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Stock Code (1347)

## News Release

### Hua Hong Semiconductor Limited Reports 2021 Second 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 – August 12, 2021.

Hua Hong Semiconductor Limited (SEHK: 1347) (the “Company”), a global, leading pure-play foundry, today announced its consolidated operational results for the quarter ending June 30, 2021.

#### Second Quarter 2021 Highlights (Unaudited)

- Revenue reached another new high of US\$346.1 million, up 53.6% year over year and 13.5% above the previous quarter.
- Gross margin was 24.8%, 1.2 percentage points below 2Q 2020 and 1.1 percentage points above 1Q 2021.
- Net profit was US\$37.2 million, versus US\$1.3 million in 2Q 2020 and US\$20.9 million in 1Q 2021.
- Net profit attributable to shareholders of the parent company was US\$44.1 million, compared to US\$17.8 million in 2Q 2020 and US\$33.1 million in 1Q 2021.
- Basic earnings per share was US\$0.034, versus US\$0.014 in 2Q 2020 and US\$0.025 in 1Q 2021.
- ROE (annualized) was 6.8%, 3.6 percentage points over 2Q 2020 and 1.6 percentage points above 1Q 2021.

#### Third Quarter 2021 Guidance

- We expect revenue to be approximately US\$410 million.
- We expect gross margin to be in the range of 25% to 27%.

## President's Message

Mr. Junjun Tang, President and Executive Director of the Company commented on the second quarter 2021 results:

"The second quarter of 2021 was another record-breaking quarter for Hua Hong Semiconductor with an unprecedented quarterly revenue of US\$346.1 million, an increase of 53.6% year-on-year and 13.5% quarter-on-quarter. Both sales volume and unit prices improved significantly, benefiting from growing demand in the domestic market. Market demand for MCU, RF, PMIC, NOR, and Super Junction is maintaining its strong momentum, which provides a solid foundation for our stable growth. In the second quarter, the combined gross profit margin of the Company's 8-inch business and 12-inch business was 24.8%, a year-on-year decrease of 1.2 percentage points, mainly due to the increase in 12-inch sales revenue share and accompanying substantial depreciation. However, the gross profit margin increased by 1.1% from the previous quarter due to the increase in unit prices and a record high in capacity utilization. The company's shipments surged in the second quarter, and its profitability also increased significantly, with a net profit of US\$37.2 million, a year-on-year increase of 2,848.3% and a quarter-on-quarter increase of 77.7%."

"This was the best quarter ever for the three 8-inch fabs. Revenue reached a record high of \$262 million. Gross margin increased to 31.6% from 27.3% in Q1 2021, due to improved pricing and operating efficiency. Net profit was \$51.3 million, representing 19.6% of total revenue. The three 8-inch fabs continue to be a lucrative business. We will continue finding opportunities to extend our advantages and generate higher profits."

"Hua Hong Wuxi's 12-inch Fab's revenue in the second quarter reached US\$84.1 million, an increase of 786.8% year-on-year and an increase of 54.0% from the previous quarter. EBITDA was \$29.9 million, an increase of 208.3% compared to the prior quarter. Our advanced specialty technology has demonstrated its strong market vitality. The smooth and swift roll out of platforms such as embedded flash memory, analog and power devices, and the efficient introduction of customers' products have boosted the growth of capacity. The product mix is reasonable and in line with the market demand. As of May 2021, the monthly capacity of the 12-inch line reached 48,000 wafers and was fully utilized. We will foster closer cooperation with vendors to secure every step of the ramp-up plan and steadily achieve a monthly capacity of 65,000 wafers by the end of this year. We will continue to invest in manufacturing capacity and optimize technology roadmap planning to meet the strong demand and thrive together with the industrial supply chain."

"With the continuous optimization of the three 8-inch Fabs in Shanghai and the rapid expansion of the 12-inch Fab in Wuxi, Hua Hong Semiconductor has entered a new development stage with stability and quality. The Company, as a vital link in the supply chain, will continue to unswervingly implement and advance our "Specialty IC + Power Discrete" strategy. Both 8-inch and 12-inch Fabs will support R & D and innovation at the best, fastest, and most stable expansion pace, provide customers with comprehensive and high-quality technical services, and assist in alleviating the global chip shortage."

## Webcast/Conference Call Announcement

**Date:** August 12, 2021 (Thursday)

**Time:** 04:00 P.M. (Shanghai and Hong Kong)  
04:00 A.M. (New York, Thursday, August 12, 2021)

**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](http://www.huahonggrace.com/html/investor_webcast.php) or  
<https://edge.media-server.com/mmc/p/hxwtgzrr>  
(Note: registration is required to access the webcast.)

**Dial-in Details:** Please register in advance of the conference using the link provided below. Upon registering, you will be provided with participant dial-in numbers, Direct Event passcode and unique registrant ID.

<http://apac.directeventreg.com/registration/event/6854478>

**Important Note:** Before the meeting starts, you will need both the passcode and unique registrant ID to join the call. Please check and save the confirmation email after registering. For security reasons, please do not share your registrant ID with anyone else.

**Conference ID:** 6854478

A recording will be available for replay at [http://www.huahonggrace.com/s/investor\\_webcast.php](http://www.huahonggrace.com/s/investor_webcast.php) about 24 hours after the event and will be available 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 focused on continuous innovation of “8-inch+12-inch” specialty technologies, including embedded non-volatile memory (“eNVM” ), power discrete, analog & power management, and logic & RF, supporting applications in emerging areas, such as the Internet of Things, using advanced “Specialty IC + Power Discrete” technology platforms. 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 enterprise group whose main business is IC manufacturing, with advanced “8-inch+12-inch” production line technology.

The Company presently operates three 8-inch wafer fabrication facilities within the Huahong Group (HH Fab1, HH Fab2, and HH Fab3) in Jinqiao and Zhangjiang, Shanghai, with a total monthly 8-inch wafer capacity of approximately 180,000 wafers. The 12-inch wafer fabrication facility (HH Fab7) in Wuxi's National High-Tech Industrial Development Zone, at a 48,000 wafer per month capacity, has become a leading 12-inch semiconductor production line in the Chinese mainland devoted to specialty processes and is the first 12-inch foundry in the world devoted to power discrete semiconductors.

For more information, please visit: [www.huahonggrace.com](http://www.huahonggrace.com).

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

	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)	YoY Change	QoQ Change
Revenue	346,110	225,350	304,843	53.6 %	13.5 %
Cost of sales	(260,440)	(166,840)	(232,685)	56.1 %	11.9 %
<b>Gross profit</b>	<b>85,670</b>	<b>58,510</b>	<b>72,158</b>	<b>46.4 %</b>	<b>18.7 %</b>
<b>Gross margin</b>	<b>24.8 %</b>	<b>26.0 %</b>	<b>23.7 %</b>	<b>(1.2)</b>	<b>1.1</b>
Operating expenses	(45,905)	(62,512)	(59,502)	(26.6)%	(22.9)%
Other income net	11,896	12,000	7,121	(0.9)%	67.1 %
<b>Profit before tax</b>	<b>51,661</b>	<b>7,998</b>	<b>19,777</b>	<b>545.9 %</b>	<b>161.2 %</b>
Income tax (expense) / credit	(14,483)	(6,737)	1,148	115.0 %	(1,361.6)%
<b>Profit for the period</b>	<b>37,178</b>	<b>1,261</b>	<b>20,925</b>	<b>2,848.3 %</b>	<b>77.7 %</b>
<b>Net profit margin</b>	<b>10.7 %</b>	<b>0.6 %</b>	<b>6.9 %</b>	<b>10.1</b>	<b>3.8</b>
Attributable to:					
Owners of the parent	44,082	17,826	33,059	147.3 %	33.3 %
Non-controlling interests	(6,904)	(16,565)	(12,134)	(58.3)%	(43.1)%
Earnings per share attributable to owners of the parent					
Basic	0.034	0.014	0.025	142.9 %	36.0 %
Diluted	0.033	0.014	0.025	135.7 %	32.0 %
Wafers shipped (in thousands 8" equivalent wafers)	730	523	669	39.6 %	9.1 %
Capacity utilization <sup>1</sup>	109.5 %	93.4 %	104.2 %	16.1	5.3
ROE <sup>2</sup>	6.8 %	3.2 %	5.2 %	3.6	1.6

**Second Quarter 2021**

- Revenue reached an all-time high of US\$346.1 million, 53.6% over the prior year and 13.5% above the prior quarter.
- Cost of sales was US\$260.4 million, 56.1% above 2Q 2020 and 11.9% over 1Q 2021, mainly due to increased wafer shipments and depreciation costs.
- Gross margin was 24.8%, 1.2 percentage points lower than 2Q 2020, primarily due to increased depreciation costs, partially offset by improved average selling price and capacity utilization, and 1.1 percentage points above 1Q 2021, primarily driven by improved average selling price and capacity utilization.
- Operating expenses were US\$45.9 million, 26.6% below 2Q 2020 and 22.9% below 1Q 2021, mainly due to increased government grants for research and development.
- Other income net was US\$11.9 million, flat compared to 2Q 2020. It was 67.1% above 1Q 2021, primarily due to a foreign exchange gain versus a foreign exchange loss in the prior period.
- Income tax expense was US\$14.5 million, compared to US\$6.7 million in 2Q 2020, primarily due to increased taxable profit and compared to an income tax credit of US\$1.1 million in 1Q 2021, mainly due to reversal of the dividend withholding tax in the prior period.
- Profit for the period was US\$37.2 million, versus US\$1.3 million in 2Q 2020 and US\$20.9 million in 1Q 2021.
- Net profit attributable to shareholders of the parent company was US\$44.1 million, compared to US\$17.8 million in 2Q 2020 and US\$33.1 million in 1Q 2021.
- Basic earnings per share was US\$0.034 versus US\$0.014 in 2Q 2020 and US\$0.025 in 1Q 2021.
- ROE (annualized) was 6.8%, 3.6 percentage points over 2Q 2020 and 1.6 percentage points above 1Q 2021.

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

<sup>2</sup>Profit 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)

	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)	YoY Change	QoQ Change
<b>Hua Hong 8"</b>					
Revenue	261,975	215,862	250,196	21.4 %	4.7 %
Gross profit	82,862	59,711	68,194	38.8 %	21.5 %
Gross margin	31.6 %	27.7 %	27.3 %	3.9	4.3
Operating expenses	(20,835)	(26,342)	(32,528)	(20.9)%	(35.9)%
Profit before tax	65,751	41,804	44,540	57.3 %	47.6 %
EBITDA	103,994	74,371	82,883	39.8 %	25.5 %
EBITDA margin	39.7 %	34.5 %	33.1 %	5.2	6.6
Wafers shipped (in thousands 8" wafers)	546	501	541	9.0 %	0.9 %
<b>Hua Hong Wuxi</b>					
Revenue	84,135	9,488	54,647	786.8 %	54.0 %
Gross profit	2,808	(1,201)	3,964	(333.8)%	(29.2)%
Gross margin	3.3 %	(12.7)%	7.3 %	16.0	(4.0)
Operating expenses	(25,070)	(36,170)	(26,974)	(30.7)%	(7.1)%
Profit before tax	(14,090)	(33,806)	(24,763)	(58.3)%	(43.1)%
EBITDA	29,864	(18,493)	9,688	(261.5)%	208.3 %
EBITDA margin	35.5 %	(194.9)%	17.7 %	230.4	17.8
Wafers shipped (in thousands 8" equivalent wafers)	184	22	128	736.4 %	43.8 %

**Hua Hong 8"**

- Revenue reached a record high of US\$262.0 million, 21.4% over 2Q 2020 and 4.7% above 1Q 2021.
- Gross margin was 31.6%, 3.9 percentage points over 2Q 2020 and 4.3 percentage points above 1Q 2021, primarily driven by improved average selling price and capacity utilization.
- Operating expenses were US\$20.8 million, 20.9% below 2Q 2020 and 35.9% below 1Q 2021, primarily due to allocation of costs to Hua Hong Wuxi.
- Profit before tax was US\$65.8 million, 57.3% over 2Q 2020 and 47.6% over 1Q 2021.

**Hua Hong Wuxi**

- Revenue was US\$84.1 million, versus US\$9.5 million in 2Q 2020 and US\$54.6 million in 1Q 2021.
- Operating expenses were US\$25.1 million, 30.7 % lower than 2Q 2020 and 7.1% lower than 1Q 2021, mainly due to increased government grants for research and development, partially offset by increased service expenses.
- EBITDA was US\$29.9 million, compared to minus US\$18.5 million in 2Q 2020 and US\$9.7 million in 1Q 2021.

#### Analysis of Revenue

Revenue by service type	2Q 2021 US\$000 (Unaudited)	2Q 2021 % (Unaudited)	2Q 2020 US\$000 (Unaudited)	2Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	331,384	95.7 %	216,291	96.0 %	115,093	53.2 %
Others	14,726	4.3 %	9,059	4.0 %	5,667	62.6 %
<b>Total revenue</b>	<b>346,110</b>	<b>100.0 %</b>	<b>225,350</b>	<b>100.0 %</b>	<b>120,760</b>	<b>53.6 %</b>

- 95.7% of total revenue was derived from the sale of semiconductor wafers in 2Q 2021.

#### Analysis of Revenue

Revenue by wafer size	2Q 2021 US\$000 (Unaudited)	2Q 2021 % (Unaudited)	2Q 2020 US\$000 (Unaudited)	2Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	261,975	75.7 %	215,862	95.8 %	46,113	21.4 %
12" wafers	84,135	24.3 %	9,488	4.2 %	74,647	786.8 %
<b>Total revenue</b>	<b>346,110</b>	<b>100.0 %</b>	<b>225,350</b>	<b>100.0 %</b>	<b>120,760</b>	<b>53.6 %</b>

- Revenues from 8" wafers and 12" wafers were US\$262.0 million and US\$84.1 million, respectively, in 2Q 2021.

### Analysis of Revenue

Revenue by geography	2Q 2021 US\$000 (Unaudited)	2Q 2021 % (Unaudited)	2Q 2020 US\$000 (Unaudited)	2Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
China <sup>3</sup>	255,218	73.8 %	137,558	61.0 %	117,660	85.5 %
Asia <sup>4</sup>	38,515	11.1 %	28,560	12.7 %	9,955	34.9 %
United States <sup>5</sup>	29,528	8.5 %	33,758	15.0 %	(4,230)	(12.5)%
Europe	16,317	4.7 %	19,089	8.5 %	(2,772)	(14.5)%
Japan <sup>6</sup>	6,532	1.9 %	6,385	2.8 %	147	2.3 %
<b>Total revenue</b>	<b>346,110</b>	<b>100.0 %</b>	<b>225,350</b>	<b>100.0 %</b>	<b>120,760</b>	<b>53.6 %</b>

- *Revenue from China* was US\$255.2 million, contributing 73.8% of total revenue and an increase of 85.5% over 2Q 2020, mainly driven by increased demand for nearly all platforms.
- *Revenue from Asia* was US\$38.5 million, an increase of 34.9% over 2Q 2020, mainly driven by increased demand for MCU and logic products.
- *Revenue from United States* was US\$29.5 million, a decrease of 12.5% over 2Q 2020, chiefly due to decreased shipments for MCU products.
- *Revenue from Europe* was US\$16.3 million, a decrease of 14.5% compared to 2Q 2020, mainly due to decreased shipments for smart card ICs.
- *Revenue from Japan* was US\$6.5 million, flat compared to 2Q 2020.

<sup>3</sup>Includes Hong Kong.

<sup>4</sup>Excludes China and Japan.

<sup>5</sup>Includes a major customer in US that was acquired by an Europe headquartered company in 2020.

<sup>6</sup>Includes a major customer in Japan that was acquired by a U.S. headquartered company in 2013.

### Analysis of Revenue

Revenue by technology platform	2Q 2021 US\$000 (Unaudited)	2Q 2021 % (Unaudited)	2Q 2020 US\$000 (Unaudited)	2Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
eNVM	103,576	29.9 %	76,866	34.1 %	26,710	34.7 %
Standalone NVM	18,325	5.3 %	3,155	1.4 %	15,170	480.8 %
Discrete	119,754	34.6 %	86,779	38.5 %	32,975	38.0 %
Logic & RF	57,016	16.5 %	26,712	11.9 %	30,304	113.4 %
Analog & PM	46,945	13.6 %	31,555	14.0 %	15,390	48.8 %
Others	494	0.1 %	283	0.1 %	211	74.6 %
<b>Total revenue</b>	<b>346,110</b>	<b>100.0 %</b>	<b>225,350</b>	<b>100.0 %</b>	<b>120,760</b>	<b>53.6 %</b>

- *Revenue from eNVM* was US\$103.6 million, an increase of 34.7% over 2Q 2020, mainly driven by increased demand for MCU products.
- *Revenue from Standalone NVM* was US\$18.3 million, an increase of 480.8% over 2Q 2020, primarily driven by increased demand for NOR flash products.
- *Revenue from discrete* was US\$119.8 million, an increase of 38.0% over 2Q 2020, mainly driven by increased demand for general MOSFET, super junction, and IGBT products.
- *Revenue from logic & RF* was US\$57.0 million, an increase of 113.4% over 2Q 2020, largely driven by increased demand for CIS and logic products.
- *Revenue from analog & power management* was US\$46.9 million, an increase of 48.8% over 2Q 2020, mainly driven by increased demand for other PMIC products.



### Analysis of Revenue

Revenue by process technology node	2Q 2021 US\$000 (Unaudited)	2Q 2021 % (Unaudited)	2Q 2020 US\$000 (Unaudited)	2Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	30,570	8.8 %	915	0.4 %	29,655	3,241.0 %
90nm & 95nm	49,256	14.2 %	21,667	9.6 %	27,589	127.3 %
0.11µm & 0.13µm	70,772	20.4 %	53,740	23.9 %	17,032	31.7 %
0.15µm & 0.18µm	36,881	10.7 %	33,971	15.1 %	2,910	8.6 %
0.25µm	6,956	2.0 %	4,009	1.8 %	2,947	73.5 %
≥0.35µm	151,675	43.9 %	111,048	49.2 %	40,627	36.6 %
<b>Total revenue</b>	<b>346,110</b>	<b>100.0 %</b>	<b>225,350</b>	<b>100.0 %</b>	<b>120,760</b>	<b>53.6 %</b>

- Revenue from the 55nm & 65nm technology nodes was US\$30.6 million, an increase of 3,241.0% over 2Q 2020, mainly driven by NOR flash, CIS, and logic products.
- Revenue from the 90nm & 95nm technology nodes was US\$49.3 million, an increase of 127.3% over 2Q 2020, mainly driven by increased demand for CIS, other PMIC, MCU, and smart card ICs.
- Revenue from the 0.11µm & 0.13µm technology nodes was US\$70.8 million, an increase of 31.7% versus 2Q 2020, primarily driven by increased demand for MCU products.
- Revenue from the 0.15µm & 0.18µm technology nodes was US\$36.9 million, an increase of 8.6% from 2Q 2020, mainly driven by increased demand for other PMIC.
- Revenue from the 0.25µm technology node was US\$7.0 million, an increase of 73.5% from 2Q 2020, primarily driven by increased demand for logic products.
- Revenue from the 0.35µm and above technology nodes was US\$151.7 million, an increase of 36.6% over 2Q 2020, primarily driven by increased demand for general MOSFET, super junction, IGBT, and LED lighting products.

### Analysis of Revenue

Revenue by end market distribution	2Q 2021 US\$000 (Unaudited)	2Q 2021 % (Unaudited)	2Q 2020 US\$000 (Unaudited)	2Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	220,519	63.7 %	133,727	59.3 %	86,792	64.9 %
Industrial & automotive	66,107	19.1 %	56,046	24.9 %	10,061	18.0 %
Communications	48,034	13.9 %	27,455	12.2 %	20,579	75.0 %
Computing	11,450	3.3 %	8,122	3.6 %	3,328	41.0 %
<b>Total revenue</b>	<b>346,110</b>	<b>100.0 %</b>	<b>225,350</b>	<b>100.0 %</b>	<b>120,760</b>	<b>53.6 %</b>

- Revenue from consumer electronics, our largest end market segment, contributed US\$220.5 million, reaching 63.7% of total revenue, an increase of 64.9% over 2Q 2020, mainly driven by increased demand for MCU, NOR flash, other PMIC, super junction, logic, and general MOSFET products.
- Revenue from industrial & automotive was US\$66.1 million, an increase of 18.0% over 2Q 2020, primarily driven by an increased demand for IGBT and MCU products.
- Revenue from communications was US\$48.0 million, an increase of 75.0% over 2Q 2020, mainly driven by increased demand for CIS products.
- Revenue from computing was US\$11.5 million, an increase of 41.0% over 2Q 2020, mainly driven by increased demand for MCU and general MOSFET products.

### Capacity<sup>7</sup> and Capacity Utilization

Fab (in thousands wafers per month)	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)
Fab 1 (200mm)	65	65	65
Fab 2 (200mm)	60	60	60
Fab 3 (200mm)	53	53	53
Fab 7 (300mm)	40	10	28
<b>Total 8" equivalent wafers</b>	<b>268</b>	<b>201</b>	<b>241</b>
Capacity utilization (200mm)	112.1%	100.4%	104.3%
Capacity utilization (300mm)	104.1%	38.3%	103.8%
Overall capacity utilization	109.5%	93.4%	104.2%

- Monthly capacity was 268,000 8-inch equivalent wafers at the end of 2Q 2021. Overall capacity utilization was 109.5% in 2Q 2021, 5.3 percentage points above 1Q 2021.

<sup>7</sup> Wafers per month at the end of the period, calculated on a 30-day basis for comparison purposes.

### Wafer Shipments

in thousands 8" equivalent wafers	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	730	523	669	39.6 %	9.1 %

- *Wafer shipments* were 730,000, an increase of 39.6% year over year and 9.1% quarter over quarter.

### Operating Expenses Analysis

Amounts in US\$ thousands	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	1,988	1,925	2,620	3.3 %	(24.1)%
Administrative expenses <sup>8</sup>	43,917	60,587	56,882	(27.5)%	(22.8)%
<b>Operating expenses</b>	<b>45,905</b>	<b>62,512</b>	<b>59,502</b>	<b>(26.6)%</b>	<b>(22.9)%</b>

- *Operating expenses* were US\$45.9 million, 26.6% below 2Q 2020 and 22.9% below 1Q 2021, mainly due to increased government grants for research and development.

### Other Income Net Analysis

Amounts in US\$ thousands	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)	YoY Change	QoQ Change
Rental income	3,544	3,071	3,680	15.4 %	(3.7)%
Interest income	3,547	2,960	3,037	19.8 %	16.8 %
Fair value gains on financial assets at fair value through profit or loss	-	1,658	-	(100.0)%	-
Foreign exchange gains / (losses)	6,050	(361)	(269)	(1,775.9)%	(2,349.1)%
Share of profit of associates	1,424	4,362	1,512	(67.4)%	(5.8)%
Finance costs	(3,418)	(301)	(1,636)	1,035.5 %	108.9 %
Government subsidies	376	453	544	(17.0)%	(30.9)%
Others	373	158	253	136.1 %	47.4 %
<b>Other income net</b>	<b>11,896</b>	<b>12,000</b>	<b>7,121</b>	<b>(0.9)%</b>	<b>67.1 %</b>

- *Other income net* was US\$11.9 million, flat compared to 2Q 2020. It was 67.1% above 1Q 2021, primarily due to a foreign exchange gain versus a foreign exchange loss in the prior period.

<sup>8</sup>Administrative expenses include government grants recognized as an offset item.

### Cash Flow Analysis

Amounts in US\$ thousands	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	1Q 2021 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	99,127	101,847	60,831	(2.7)%	63.0 %
Net cash flows (used in) / generated from investing activities	(134,719)	81,493	(167,528)	(265.3)%	(19.6)%
Net cash flows generated from / (used in) financing activities	40,584	(3,230)	146,928	(1,356.5)%	(72.4)%
Effect of exchange rate changes	8,024	545	(1,511)	1,372.1 %	(631.0)%
<b>Net change in cash</b>	<b>13,016</b>	<b>180,655</b>	<b>38,720</b>	<b>(92.8)%</b>	<b>(66.4)%</b>

- *Net cash flows generated from operating activities* was US\$99.1 million, 2.7% lower than 2Q 2020, primarily due to increased payments for materials, payroll payables, and decreased receipts of VAT refunds, largely offset by increased receipts from customers, a result of improved customer credit management.
- *Net cash flows used in investing activities* was US\$134.7 million, including US\$136.5 million of investment in fixed and intangible assets, offset by US\$1.8 million of interest income.
- *Net cash flows generated from financing activities* was US\$40.6 million, including US\$47.6 million proceeds from bank borrowings and US\$0.1 million proceeds from share option exercises, partially offset by US\$4.0 million of interest expenses for bank borrowings, US\$2.3 million of repayment of bank borrowings, and US\$0.8 million of lease payments.

### Capital Structure

Amounts in US\$ thousands	30-Jun-2021 (Unaudited)	31-Mar-2021 (Unaudited)
Total assets	4,990,981	4,682,434
Total liabilities	1,539,407	1,326,917
Total equity	3,451,574	3,355,517
<i>Debt ratio</i> <sup>9</sup>	30.8%	28.3%

### Capital Expenditures

Amounts in US\$ thousands	2Q 2021 (Unaudited)	1Q 2021 (Unaudited)
Hua Hong 8 <sup>th</sup>	17,439	24,275
Hua Hong Wuxi	119,096	143,082
<b>Total</b>	<b>136,535</b>	<b>167,357</b>

- *Capital expenditures* were US\$136.5 million in 2Q 2021, including US\$119.1 million for the Wuxi fab.

<sup>9</sup> Debt ratio is calculated based on total liabilities / total assets.

## Liquidity

Amounts in US\$ thousands	30-Jun-2021 (Unaudited)	31-Mar-2021 (Unaudited)
Properties under development	107,865	106,040
Inventories	355,881	283,764
Trade and notes receivables	108,358	127,613
Prepayments, other receivables and other assets	61,448	29,280
Due from related parties	6,253	7,220
Restricted and time deposits	362	356
Cash and cash equivalents	974,522	961,506
<b>Total current assets</b>	<b>1,614,689</b>	<b>1,515,779</b>
Trade payables	147,074	124,799
Other payables and accruals	491,089	346,232
Interest-bearing bank borrowings	138,627	90,959
Lease liabilities	2,010	1,884
Government grants	76,611	67,609
Due to related parties	18,723	23,469
Income tax payable	22,165	31,432
<b>Total current liabilities</b>	<b>896,299</b>	<b>686,384</b>
<b>Net working capital</b>	<b>718,390</b>	<b>829,395</b>
<i>Quick ratio</i>	1.4x	1.6x
<i>Current ratio</i>	1.8x	2.2x
Trade and notes receivables turnover days	31	37
Inventories turnover days	111	99

- *Inventories* increased from US\$283.8 million on 31 March 2021 to US\$355.9 million on 30 June 2021, primarily due to increased customer demand.
- *Trade and notes receivables* decreased from US\$127.6 million on 31 March 2021 to US\$108.4 million on 30 June 2021, mainly due to improved customer credit management.
- *Prepayments, other receivables and other assets* increased from US\$29.3 million on 31 March 2021 to US\$61.4 million on 30 June 2021, primarily due to increased VAT refund receivables.
- *Other payables and accruals* increased from US\$346.2 million on 31 March 2021 to US\$491.1 million on 30 June 2021, mainly due to increased payables for capital expenditures and advances from customers.
- *Interest-bearing bank borrowings* increased from US\$91.0 million on 31 March 2021 to US\$138.6 million on 30 June 2021, due to drawdowns of bank borrowings.
- *Income tax payable* decreased from US\$31.4 million on 31 March 2021 to US\$22.2 million on 30 June 2021, mainly due to payment of income tax for 2020, partially offset by accrued income tax for the first half year of 2021.
- On 30 June 2021, *net working capital* was US\$718.4 million and the *current ratio* was 1.8.
- *Trade and notes receivables turnover days* improved from 37 to 31.
- *Inventories turnover days* were 111.

Please visit Company's website at [www.huahonggrace.com](http://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		
	30-Jun-2021 (Unaudited)	30-Jun-2020 (Unaudited)	31-Mar-2021 (Unaudited)
Revenue	346,110	225,350	304,843
Cost of sales	(260,440)	(166,840)	(232,685)
<b>Gross profit</b>	<b>85,670</b>	<b>58,510</b>	<b>72,158</b>
Other income and gains	13,898	8,303	7,604
Selling and distribution expenses	(1,988)	(1,925)	(2,620)
Administrative expenses	(43,917)	(60,587)	(56,882)
Other expenses	(8)	(364)	(359)
Finance costs	(3,418)	(301)	(1,636)
Share of profit of associates	1,424	4,362	1,512
<b>Profit before tax</b>	<b>51,661</b>	<b>7,998</b>	<b>19,777</b>
Income tax (expense) / credit	(14,483)	(6,737)	1,148
<b>Profit for the period</b>	<b>37,178</b>	<b>1,261</b>	<b>20,925</b>
Attributable to:			
Owners of the parent	44,082	17,826	33,059
Non-controlling interests	(6,904)	(16,565)	(12,134)
Earnings per share attributable to owners of parent			
Basic	0.034	0.014	0.025
Diluted	0.033	0.014	0.025
<b>Shares used in calculating basic earnings per share attributable to owners of parent</b>	<b>1,300,192,217</b>	<b>1,291,439,564</b>	<b>1,299,428,463</b>
<b>Shares used in calculating diluted earnings per share attributable to owners of parent</b>	<b>1,325,014,217</b>	<b>1,300,881,564</b>	<b>1,325,196,463</b>

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

	As of		
	30-Jun-2021 (Unaudited)	31-Mar-2021 (Unaudited)	30-Jun-2020 (Unaudited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2,710,002	2,498,485	1,790,860
Investment property	182,287	179,202	166,154
Right-of-use assets	76,997	77,050	75,810
Intangible assets	35,784	36,841	32,201
Investment in associates	110,699	107,436	79,335
Equity instruments designated at fair value through other comprehensive income	232,575	228,639	204,658
Long term prepayment	17,407	29,447	42,100
Due from related parties	40	17	1,994
Deferred tax assets	10,501	9,538	8,160
<b>Total non-current assets</b>	<b>3,376,292</b>	<b>3,166,655</b>	<b>2,401,272</b>
<b>CURRENT ASSETS</b>			
Properties under development	107,865	106,040	-
Inventories	355,881	283,764	176,856
Trade and notes receivables	108,358	127,613	135,518
Prepayments, other receivables and other assets	61,448	29,280	66,174
Due from related parties	6,253	7,220	11,588
Financial assets at fair value through profit or loss	-	-	84,759
Restricted and time deposits	362	356	766
Cash and cash equivalents	974,522	961,506	698,957
<b>Total current assets</b>	<b>1,614,689</b>	<b>1,515,779</b>	<b>1,174,618</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	147,074	124,799	92,607
Other payables and accruals	491,089	346,232	318,489
Interest-bearing bank borrowings	138,627	90,959	4,238
Lease liabilities	2,010	1,884	3,757
Government grants	76,611	67,609	40,105
Due to related parties	18,723	23,469	13,467
Income tax payable	22,165	31,432	14,292
<b>Total current liabilities</b>	<b>896,299</b>	<b>686,384</b>	<b>486,955</b>
<b>NET CURRENT ASSETS</b>	<b>718,390</b>	<b>829,395</b>	<b>687,663</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,094,682</b>	<b>3,996,050</b>	<b>3,088,935</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	616,254	618,261	19,069
Lease liabilities	16,463	16,689	16,889
Deferred tax liabilities	10,391	5,583	3,194
<b>Total non-current liabilities</b>	<b>643,108</b>	<b>640,533</b>	<b>39,152</b>
<b>Net assets</b>	<b>3,451,574</b>	<b>3,355,517</b>	<b>3,049,783</b>
<b>Equity and liabilities capital and reserves</b>			
Share capital	1,984,207	1,984,004	1,971,748
Reserves	652,280	563,599	286,489
<b>Equity attributable to the owners of the company</b>	<b>2,636,487</b>	<b>2,547,603</b>	<b>2,258,237</b>
Non-controlling interests	815,087	807,914	791,546
<b>Total equity</b>	<b>3,451,574</b>	<b>3,355,517</b>	<b>3,049,783</b>

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

	For the Three Months Ended		
	30-Jun-2021 (Unaudited)	30-Jun-2020 (Unaudited)	31-Mar-2021 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before tax	51,661	7,998	19,777
Depreciation and amortization	78,786	47,579	71,158
Share of profit associates	(1,424)	(4,362)	(1,512)
Changes in working capital and others	(29,896)	50,632	(28,592)
<b>Net cash flows generated from operating activities</b>	<b>99,127</b>	<b>101,847</b>	<b>60,831</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment and intangible assets	(136,535)	(178,073)	(167,357)
Investment in an associate	-	-	(1,484)
Other cash flow generated from investing activities	1,816	259,566	1,313
<b>Net cash flows (used in) / generated from investing activities</b>	<b>(134,719)</b>	<b>81,493</b>	<b>(167,528)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from bank borrowings	47,590	-	143,208
Proceeds from issue of shares	151	17	6,498
Repayment of bank borrowings	(2,322)	(2,119)	-
Payment of lease liabilities	(827)	(1,050)	(2,709)
Interest paid	(4,008)	(78)	(69)
<b>Net cash flows generated from / (used in) financing activities</b>	<b>40,584</b>	<b>(3,230)</b>	<b>146,928</b>
Net increase in cash and cash equivalents	4,992	180,110	40,231
Effects of exchange rate changes	8,024	545	(1,511)
Cash and cash equivalents, beginning of period	961,506	518,302	922,786
<b>Cash and cash equivalents, ending of period</b>	<b>974,522</b>	<b>698,957</b>	<b>961,506</b>

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

**Executive Directors**

Suxin Zhang (Chairman)  
Junjun Tang (President)

**Non-Executive Directors**

Guodong Sun  
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  
August 12 2021