HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1347)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to (i) the annual results announcement of Hua Hong Semiconductor Limited (the "**Company**") dated 29 March 2018 (the "**Results Announcement**") in relation to the consolidated annual results of the Company and its subsidiaries (together as the "**Group**") for the year ended 31 December 2017, and (ii) the annual report of the Group dated 29 March 2018 for the year ended 31 December 2017 (the "**Annual Report**"). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Annual Report.

As at 31 December 2017, as disclosed in note 18 to the audited consolidated statements under the section headed "Available-for-sale Investments" of the Annual Report, the Group held unlisted equity securities which amounted to available-for-sale investments of the Company totaling approximately US$215.9 million (the "**Investments**"). In addition to the information disclosed in the Annual Report, the Company would like to provide the Shareholders and public investors with the below additional information in relation to the Investments as at 31 December 2017.

DETAILS OF THE INVESTMENTS

The Investments as at 31 December 2017 comprise the Company's equity investments in two unlisted private companies, (i) Shanghai Huali Microelectronic Co., Ltd. ("**Shanghai Huali**"), and (ii) QST Corporation ("**QST**").

Name of unlisted private companies	Details of investment
Shanghai Huali	As at 31 December 2017, the Company owned approximately 6.39% (as at 31 December 2016: 6.39%) of the issued share capital of Shanghai Huali, an unlisted private company incorporated in the PRC, with a carrying amount of RMB1,400,000,000 (equivalent to US$214,257,000) (31 December 2016: RMB1,400,000,000 (equivalent to US$201,816,000)). Shanghai Huali confirmed that it fully achieved its predicted budget goals and continued to deliver significant improvements in its business performance in 2017, as sales revenue has increased by approximately 20% as compared with 2016. There was also an improvement in profit and loss of Shanghai Huali in 2017, with over 50% reduction in loss as compared with 2016. The principal business of Shanghai Huali is developing and operating a 300mm wafer fab. Shanghai Huali is also a connected person of the Group as it was 50.23% owned by SAIL, the Company's controlling shareholder.
QST	As at 31 December 2017, the Company owned approximately 9.09% (as at 31 December 2016: 9.09%) of the issued share capital of QST, an unlisted private company incorporated in the PRC, with a carrying amount of RMB10,500,000 (equivalent to US$1,607,000) (31 December 2016: RMB10,500,000 (equivalent to US$1,514,000)). QST confirmed that, as compared with 2016, QST's revenue increased by 73% in 2017. Its shipments of sensor chips and accelerometer chips have also increased by 62% and 433%, respectively, in 2017, as compared with 2016. The principal activities of QST are researching, developing, designing and selling high-end magnetic sensors and MEMS sensors. QST is also a connected person of the Group as it was 36.36% held by SAIL, the Company's controlling shareholder, of which 27.27% interest was held directly by SAIL and 9.09% interest was held directly by the Company.

As disclosed in the Annual Report, these unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of the Investments in the near future.

Due to currency translation differences arising from RMB appreciation in 2017 as disclosed in the Annual Report, the Investments increased from US$203.3 million in 2016 to US$215.9 million in 2017.

There were no investments traded by the Company during the year of 2017 which materially impacted the statement of profit or loss and/or other comprehensive income of the Group.

Due to rapid developments and increased investments into cloud computing, internet of things, big data, smart city and 5G communication applications and the PRC government's continued support to the development of semiconductor industry in the PRC as demonstrated by its commitment announced in the "Outline for Promoting the Development of the National Integrated Circuit Industry" (《國家集成電路產業發展推進綱要》) in June 2014, "Made in China 2025" (《中國製造2025》國發[2015]38號) in May 2015 and in the 13th Five-Year Plan for Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十三個五年規劃》) in March 2016, the Company expects the demand for the semiconductor products, including 12-inch (300mm) wafers and sensor chips, will continue to increase in the near future.

In light of such favourable macro trend, it is expected that there will continue to be double-digit growth in the sales revenue as well as further improvement of the profit and loss of Shanghai Huali in 2018. In addition, apart from continuing to engage in the fields of smart phones and tablets, the Company understands that QST will also gradually expand into smart farming, smart home and other emerging markets and expects that the sales revenue of QST in these fields will grow rapidly. Accordingly, based on the above factors, the Company is positive about the business and financial performance of each of Shanghai Huali and QST in the future and intends to hold the Investments for a strategic long term purpose. The Company will continue to optimize its investment portfolios to invest in quality companies so as to create value for the Shareholders.

The Board confirms that the additional information stated does not affect other information contained in the Annual Report and the contents of the Annual Report remain correct and unchanged.

On behalf of the Board
Hua Hong Semiconductor Limited
Mr. Suxin Zhang
Chairman and Executive Director

Shanghai, PRC, 13 April 2018

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

Executive Directors
Suxin Zhang *(Chairman)*
Yu Wang *(President)*

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

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