.*

Note (iii): *The rental income and service fee income from related parties were received according to the prices and terms agreed between the related parties.*

Note (iv): *The rental expense and service fees charged by related parties were paid according to the prices and terms agreed between the related parties.*

Note (v): *The expense paid on behalf of the related party is interest-free and repayable on demand.*

(c) Non-cash related party transaction

In 2014, HHGrace invested RMB10.5 million in QST in the form of intellectual property transfer in accordance with the binding term sheet signed by HHGrace on 18 August 2012. On 18 May 2014, QST and HHGrace signed an agreement regarding certain products and services provided by HHGrace to QST for the period from 1 January 2013 to 31 March 2017, including wafer products and masking, technology development and maintenance services, in exchange for the aforesaid intellectual property.

(d) Other related party transaction

In 2011, HHNEC and Huahong Group entered into a cash pooling arrangement. Under such arrangement, HHNEC and Huahong Group entered into RMB900,000,000 loans with each other. According to the PRC Contract Law, the agreement and the mutual understanding of both parties, the receivables and payables resulting from loans under such cash pooling arrangement can be set off. The net balance at 31 December 2013 was zero. On 9 June 2014, HHNEC and Huahong Group settled the receivables and payables on a net basis and terminated such loans.

(e) Outstanding balances with related parties

Group

	31 December 2014	31 December 2013
	US$'000	*US$'000*
Amount due from related parties		
Huada	**21,589**	30,068
Shanghai Huali	**7,056**	4,152
Huahong Zealcore	**5,303**	2,500
Shanghai Huahong IC	**4,149**	4,671
Huahong Real Estate	**3,295**	5,176
Shanghai Belling	**1,411**	1,056
Hongri	**242**	127
ICRD	**128**	329
QST	**5**	–
Huahong Technology Development	**–**	24,643
	43,178	72,722
Amounts due to related parties		
Shanghai Huali	**18,688**	20,541
Huahong Real Estate	**1,774**	49
Hylintek	**1,486**	1
ICRD	**1,159**	–
QST	**891**	–
Hongri	**783**	252
Huahong Zealcore	**114**	181
NEC management	**110**	3
Shanghai Belling	**1**	7
SAIL International	**–**	975
	25,006	22,009

Company

	31 December 2014 US$'000	31 December 2013 US$'000
Amounts due from a subsidiary		
HHGrace	**7,140**	998
Amounts due to subsidiaries		
Grace Semiconductor Manufacturing Corporation	**69,000**	69,000
HHGrace	**15,989**	10,291
Global Synergy Technology Limited	**4,546**	–
	89,535	79,291

Balances with the related parties or subsidiaries were unsecured, non-interest-bearing and had no fixed repayment terms.

(f) Compensation of key management personnel of the Group

	2014 US$'000	2013 US$'000
Short term employee benefits	**2,596**	1,956
Pension scheme contributions	**37**	33
Total compensation paid to key management personnel	**2,633**	1,989

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or the Group after 31 December 2014.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the results of the Group for the year ended 31 December 2014 and has discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.huahonggrace.com). The annual report for the year ended 31 December 2014 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

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

Shanghai, PRC,
24 March 2015

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

Executive Directors
Wenbiao Fu *(Chairman)*
Yu Wang *(President)*

Non-executive Directors
Jianbo Chen
Yuchuan Ma
Takayuki Morita
Jun Ye

Independent Non-executive Directors
Stephen Tso Tung Chang
KwaiHuen Wong, JP
Long Fei Ye