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Stock Code (1347)

News Release

Hua Hong Semiconductor Limited Reports 2019 Fourth Quarter Results

*All currency figures in this report are in US Dollars unless indicated otherwise.
The consolidated financial statements are prepared in accordance with HKFRS.*

Hong Kong Special Administrative Region of the People's Republic of China – February 13, 2020.

Hua Hong Semiconductor Limited (SEHK: 1347) (the "Company"), a global, leading pure-play foundry, today announced its consolidated operational results for the quarter ending December 31, 2019.

Fourth Quarter 2019 Highlights (Unaudited)

- Revenue reached US\$242.8 million, 2.5% lower than the prior year but 1.6% above 3Q 2019.
- Gross margin was 27.2%, 6.8 percentage points below 4Q 2018 and 3.8 percentage points below 3Q 2019.
- Net profit was US\$14.0 million, compared to US\$48.6 million in 4Q 2018 and US\$44.4 million in 3Q 2019.
- Net profit attributable to shareholders of the parent company was US\$26.2 million, compared to US\$49.0 million in 4Q 2018 and US\$45.2 million in 3Q 2019.
- Basic earnings per share was US\$0.020, compared to US\$0.042 in 4Q 2018 and US\$0.035 in 3Q 2019.
- ROE (annualized) was 4.8%.

Full Year 2019 Highlights (Unaudited)

- Revenue was US\$932.6 million, an all-time high and an increase of 0.2% over the prior year.
- Gross margin was 30.3%, 3.1 percentage points below 2018.
- Net profit was US\$155.0 million, compared to US\$185.6 million in 2018.
- Net profit attributable to shareholders of the parent company was US\$162.2 million, compared to US\$183.2 million in 2018.
- Basic earnings per share was US\$0.126, compared to US\$0.171 in 2018.
- ROE was 7.4%.

First Quarter 2020 Guidance

- We expect revenue to be approximately US\$200 million.
- We expect gross margin to be in the range of 21% to 23%.

2019 Dividend Payout

- During the Annual General Meeting in May 2020, the Company shall decide on its dividend distribution plan for the accounting year 2019.

President's Message

Mr. Junjun Tang, president and executive director of our Company, commented on the fourth quarter as follows:

"It is my pleasure to share with you our company's 2019 fourth quarter results. As most of you are probably aware, management set a very challenging revenue target of US\$242 million for the fourth quarter. We knew it was not going to be easy. Our actual revenue of US\$242.8 million was a great accomplishment in a challenging market environment, which our team worked very hard to achieve. Especially important for our future was meeting our commitment for wafer shipments valued at US\$7.4 million from our new 12-inch fabrication facility in Wuxi. Gross margin was 27.2%. The margin decline was largely due to lower capacity utilization and an increase in labor costs. The new facility started production in Q4. We are very proud of accomplishing our initial startup of production in Wuxi."

"Our embedded flash, power discrete, RF-SOI and PMIC technologies are being used to support overseas and domestic leading customers in the growing 5G smartphone markets, using the 8 inch fabs now. Our technology development team has been working on more advanced technologies for the 5G smartphone market to be produced in the 12-inch Wuxi fab this year. We see tremendous opportunities for production of products such as smart card ICs, MCU, power discrete, CIS, logic and RF devices in this newly built facility. Interest from customers has been exceptional. For the management team, our priority is to ensure a smooth and timely production ramp-up for this 12-inch facility, so that it will quickly contribute to revenue and margin growth for the company."

"2019 was an incredible year for Hua Hong Semiconductor," Mr. Tang continued, reflecting on the company's performance for the year. "In addition to building a brand new, state-of-the-art 12-inch facility for capacity expansion, the company's business performance was strong and respectable, given the challenging environment of the semiconductor industry in 2019. I am very proud of our achievements. While the global semiconductor market declined 12% in 2019 according to SIA, our overall revenue achieved US\$932.6 million, representing a 0.2% increase compared to the prior year. The strong revenue performance was largely attributable to the increased demand for MCU, super junction, IGBT and general MOSFET products, particularly in China, other parts of Asia and Europe. Gross margin was 30.3%, 3.1 percentage points lower than a year ago, primarily due to decreased capacity utilization, increased labor costs and increased unit cost of raw materials, partially offset by an increase in average selling price. Net profit as a percentage of revenue was 16.6%."

Mr. Tang concluded: "I continue to be excited leading this exceptional group of people. I look forward to the challenges ahead of us, as we continue ramping up the production facility in Wuxi. I am confident, with the support of our shareholders and the board of directors, we will take the company to a new level."

Webcast/Conference Call Announcement

Date: February 14, 2020 (Friday)

Time: 04:00 P.M. (Shanghai and Hong Kong)
03:00 A.M. (New York, Friday, February 14, 2020)

Presenters: Mr. Junjun Tang, President and Executive Director
Mr. Daniel Wang, Executive Vice President and Chief Financial Officer

Webcast: The call will be webcast live with audio and slides at:
http://www.huahonggrace.com/html/investor_webcast.php or
<https://event.on24.com/wcc/r/2181111/6884493CF63B6B5886EBBFA065AD9C7C>
(Note: registration is required to access the webcast.)

Dial-in Details: China	+86 400 037 6502
Hong Kong	+852 5803 3043
Taiwan	+852 800 931 446
Singapore	+65 3158 2645
New York	+1 646 307 1851

Conference ID: 789450#

Recording will be available for replay at http://www.huahonggrace.com/s/investor_webcast.php about 24 hours after the event, and will be valid for 12 months.

About the Company

Hua Hong Semiconductor Limited (“Hua Hong Semiconductor”, stock code: 1347.HK) (the “Company”) is a global, leading pure-play foundry with specialty process platforms uniquely focused on *embedded non-volatile memory* (“eNVM”), *power discrete*, *analog & power management* and *logic & RF*. Of special note is the Company’s outstanding quality control system that satisfies the strict requirements of automotive chip manufacturing.

The Company is part of the Huahong Group, an important member of China’s 909 Project. The Huahong Group is a high-tech, globally oriented, highly competitive, and innovative enterprise focused on semiconductor manufacturing as its core business.

The Company presently operates three 200mm wafer fabrication facilities within the Huahong Group (HH Fab1, HH Fab2 and HH Fab3) in Jingqiao and Zhangjiang, Shanghai, with a total monthly 200mm-wafer capacity of circa 178,000 wafers. There is also a new 300mm-wafer fabrication facility (HH Fab 7) being built in Wuxi’s National High-Tech Industrial Development Zone. When completed, the Wuxi fab will increase the Company’s monthly capacity by forty thousand 300mm wafers.

For more information, please visit <http://www.huahonggrace.com/>

Summary of Operating Results
(Amounts in US\$ thousands, except for EPS and operating data)

	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)	YoY Change	QoQ Change
Revenue	242,784	249,086	238,993	(2.5)%	1.6 %
Cost of sales	(176,755)	(164,508)	(164,981)	7.4 %	7.1 %
Gross profit	66,029	84,578	74,012	(21.9)%	(10.8)%
Gross margin	27.2 %	34.0 %	31.0 %	(6.8)	(3.8)
Operating expenses	(71,361)	(38,819)	(40,184)	83.8 %	77.6 %
Other income net	24,145	11,620	23,517	107.8 %	2.7 %
Profit before tax	18,813	57,379	57,345	(67.2)%	(67.2)%
Income tax expense	(4,785)	(8,818)	(12,924)	(45.7)%	(63.0)%
Profit for the period	14,028	48,561	44,421	(71.1)%	(68.4)%
Net profit margin	5.8 %	19.5 %	18.6 %	(13.7)	(12.8)
Attributable to:					
Owners of the parent	26,186	48,972	45,225	(46.5)%	(42.1)%
Non-controlling interests	(12,158)	(411)	(804)	2,858.2 %	1,412.2 %
Earnings per share attributable to owners of the parent					
Basic	0.020	0.042	0.035	(52.4)%	(42.9)%
Diluted	0.020	0.042	0.035	(52.4)%	(42.9)%
Wafers shipped (in thousands 8" equivalent wafers)	515	531	524	(3.0)%	(1.7)%
Capacity utilization ¹	88.0 %	96.7 %	96.5 %	(8.7)	(8.5)
ROE ²	4.8 %	9.6 %	8.4 %	(4.8)	(3.6)

Fourth Quarter 2019

- Revenue reached US\$242.8 million, 2.5% lower than the prior year, primarily due to decreased wafer shipments, but 1.6% above 3Q 2019.
- Cost of sales was US\$176.8 million, 7.4% above 4Q 2018, mainly due to increased labor costs, unit cost of raw wafers and depreciation expenses, and 7.1% above 3Q 2019, largely due to increased labor costs and depreciation expenses.
- Gross margin was 27.2%, 6.8 percentage points below 4Q 2018, mainly due to lower capacity utilization and increased labor costs, unit cost of raw wafers and depreciation expenses, and 3.8 percentage points below 3Q 2019, primarily due to lower capacity utilization, increased labor costs and depreciation expenses.
- Operating expenses were US\$71.4 million, 83.8% above 4Q 2018 and 77.6% over 3Q 2019, largely due to increased labor, engineering wafers and depreciation expenses for Wuxi fab.
- Other income net was US\$24.1 million, 107.8% up year over year, primarily due to (i) increased general subsidies, (ii) decreased foreign exchange loss, and (iii) increased share of profit of an associate.
- Profit for the period was US\$14.0 million, compared to US\$48.6 million in 4Q 2018 and US\$44.4 million in 3Q 2019.
- Net profit attributable to shareholders of the parent company was US\$26.2 million, compared to US\$49.0 million in 4Q 2018 and US\$45.2 million in 3Q 2019.
- Basic earnings per share was US\$0.020, compared to US\$0.042 in 4Q 2018 and US\$0.035 in 3Q 2019.
- ROE (annualized) was 4.8%.

¹The capacity utilization is calculated based on average monthly equivalent wafers output divided by total estimated monthly capacity.

²Profit attributable to owners of the parent / weighted average net assets attributable to owners of the parent.

Operating Results by Segment
(Amounts in US\$ thousands, except for operating data)

	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)	YoY Change	QoQ Change
Hua Hong 8"					
Revenue	235,370	249,086	238,993	(5.5)%	(1.5)%
Gross profit	66,427	84,578	74,012	(21.5)%	(10.2)%
Gross margin	28.2 %	34.0 %	31.0 %	(5.8)	(2.8)
Operating expenses	(37,997)	(33,050)	(26,883)	15.0 %	41.3 %
Profit before tax	43,625	58,924	58,984	(26.0)%	(26.0)%
EBITDA	76,446	89,964	85,092	(15.0)%	(10.2)%
EBITDA margin	32.5 %	36.1 %	35.6 %	(3.6)	(3.1)
Wafers shipped (in thousands 8" wafers)	506	531	524	(4.7)%	(3.4)%
Hua Hong Wuxi					
Revenue	7,414	-	-	N/A	N/A
Gross profit	(398)	-	-	N/A	N/A
<i>Gross margin</i>	(5.4)%	-	-	(5.4)	(5.4)
Operating expenses	(33,364)	(5,769)	(13,301)	478.3 %	150.8 %
Profit before tax	(24,812)	(1,545)	(1,639)	1,506.0 %	1,413.8 %
EBITDA	(17,555)	(2,338)	(1,639)	650.9 %	971.1 %
EBITDA margin	(236.8)%	-	-	(236.8)	(236.8)
Wafers shipped (in thousands 8" equivalent wafers)	9	-	-	N/A	N/A

Hua Hong 8"

- Revenue was US\$235.4 million, 5.5% below 4Q 2018 and 1.5% lower than 3Q 2019, primarily due to decreased wafer shipments.
- Gross margin was 28.2%, 5.8 percentage below 4Q 2018 and 2.8 percentage points below 3Q 2019, primarily due to lower capacity utilization, increased labor costs and depreciation expenses.
- Operating expenses were US\$38.0 million, 15.0% above 4Q 2018, largely due to increased labor and research and development expenses, and 41.3% over 3Q 2019 primarily due to increased labor expenses and impairment provisions.
- Profit before tax was US\$43.6 million, 26.0% lower than 4Q 2018 and 26.0% below 3Q 2019.

Hua Hong Wuxi

- Revenue was US\$7.4 million.
- Operating expenses were US\$33.4 million, compared to US\$5.8 million in 4Q 2018 and US\$13.3 million in 3Q 2019, mainly due to increased labor, engineering wafers and depreciation expenses.
- Profit before tax was minus US\$24.8 million.
- EBITDA was minus US\$17.6 million.

Summary of Operating Results
(Amounts in US\$ thousands, except for EPS and operating data)

	2019 (Unaudited)	2018 (Audited)	YoY Change
Revenue	932,567	930,268	0.2 %
Cost of sales	(650,107)	(619,114)	5.0 %
Gross profit	282,460	311,154	(9.2)%
Gross margin	30.3 %	33.4 %	(3.1)
Operating expenses	(178,624)	(130,094)	37.3 %
Other income net	77,737	39,995	94.4 %
Profit before tax	181,573	221,055	(17.9)%
Income tax expense	(26,588)	(35,447)	(25.0)%
Profit for the year	154,985	185,608	(16.5)%
Net profit margin	16.6 %	20.0 %	(3.4)
Attributable to:			
Owners of the parent	162,237	183,158	(11.4)%
Non-controlling interests	(7,252)	2,450	(396.0)%
Earnings per share attributable to owners of the parent			
Basic	0.126	0.171	(26.3)%
Diluted	0.125	0.169	(26.0)%
Wafers shipped (in thousands 8" equivalent wafers)	1,974	2,016	(2.1)%
Capacity utilization	91.2 %	99.2 %	(6.9)
ROE	7.4 %	10.2 %	(2.8)

Full Year 2019

- Revenue was US\$932.6 million, an all-time high and an increase of 0.2% over the prior year.
- Cost of sales was US\$650.1 million, 5.0% above 2018, primarily due to increased labor costs, unit cost of raw materials and depreciation expenses.
- Gross margin was 30.3%, 3.1 percentage points lower than 2018 mainly due to decreased capacity utilization, increased labor costs, unit cost of raw materials and depreciation expenses, partially offset by an increase in average selling price.
- Operating expenses were US\$178.6 million, 37.3% above 2018, largely due to increased labor, engineering wafers and depreciation expenses for Wuxi fab.
- Other income net was US\$77.7 million, up 94.4% from 2018, primarily due to (i) increased general subsidies, (ii) decreased foreign exchange loss, (iii) increased fair value gains on financial assets at fair value through profit or loss, and (iv) increased interest income.
- Net profit was \$US155.0 million, compared to \$US185.6 million in 2018.
- Net profit attributable to shareholders of the parent company was US\$162.2 million, compared to US\$183.2 million in 2018.
- Basic earnings per share was US\$0.126, compared to US\$0.171 in 2018.
- ROE was 7.4%.

Analysis of Revenue

Revenue by service type	4Q 2019 US\$000 (Unaudited)	4Q 2019 % (Unaudited)	4Q 2018 US\$000 (Unaudited)	4Q 2018 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	233,385	96.1%	244,073	98.0%	(10,687)	(4.4)%
Others	9,399	3.9%	5,013	2.0%	4,385	87.5 %
Total revenue	242,784	100.0%	249,086	100.0%	(6,302)	(2.5)%

- 96.1% of our total revenue was derived from the sale of semiconductor wafers in 4Q 2019.

Analysis of Revenue

Revenue by segment	4Q 2019 US\$000 (Unaudited)	4Q 2019 % (Unaudited)	4Q 2018 US\$000 (Unaudited)	4Q 2018 % (Unaudited)	YoY Change US\$000	YoY Change %
Hua Hong 8"	235,370	96.9%	249,086	100.0%	(13,716)	(5.5)%
Hua Hong Wuxi	7,414	3.1%	-	-	7,414	N/A
Total revenue	242,784	100.0%	249,086	100.0%	(6,302)	(2.5)%

- *Revenues* from Hua Hong 8" and Hua Hong Wuxi were US\$235.4 million and US\$7.4 million, respectively, in 4Q 2019.

Analysis of Revenue

Revenue by geography	4Q 2019 US\$000 (Unaudited)	4Q 2019 % (Unaudited)	4Q 2018 US\$000 (Unaudited)	4Q 2018 % (Unaudited)	YoY Change US\$000	YoY Change %
China ³	153,476	63.2%	136,324	54.6%	17,152	12.6 %
Asia ⁴	32,549	13.4%	34,339	13.8%	(1,790)	(5.2)%
United States	31,928	13.2%	41,267	16.6%	(9,339)	(22.6)%
Europe	16,820	6.9%	19,078	7.7%	(2,258)	(11.8)%
Japan ⁵	8,011	3.3%	18,078	7.3%	(10,067)	(55.7)%
Total revenue	242,784	100.0%	249,086	100.0%	(6,302)	(2.5)%

- *Revenue from China* was US\$153.5 million, contributing 63.2% of our total revenue, and an increase of 12.6% compared to 4Q 2018, mainly driven by increased demand for MCU and super junction products.
- *Revenue from Asia* was US\$32.5 million, a decrease of 5.2% compared to 4Q 2018, chiefly due to decreased demand for MCU and general MOSFET products.
- *Revenue from United States* was US\$31.9 million, a decrease of 22.6% compared to 4Q 2018, chiefly due to decreased demand for super junction and general MOSFET products.
- *Revenue from Europe* was US\$16.8 million, a decrease of 11.8% compared to 4Q 2018, chiefly due to decreased demand for smart card ICs, partially offset by increased demand for general MOSFET.
- *Revenue from Japan* was US\$8.0 million, a decrease of 55.7% compared to 4Q 2018, chiefly due to decreased demand for logic, super junction and MCU products.

³Includes Hong Kong.

⁴Excludes China and Japan.

⁵Includes a major customer in Japan that was acquired by a U.S. headquartered company in 2013.

Analysis of Revenue

Revenue by technology platform	4Q 2019 US\$000 (Unaudited)	4Q 2019 % (Unaudited)	4Q 2018 US\$000 (Unaudited)	4Q 2018 % (Unaudited)	YoY Change US\$000	YoY Change %
eNVM	98,028	40.3%	99,447	39.9%	(1,419)	(1.4)%
Discrete	87,879	36.2%	86,869	34.9%	1,010	1.2 %
Analog & PM	30,327	12.5%	31,405	12.6%	(1,078)	(3.4)%
Logic & RF	23,046	9.5%	27,624	11.1%	(4,578)	(16.6)%
Standalone NVM	3,322	1.4%	3,581	1.4%	(259)	(7.2)%
Others	182	0.1%	160	0.1%	22	13.8 %
Total revenue	242,784	100.0%	249,086	100.0%	(6,302)	(2.5)%

- *Revenue from eNVM* was US\$98.0 million, a decrease of 1.4% compared to 4Q 2018, primarily due to decreased demand for smart card ICs, partially offset by increased demand for MCU products.
- *Revenue from discrete* was US\$87.9 million, an increase of 1.2% compared to 4Q 2018, mainly driven by increased demand for IGBT and super junction products, partially offset by the decreased demand for general MOSFET products.
- *Revenue from analog & power management* was US\$30.3 million, a decrease of 3.4% compared to 4Q 2018, mainly due to decreased demand for analog and LED lighting products, partially offset by the increased demand for PMIC products.
- *Revenue from logic & RF* was US\$23.0 million, a decrease of 16.6% compared to 4Q 2018, mainly due to decreased demand for logic and RF products.
- *Revenue from Standalone NVM* was US\$3.3 million, a decrease of 7.2% compared to 4Q 2018, primarily due to decreased demand for flash products.

Analysis of Revenue

Revenue by process technology node	4Q 2019 US\$000 (Unaudited)	4Q 2019 % (Unaudited)	4Q 2018 US\$000 (Unaudited)	4Q 2018 % (Unaudited)	YoY Change US\$000	YoY Change %
≤0.13μm	87,228	35.9%	95,431	38.3%	(8,203)	(8.6)%
0.15μm & 0.18μm	30,566	12.6%	36,396	14.6%	(5,830)	(16.0)%
0.25μm	3,056	1.3%	3,345	1.3%	(289)	(8.6)%
≥0.35μm	121,934	50.2%	113,914	45.8%	8,020	7.0 %
Total revenue	242,784	100.0%	249,086	100.0%	(6,302)	(2.5)%

- Revenue from 0.13μm and lower technology nodes was US\$87.2 million, a decrease of 8.6% versus 4Q 2018, primarily due to decreased demand for smart card ICs.
- Revenue from the 0.15μm & 0.18μm technology nodes was US\$30.6 million, a decrease of 16.0% from 4Q 2018, mainly due to decreased demand for logic and RF products.
- Revenue from the 0.25μm technology node was US\$3.1 million, a decrease of 8.6% from 4Q 2018, primarily due to decreased demand for smart card ICs.
- Revenue from 0.35μm and above technology nodes was US\$121.9 million, an increase of 7.0% compared to 4Q 2018, primarily due to increased demand for smart card ICs and IGBT products.

Analysis of Revenue

Revenue by end market distribution	4Q 2019 US\$000 (Unaudited)	4Q 2019 % (Unaudited)	4Q 2018 US\$000 (Unaudited)	4Q 2018 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	152,444	62.8%	153,089	61.5%	(645)	(0.4)%
Industrial & automotive	62,971	25.9%	55,402	22.2%	7,569	13.7 %
Communications	17,663	7.3%	28,398	11.4%	(10,735)	(37.8)%
Computing	9,706	4.0%	12,197	4.9%	(2,491)	(20.4)%
Total revenue	242,784	100.0%	249,086	100.0%	(6,302)	(2.5)%

- Revenue from consumer electronics, our largest end market segment, contributed US\$152.4 million, reaching 62.8% of total revenue, a decrease of 0.4% compared to 4Q 2018, mainly due to decreased demand for smart card ICs, largely offset by increased demand for super junction products.
- Revenue from industrial & automotive was US\$63.0 million, an increase of 13.7% over 4Q 2018, primarily driven by an increased demand for MCU products.
- Revenue from communications was US\$17.7 million, a decrease of 37.8% compared to 4Q 2018, mainly due to decreased demand for logic, general MOSFET and smart card ICs.
- Revenue from computing was US\$9.7 million, a decrease of 20.4% compared to 4Q 2018, mainly due to decreased demand for general MOSFET products.

Capacity⁶ and Capacity Utilization

Fab (in thousands wafers per month)	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)
Fab 1 (200mm)	65	65	65
Fab 2 (200mm)	60	59	60
Fab 3 (200mm)	53	50	50
Fab 7 (300mm)	10	-	-
Total 8" equivalent wafers	201	174	175
Capacity utilization (200mm)	92.5%	96.7%	96.5%
Capacity utilization (300mm)	31.6%	-	-
Overall capacity utilization	88.0%	96.7%	96.5%

- Monthly capacity was 201,000 8-inch equivalent wafers at the end of 4Q 2019. Overall capacity utilization was 88.0% in 4Q 2019.

Wafer Shipments

in thousands 8" equivalent wafers	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	515	531	524	(3.0)%	(1.7)%

- Wafer shipments were 515,000, a decrease of 3.0% compared to 4Q 2018 and a decrease of 1.7% quarter over quarter.

Operating Expenses Analysis

Amounts in US\$ thousands	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	2,899	2,034	1,925	42.5 %	50.6 %
Administrative expenses ⁷	68,462	36,785	38,259	81.6 %	78.9 %
Operating expenses	71,361	38,819	40,184	83.8 %	77.6 %

- Operating expenses were US\$71.4 million, 83.8% above 4Q 2018 and 77.6% over 3Q 2019, largely due to increased labor, engineering wafers and depreciation expenses for Wuxi fab.

⁶ Wafers per month at the end of the period, calculated on a 30-day basis for comparison purposes.

⁷ Administrative expenses include government grants recognized as an offset item.

Other Income Net Analysis

Amounts in US\$ thousands	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)	YoY Change	QoQ Change
Rental income	3,091	2,958	3,142	4.5 %	(1.6)%
Interest income	2,898	3,356	3,479	(13.6)%	(16.7)%
Fair value gains on financial assets at fair value through profit or loss	4,776	6,630	5,713	(28.0)%	(16.4)%
Foreign exchange (loss) / gain	(2,185)	(5,394)	3,881	(59.5)%	(156.3)%
Share of profit of an associate	6,401	3,830	2,720	67.1 %	135.3 %
Finance costs	(324)	(431)	(294)	(24.8)%	10.2 %
Government subsidies	9,098	151	4,685	5,925.2 %	94.2 %
Others	390	520	191	(25.0)%	104.2 %
Other income net	24,145	11,620	23,517	107.8 %	2.7 %

- *Other income net* was US\$24.1 million, 107.8% up year over year, primarily due to (i) increased general subsidies, (ii) decreased foreign exchange loss, and (iii) increased share of profit of an associate.

Cash Flow Analysis

Amounts in US\$ thousands	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	3Q 2019 (Unaudited)	YoY Change	QoQ Change
Net cash flows (used in) / generated from operating activities	(7,269)	91,939	70,682	(107.9)%	(110.3)%
Net cash flows generated from / (used in) investing activities	4,040	50,342	(421,707)	(92.0)%	(101.0)%
Net cash flows (used in) / generated from financing activities	(1,642)	341,703	(171)	(100.5)%	860.2 %
Effect of exchange rate changes	6,487	8,736	(8,812)	(25.7)%	(173.6)%
Net change in cash	1,616	492,720	(360,008)	(99.7)%	(100.4)%

- *Net cash flows used in operating activities* were US\$7.3 million, 107.9% lower year over year, and 110.3% lower quarter over quarter, primarily due to decreased receipts from customers, and increased payments to suppliers and increased labor expenses.
- *Net cash flows generated from investing activities* were US\$4.0 million, including (i) payout of US\$105.1 million in investment in financial assets at fair value through profit or loss, (ii) US\$94.5 million receipts of government grants, (iii) US\$2.9 million of interest income, and (iv) US\$0.7 million of proceeds from disposal of items of property, plant and equipment, partially offset by (i) US\$129.2 million of investment in fixed assets and intangible assets, and (ii) US\$70.0 million of investment in time deposits.
- *Net cash flows used in financing activities* were US\$1.6 million, including (i) US\$2.1 million of repayment of bank borrowings, (ii) US\$0.6 million of lease payments, and (iii) US\$0.1 million of interest expenses for bank borrowing, partially offset by US\$1.2 million proceeds from share option exercise.

Capital Structure

Amounts in US\$ thousands	31-Dec-2019 (Unaudited)	30-Sep-2019 (Unaudited)
Total assets	3,613,303	3,576,458
Total liabilities	530,711	556,098
Total equity	3,082,592	3,020,360
Debt ratio ⁸	14.7%	15.5%

Capital Expenditures

Amounts in US\$ thousands	4Q 2019 (Unaudited)	3Q 2019 (Unaudited)
Hua Hong 8"	32,890	32,320
Hua Hong Wuxi	96,315	427,485
Total	129,205	459,805

- Capital expenditures were US\$129.2 million in 4Q 2019, including US\$96.3 million for Wuxi fab.

⁸ Debt ratio is calculated based on total liabilities / total assets.

Liquidity

Amounts in US\$ thousands	31-Dec-2019 (Unaudited)	30-Sep-2019 (Unaudited)
Inventories	142,087	133,117
Trade and notes receivables	164,968	140,398
Prepayments, deposits and other receivables	113,453	103,889
Due from related parties	9,262	6,152
Financial assets at fair value through profit or loss	519,779	611,632
Restricted and time deposits	70,776	765
Cash and cash equivalents	476,286	474,670
Total current assets	1,496,611	1,470,623
Trade payables	86,119	81,675
Other payables, advances from customers and accruals	303,614	301,966
Interest-bearing bank borrowings	4,300	4,242
Lease liabilities	1,922	1,357
Government grants	40,641	76,497
Due to related parties	10,655	10,509
Income tax payables	28,088	27,461
Total current liabilities	475,339	503,707
Net working capital	1,021,272	966,916
<i>Quick ratio</i>	2.8x	2.7x
<i>Current ratio</i>	3.1x	2.9x
Trade and notes receivables turnover days	58	55
Inventories turnover days	70	74

- *Trade and notes receivables* increased from US\$140.4 million on 30 September 2019 to US\$165.0 million on 31 December 2019, primarily due to increased revenue in 4Q 2019.
- *Due from related parties* increased from US\$6.2 million on 30 September 2019 to US\$9.3 million on 31 December 2019, primarily due to increased trade receivables from a related customer.
- *Financial assets at fair value through profit or loss* decreased from US\$611.6 million on 30 September 2019 to US\$519.8 million on 31 December 2019, due to payout from investment in financial products.
- *Restricted and time deposits* increased from US\$0.8 million on 30 September 2019 to US\$70.8 million on 31 December 2019, primarily due to investment in time deposits in 4Q 2019.
- *Government grants* decreased from US\$76.5 million on 30 September 2019 to US\$40.6 million on 31 December 2019, primarily due to investment in fixed assets.
- On 31 December 2019, *net working capital* was US\$1,021.3 million and the *current ratio* was 3.1.
- *Trade and notes receivables turnover days* were 58 days.
- *Inventories turnover days* were 70 days.

Please visit Company's website at www.huahonggrace.com
for further details regarding recent announcements.

Hua Hong Semiconductor Limited
Condensed Consolidated Statements of Profit or Loss
(In US\$ Thousands Except Share Data)

	For the Three Months Ended		
	31-Dec-2019 (Unaudited)	31-Dec-2018 (Unaudited)	30-Sep-2019 (Unaudited)
Revenue	242,784	249,086	238,993
Cost of sales	(176,755)	(164,508)	(164,981)
Gross profit	66,029	84,578	74,012
Other income and gains	20,090	13,282	21,117
Fair value gain on an investment property	163	247	-
Selling and distribution expenses	(2,899)	(2,034)	(1,925)
Administrative expenses	(68,462)	(36,785)	(38,259)
Other expenses	(2,185)	(5,308)	(26)
Finance costs	(324)	(431)	(294)
Share of profit of an associate	6,401	3,830	2,720
Profit before tax	18,813	57,379	57,345
Income tax expense	(4,785)	(8,818)	(12,924)
Profit for the period	14,028	48,561	44,421
Attributable to:			
Owners of the parent	26,186	48,972	45,225
Non-controlling interests	(12,158)	(411)	(804)
Earnings per share attributable to owners of parent			
Basic	0.020	0.042	0.035
Diluted	0.020	0.042	0.035
Shares used in calculating basic earnings per share attributable to owners of parent	1,287,054,838	1,162,589,323	1,285,596,506
Shares used in calculating diluted earnings per share attributable to owners of parent	1,296,177,838	1,172,799,323	1,293,558,506

Hua Hong Semiconductor Limited
Condensed Consolidated Statements of Profit or Loss
(In US\$ Thousands Except Share Data)

	For the Year Ended	
	31-Dec-2019 (Unaudited)	31-Dec-2018 (Audited)
Revenue	932,567	930,268
Cost of sales	(650,107)	(619,114)
Gross profit	282,460	311,154
Other income and gains	69,091	43,613
Fair value gain on an investment property	163	247
Selling and distribution expenses	(8,828)	(7,771)
Administrative expenses	(169,796)	(122,323)
Other expenses	(406)	(11,106)
Finance costs	(1,242)	(2,203)
Share of profit of an associate	10,131	9,444
Profit before tax	181,573	221,055
Income tax expense	(26,588)	(35,447)
Profit for the year	154,985	185,608
Attributable to:		
Owners of the parent	162,237	183,158
Non-controlling interests	(7,252)	2,450
Earnings per share attributable to owners of parent		
Basic	0.126	0.171
Diluted	0.125	0.169
Shares used in calculating basic earnings per share attributable to owners of parent	1,285,586,255	1,070,699,301
Shares used in calculating diluted earnings per share attributable to owners of parent	1,295,539,255	1,082,451,301

Hua Hong Semiconductor Limited
Condensed Consolidated Statements of Financial Position (In US\$ Thousands)

	As of		
	31-Dec-2019 (Unaudited)	30-Sep-2019 (Unaudited)	31-Dec-2018 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,558,283	1,563,446	773,180
Right-of-use assets	74,526	73,447	-
Investment property	168,615	166,148	171,225
Prepaid land lease payments	-	-	58,989
Intangible assets	13,322	11,715	9,571
Investment in an associate	73,142	65,805	64,005
Equity instruments designated at fair value through other comprehensive income	207,689	202,179	208,357
Long term prepayment	6,740	8,376	3,762
Due from related parties	6,808	6,714	8,747
Deferred tax assets	7,567	8,005	6,363
Total non-current assets	2,116,692	2,105,835	1,304,199
CURRENT ASSETS			
Inventories	142,087	133,117	129,629
Trade and notes receivables	164,968	140,398	176,797
Prepayments, deposits and other receivables	113,453	103,889	12,479
Due from related parties	9,262	6,152	10,800
Financial assets at fair value through profit or loss	519,779	611,632	667,033
Restricted and time deposits	70,776	765	337
Cash and cash equivalents	476,286	474,670	777,000
Total current assets	1,496,611	1,470,623	1,774,075
CURRENT LIABILITIES			
Trade payables	86,119	81,675	79,470
Other payables, advanced from customers and accruals	303,614	301,966	165,370
Interest-bearing bank borrowings	4,300	4,242	4,371
Lease liabilities	1,922	1,357	-
Government grants	40,641	76,497	44,406
Due to related parties	10,655	10,509	5,838
Income tax payable	28,088	27,461	30,114
Total current liabilities	475,339	503,707	329,569
NET CURRENT ASSETS	1,021,272	966,916	1,444,506
TOTAL ASSETS LESS CURRENT LIABILITIES	3,137,964	3,072,751	2,748,705
Non-current liabilities			
Interest-bearing bank borrowings	21,502	23,328	26,227
Lease liabilities	16,694	16,258	-
Deferred tax liabilities	17,176	12,805	18,146
Total non-current liabilities	55,372	52,391	44,373
Net assets	3,082,592	3,020,360	2,704,332
Equity and liabilities capital and reserves			
Share capital	1,966,095	1,963,245	1,960,159
Reserves	279,146	219,213	195,097
Equity attributable to the owners of the company	2,245,241	2,182,458	2,155,256
Non-controlling interests	837,351	837,902	549,076
Total equity	3,082,592	3,020,360	2,704,332

Hua Hong Semiconductor Limited
Condensed Consolidated Statement of Cash Flows (In US\$ Thousands)

	For the Three Months Ended		
	31-Dec-2019 (Unaudited)	31-Dec-2018 (Unaudited)	30-Sep-2019 (Unaudited)
Cash flows from operating activities:			
Profit before tax	18,814	57,379	57,345
Depreciation and amortization	39,754	29,816	25,814
Share of profit of an associate	(6,401)	(3,830)	(2,720)
Changes in working capital and others	(59,436)	8,574	(9,757)
Net cash flows (used in) / generated from operating activities	(7,269)	91,939	70,682
Cash flows from investing activities:			
Payments for property, plant and equipment and intangible assets	(129,206)	(60,982)	(459,805)
Receipt of government grants of property, plant and equipment	94,519	-	-
Other cash flow generated from investing activities	38,727	111,324	38,098
Net cash flows generated from / (used in) investing activities	4,040	50,342	(421,707)
Cash flows from financing activities:			
Proceeds from issue of shares	1,204	400,523	29
Repayment of bank borrowings	(2,150)	(58,331)	-
Payment of lease liabilities	(612)	-	(114)
Interest paid	(84)	(489)	(86)
Net cash flows (used in) / generated from financing activities	(1,642)	341,703	(171)
Net (decrease) / increase in cash and cash equivalents	(4,871)	483,984	(351,196)
Effects of exchange rate changes	6,487	8,736	(8,812)
Cash and cash equivalents, beginning of period	474,670	284,280	834,678
Cash and cash equivalents, ending of period	476,286	777,000	474,670

Hua Hong Semiconductor Limited
Condensed Consolidated Statement of Cash Flows (In US\$ Thousands)

	For the Year Ended	
	31-Dec-2019 (Unaudited)	31-Dec-2018 (Audited)
Cash flows from operating activities:		
Profit before tax	181,573	221,055
Depreciation and amortization	128,711	119,859
Share of profit of an associate	(10,131)	(9,444)
Changes in working capital and others	(137,219)	(57,070)
Net cash flows generated from operating activities	162,934	274,400
Cash flows from investing activities:		
Payments for property, plant and equipment and intangible assets	(922,281)	(238,584)
Receipt of government grants of property, plant and equipment	94,519	-
Other cash flow generated from / (used in) investing activities	105,175	(478,655)
Net cash flows used in investing activities	(722,587)	(717,239)
Cash flows from financing activities:		
Proceeds from non-controlling interests	317,000	565,000
Proceeds from issue of shares	2,550	403,956
Dividends paid to shareholders	(50,963)	(41,066)
Increase in restricted and time deposits	(22)	(8)
Repayment of bank borrowings	(4,332)	(60,613)
Payment of lease liabilities	(975)	-
Interest paid	(360)	(2,259)
Net cash flows generated from financing activities	262,898	865,010
Net (decrease) / increase in cash and cash equivalents	(296,755)	422,171
Effects of exchange rate changes	(3,959)	(20,061)
Cash and cash equivalents, beginning of year	777,000	374,890
Cash and cash equivalents, ending of year	476,286	777,000

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

Executive Directors

Suxin Zhang (Chairman)
Junjun Tang (President)

Non-Executive Directors

Yang Du
Takayuki Morita
Jing Wang
Jun Ye

Independent Non-Executive Directors

Stephen Tso Tung Chang
Kwai Huen Wong, JP
Long Fei Ye

By order of the Board

Hua Hong Semiconductor Limited

Mr. Suxin Zhang
Chairman and Executive Director

Hong Kong SAR, PRC
February 13, 2020