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Stock Code (1347)

News Release

Hua Hong Semiconductor Limited Reports 2022 First 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 – May 12, 2022.

Hua Hong Semiconductor Limited (SEHK: 1347) (the “Company”), a global, leading pure-play foundry, today announced its consolidated operational results for the quarter ending March 31, 2022.

First Quarter 2022 Highlights (Unaudited)

- Revenue hit an all-time high of US\$594.6 million, up 95.1% year over year and 12.6% above the prior quarter.
- Gross margin was 26.9%, 3.2 percentage points over 1Q 2021 and 5.6 percentage points below 4Q 2021.
- Net profit was US\$102.1 million, 387.9% over 1Q 2021 and 25.6% below 4Q 2021.
- Net profit attributable to shareholders of the parent company was US\$102.9 million, 211.4% over 1Q 2021 and 22.9% below 4Q 2021.
- Basic earnings per share was US\$0.079, 216.0% over 1Q 2021 and 23.3% below 4Q 2021.
- ROE (annualized) was 14.1%, 8.9 percentage points over 1Q 2021 and 5.1 percentage points below 4Q 2021.

Second Quarter 2022 Guidance

- We expect revenue to be approximately US\$615 million.
- We expect gross margin to be in the range of 28% to 29%.

President's Message

Mr. Tang Junjun, President and Executive Director of the Company, commented on 1Q22 results:

"Facing a complex situation with pressure from COVID and the changing market, Hua Hong Semiconductor is adhering to its 'Specialty IC + Power Discrete' strategy and delivered encouraging results in the first quarter of 2022. Our differentiated platforms, such as NVM, Power Discrete, Analog & Power Management IC, Logic & RF, and CIS, made steady progress and continued to produce revenue growth. The Company's 1Q22 revenue reached a record high of \$594.6 million, a year-on-year increase of 95.1%, and a quarter-on-quarter increase of 12.6%. Revenue from the 12-inch fab accounted for 44.1% of the total revenue, versus 17.9% in 1Q21 and 38.9% in 4Q21. In the context of continued global chip shortages in fields such as Automotive Electronic and New Energy, demand for specialty technologies has remained high, boosting the average selling price for all products. Demand continues to rise, assuring rapid growth of the Company. "

Mr. Tang continued, "We are now facing the urgent task of COVID prevention and control and the world's economic recovery will be bumpy. Difficulties often come with opportunities and challenges often lead to invention. The Company has designed a pandemic prevention and control system, which is strictly implemented by all employees. As at today, the Company has demonstrated effective pandemic prevention and control results, orderly production organization, and fully-utilized capacity, with a highly-motivated workforce. We have always believed the best way to deal with difficulties is to focus on development, overcoming challenges by innovation. As an indispensable part of the integrated circuit industry, we have opportunities in a vast market, including Automotive Electronics, Industrial Control, Green Energy, Internet of Things, and New-generation Communications. We will continue making greater marketing-focused R&D-oriented investments, providing 'Specialty IC + Power Discrete' platforms, delivering to our customers differentiated product solutions with better performance, lower power consumption, and enhanced reliability. In order to set a solid foundation for our development strategy, increase our influence in the global foundry space, expand our business scale, and strengthen our 'Specialty IC + Power Discrete' platforms, we will expedite the next phase of construction for Hua Hong Wuxi's 12-inch production line at full speed to fulfill the ever-growing demand.

I would like to thank all of our shareholders, customers, and vendors for their tremendous support. All employees will earnestly implement the 'Four Protections' COVID-related requirements, stick to their positions, dedicate themselves to the Company's future, and focus on high-quality development of our specialty technologies. I believe Hua Hong Semiconductor is bound to set a new record and create a higher level of achievement through our unremitting efforts."

Webcast/Conference Call Announcement

Date: Thursday, May 12, 2022

Time: 16:00 Hong Kong/Shanghai Time
04:00 EST

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://edge.media-server.com/mmc/p/7m7kiwn6>

(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/8548907>

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: 8548907

Replay: A recording will be available for replay at the below website about 24 hours after the event and will be available for 12 months.
http://www.huahonggrace.com/s/investor_webcast.php

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 “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 (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 65,000 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.

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

	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)	YoY Change	QoQ Change
Revenue	594,648	304,843	528,317	95.1 %	12.6 %
Cost of sales	(434,625)	(232,685)	(356,800)	86.8 %	21.8 %
Gross profit	160,023	72,158	171,517	121.8 %	(6.7)%
Gross margin	26.9 %	23.7 %	32.5 %	3.2	(5.6)
Operating expenses	(75,264)	(59,502)	(31,866)	26.5 %	136.2 %
Other income net	10,479	7,121	27,812	47.2 %	(62.3)%
Profit before tax	95,238	19,777	167,463	381.6 %	(43.1)%
Income tax credit / (expense)	6,865	1,148	(30,213)	498.0 %	(122.7)%
Profit for the period	102,103	20,925	137,250	387.9 %	(25.6)%
Net profit margin	17.2 %	6.9%	26.0%	10.3	(8.8)
Attributable to:					
Owners of the parent	102,944	33,059	133,528	211.4 %	(22.9)%
Non-controlling interests	(841)	(12,134)	3,722	(93.1)%	(122.6)%
Earnings per share attributable to owners of the parent					
Basic	0.079	0.025	0.103	216.0 %	(23.3)%
Diluted	0.078	0.025	0.101	212.0 %	(22.8)%
Wafers shipped (in thousands 8" equivalent wafers)	1,057	669	1,022	58.0 %	3.4 %
Capacity utilization ¹	106.0 %	104.2 %	105.4 %	1.8	0.6
ROE ²	14.1 %	5.2 %	19.2 %	8.9	(5.1)

First Quarter 2022

- *Revenue* reached an all-time high of US\$594.6 million, 95.1% over the prior year and 12.6% above the prior quarter.
- *Cost of sales* was US\$434.6 million, 86.8% over 1Q 2021, largely due to increased wafer shipments, and 21.8% above 4Q 2021, mainly due to increased bonus and depreciation costs.
- *Gross margin* was 26.9%, 3.2 percentage points over 1Q 2021, primarily due to improved average selling price, partially offset by increased depreciation costs, and 5.6 percentage points below 4Q 2021, mainly due to an audit adjustment on government grants, increased bonus and depreciation costs, partially offset by improved average selling price.
- *Operating expenses* were US\$75.3 million, 26.5% over 1Q 2021, mainly due to increased bonus, and 136.2% over 4Q 2021, primarily due to an audit adjustment on government grants and increased bonus.
- *Other income net* was US\$10.5 million, 47.2% over 1Q 2021, primarily due to foreign exchange gains versus foreign exchange losses in 1Q 2021, partially offset by increased finance costs, and 62.3% below 4Q 2021, largely due to decreased foreign exchange gains.
- *Income tax credit* was US\$6.9 million, 498.0% over 1Q 2021, primarily due to a reversal of increased dividend withholding tax accrued for the prior year, partially offset by tax expenses.
- *Profit for the period* was US\$102.1 million, 387.9% over 1Q 2021 and 25.6% below 4Q 2021.
- *Net profit attributable to shareholders of the parent company* was US\$102.9 million, 211.4% over 1Q 2021 and 22.9% below 4Q 2021.
- *Basic earnings per share* was US\$0.079, 216.0% over 1Q 2021 and 23.3% below 4Q 2021.
- *ROE (annualized)* was 14.1%, 8.9 percentage points over 1Q 2021 and 5.1 percentage points below 4Q 2021.

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 Segment³
(Amounts in US\$ thousands, except for operating data)

	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)	YoY Change	QoQ Change
Hua Hong 8"					
Revenue	332,603	250,196	322,631	32.9 %	3.1 %
Gross profit	128,451	68,194	146,589	88.4 %	(12.4)%
Gross margin	38.6 %	27.3 %	45.4 %	11.3	(6.8)
Operating expenses	(40,587)	(32,528)	3,101	24.8 %	(1,408.8)%
Profit before tax	94,629	44,540	157,562	112.5 %	(39.9)%
EBITDA	130,824	82,883	174,328	57.8 %	(25.0)%
<i>EBITDA margin</i>	39.3 %	33.1 %	54.0 %	6.2	(14.7)
Wafers shipped (in thousands 8" wafers)	571	541	617	5.5 %	(7.5)%
Hua Hong Wuxi					
Revenue	262,045	54,647	205,686	379.5 %	27.4 %
Gross profit	31,572	3,964	24,928	696.5 %	26.7 %
Gross margin	12.0 %	7.3 %	12.1 %	4.7	(0.1)
Operating expenses	(34,677)	(26,974)	(34,967)	28.6 %	(0.8)%
Profit before tax	609	(24,763)	9,901	(102.5)%	(93.8)%
EBITDA	88,427	9,688	78,230	812.7 %	13.0 %
<i>EBITDA margin</i>	33.7 %	17.7 %	38.0 %	16.0	(4.3)
Wafers shipped (in thousands 8" equivalent wafers)	486	128	405	279.7 %	20.0 %

Hua Hong 8"

- Revenue was US\$332.6 million, 32.9% over 1Q 2021 and 3.1% above 4Q 2021.
- Gross margin was 38.6%, 11.3 percentage points over 1Q 2021, mainly due to improved average selling price and product mix, and 6.8 percentage points lower than 4Q 2021, primarily due to an audit adjustment on government grants and increased bonus, partially offset by improved average selling price.
- Operating expenses were US\$40.6 million, 24.8% over 1Q 2021, largely due to increased bonus, and 1,408.8% above 4Q 2021, primarily due to an audit adjustment on government grants.
- Profit before tax was US\$94.6 million, 112.5 % over 1Q 2021 and 39.9% below 4Q 2021.

Hua Hong Wuxi

- Revenue was US\$262.0 million, 379.5% over 1Q 2021 and 27.4% above 4Q 2021.
- Gross margin was 12.0%, 4.7 percentage points over 1Q 2021 and 0.1 percentage point below 4Q 2021.
- Operating expenses were US\$34.7 million, 28.6% above 1Q 2021, primarily due to increased bonus and engineering wafer costs.
- EBITDA was US\$88.4 million, 13.0% over 4Q 2021.

³ The operating results of each operating segment are figures after netting of inter-segment elimination.

Analysis of Revenue

Revenue by service type	1Q 2022 US\$000 (Unaudited)	1Q 2022 % (Unaudited)	1Q 2021 US\$000 (Unaudited)	1Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	574,651	96.6 %	291,834	95.7 %	282,817	96.9 %
Others	19,997	3.4 %	13,009	4.3 %	6,988	53.7 %
Total revenue	594,648	100.0 %	304,843	100.0 %	289,805	95.1 %

- 96.6% of total revenue was derived from the sale of semiconductor wafers in 1Q 2022.

Analysis of Revenue

Revenue by wafer size	1Q 2022 US\$000 (Unaudited)	1Q 2022 % (Unaudited)	1Q 2021 US\$000 (Unaudited)	1Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	332,603	55.9 %	250,196	82.1 %	82,407	32.9 %
12" wafers	262,045	44.1 %	54,647	17.9 %	207,398	379.5 %
Total revenue	594,648	100.0 %	304,843	100.0 %	289,805	95.1 %

- Revenues from 8" wafers and 12" wafers were US\$332.6 million and US\$262.0 million, respectively, in 1Q 2022.

Analysis of Revenue

Revenue by geography	1Q 2022 US\$000 (Unaudited)	1Q 2022 % (Unaudited)	1Q 2021 US\$000 (Unaudited)	1Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
China ⁴	451,638	76.0 %	219,735	72.0 %	231,903	105.5 %
United States ⁵	58,064	9.8 %	28,309	9.3 %	29,755	105.1 %
Asia ⁶	54,885	9.2 %	35,894	11.8 %	18,991	52.9 %
Europe	22,081	3.7 %	14,801	4.9 %	7,280	49.2 %
Japan ⁷	7,980	1.3 %	6,104	2.0 %	1,876	30.7 %
Total revenue	594,648	100.0 %	304,843	100.0 %	289,805	95.1 %

- *Revenue from China* was US\$451.6 million, contributing 76.0% of total revenue and an increase of 105.5% over 1Q 2021, mainly due to increased demand for all technology platforms.
- *Revenue from United States* was US\$58.1 million, an increase of 105.1% over 1Q 2021, mainly due to increased demand for other PMIC products.
- *Revenue from Asia* was US\$54.9 million, an increase of 52.9% over 1Q 2021, mainly due to increased demand for logic, general MOSFET, and MCU products.
- *Revenue from Europe* was US\$22.1 million, an increase of 49.2% over 1Q 2021, mainly due to increased demand for smart card ICs, general MOSFET and IGBT products.
- *Revenue from Japan* was US\$8.0 million, an increase of 30.7% over 1Q 2021, primarily due to increased demand for MCU products.

⁴Includes Hong Kong.

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

⁶Excludes China and Japan.

⁷Includes a major customer in Japan that was acquired by a U.S. headquartered company in 2013.

Analysis of Revenue

Revenue by technology platform	1Q 2022 US\$000 (Unaudited)	1Q 2022 % (Unaudited)	1Q 2021 US\$000 (Unaudited)	1Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
eNVM	142,258	23.9 %	94,506	31.0 %	47,752	50.5 %
Standalone NVM	58,546	9.8 %	11,569	3.8 %	46,977	406.1 %
Discrete	181,342	30.6 %	109,547	35.9 %	71,795	65.5 %
Logic & RF	95,327	16.0 %	49,844	16.4 %	45,483	91.3 %
Analog & PM	116,557	19.6 %	38,771	12.7 %	77,786	200.6 %
Others	618	0.1 %	606	0.2 %	12	2.0 %
Total revenue	594,648	100.0 %	304,843	100.0 %	289,805	95.1 %

- *Revenue from eNVM* was US\$142.3 million, an increase of 50.5% over 1Q 2021, mainly due to increased demand for MCU and smart card ICs.
- *Revenue from Standalone NVM* was US\$58.5 million, an increase of 406.1% over 1Q 2021, primarily due to increased demand for NOR flash products.
- *Revenue from discrete* was US\$181.3 million, an increase of 65.5% over 1Q 2021, mainly due to increased demand for super junction, IGBT, general MOSFET products
- *Revenue from logic & RF* was US\$95.3 million, an increase of 91.3% over 1Q 2021, mainly due to increased demand for CIS and logic products.
- *Revenue from analog & power management* was US\$116.6 million, an increase of 200.6% over 1Q 2021, mainly due to increased demand for other PMIC products.

Analysis of Revenue

Revenue by process technology node	1Q 2022 US\$000 (Unaudited)	1Q 2022 % (Unaudited)	1Q 2021 US\$000 (Unaudited)	1Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	103,031	17.3 %	12,685	4.2 %	90,346	712.2 %
90nm & 95nm	124,360	21.0 %	44,987	14.8 %	79,373	176.4 %
0.11µm & 0.13µm	82,825	13.9 %	63,945	21.0 %	18,880	29.5 %
0.15µm & 0.18µm	48,626	8.2 %	36,334	11.9 %	12,292	33.8 %
0.25µm	3,802	0.6 %	4,594	1.5 %	(792)	(17.2)%
≥0.35µm	232,004	39.0 %	142,298	46.6 %	89,706	63.0 %
Total revenue	594,648	100.0 %	304,843	100.0 %	289,805	95.1 %

- Revenue from the 55nm & 65nm technology nodes was US\$103.0 million, an increase of 712.2% over 1Q 2021, mainly due to NOR flash, CIS, and logic products.
- Revenue from the 90nm & 95nm technology nodes was US\$124.4 million, an increase of 176.4% over 1Q 2021, mainly due to increased demand for other PMIC, MCU, and smart card ICs.
- Revenue from the 0.11µm & 0.13µm technology nodes was US\$82.8 million, an increase of 29.5% over 1Q 2021, mainly due to increased demand for MCU products.
- Revenue from the 0.15µm & 0.18µm technology nodes was US\$48.6 million, an increase of 33.8% over 1Q 2021, mainly due to increased demand for logic and other PMIC products.
- Revenue from the 0.25µm technology node was US\$3.8 million, a decrease of 17.2% over 1Q 2021, primarily due to decreased demand for RF products.
- Revenue from the 0.35µm and above technology nodes was US\$232.0 million, an increase of 63.0% over 1Q 2021, mainly due to increased demand for super junction, IGBT, general MOSFET, and other PMIC products.

Analysis of Revenue

Revenue by end market distribution	1Q 2022 US\$000 (Unaudited)	1Q 2022 % (Unaudited)	1Q 2021 US\$000 (Unaudited)	1Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	395,076	66.3 %	189,038	62.0 %	206,038	109.0 %
Industrial & automotive	106,154	17.9 %	59,998	19.7 %	46,156	76.9 %
Communications	72,847	12.3 %	44,244	14.5 %	28,603	64.6 %
Computing	20,571	3.5 %	11,563	3.8 %	9,008	77.9 %
Total revenue	594,648	100.0 %	304,843	100.0 %	289,805	95.1 %

- Revenue from consumer electronics, our largest end market segment, contributed US\$395.1 million, reaching 66.3% of total revenue, an increase of 109.0% over 1Q 2021, mainly due to increased demand for all technology platforms.
- Revenue from industrial & automotive was US\$106.2 million, an increase of 76.9% over 1Q 2021, mainly due to increased demand for IGBT, MCU, and smart card ICs.
- Revenue from communications was US\$72.8 million, an increase of 64.6% over 1Q 2021, mainly due to increased demand for CIS, logic and smart card ICs.
- Revenue from computing was US\$20.6 million, an increase of 77.9% over 1Q 2021, mainly due to increased demand for general MOSFET and MCU products.

Capacity⁸ and Capacity Utilization

Fab (in thousands wafers per month)	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)
Fab 1 (200mm)	65	65	65
Fab 2 (200mm)	60	60	60
Fab 3 (200mm)	53	53	53
Fab 7 (300mm)	65	28	60
Total 8" equivalent wafers	324	241	313
Capacity utilization (200mm)	107.7%	104.3%	107.5%
Capacity utilization (300mm)	103.9%	103.8%	102.5%
Overall capacity utilization	106.0%	104.2%	105.4%

- Monthly capacity was 324,000 8-inch equivalent wafers at the end of 1Q 2022. Overall capacity utilization was 106.0% in 1Q 2022.

⁸ 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	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	1,057	669	1,022	58.0 %	3.4 %

- *Wafer shipments* were 1,057,000, an increase of 58.0% year over year and 3.4% quarter over quarter.

Operating Expenses Analysis

Amounts in US\$ thousands	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	4,496	2,620	3,158	71.6 %	42.4 %
Administrative expenses ⁹	70,768	56,882	28,708	24.4 %	146.5 %
Operating expenses	75,264	59,502	31,866	26.5 %	136.2%

- *Operating expenses* were US\$75.3 million, 26.5% over 1Q 2021, mainly due to increased bonus, and 136.2% over 4Q 2021, primarily due to an audit adjustment on government grants and increased bonus.

Other Income Net Analysis

Amounts in US\$ thousands	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)	YoY Change	QoQ Change
Rental income	3,781	3,680	3,614	2.7 %	4.6 %
Interest income	4,322	3,037	3,441	42.3 %	25.6 %
Foreign exchange gains / (losses)	7,140	(269)	21,619	(2,754.3)%	(67.0)%
Share of profit of associates	1,855	1,512	2,436	22.7 %	(23.9)%
Finance costs	(6,786)	(1,636)	(4,997)	314.8 %	35.8 %
Government subsidies	1,842	544	826	238.6 %	123.0 %
Others	(1,675)	253	873	(762.1)%	(291.9)%
Other income net	10,479	7,121	27,812	47.2 %	(62.3)%

- *Other income net* was US\$10.5 million, 47.2% over 1Q 2021, primarily due to foreign exchange gains versus foreign exchange losses in 1Q 2021, partially offset by increased finance costs, and 62.3% below 4Q 2021, mainly due to decreased foreign exchange gains.

⁹Administrative expenses include government grants recognized as an offset item.

Cash Flow Analysis

Amounts in US\$ thousands	1Q 2022 (Unaudited)	1Q 2021 (Unaudited)	4Q 2021 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	195,589	60,831	206,804	221.5 %	(5.4)%
Net cash flows used in investing activities	(116,986)	(167,528)	(297,044)	(30.2)%	(60.6)%
Net cash flows generated from financing activities	2,439	146,928	242,187	(98.3)%	(99.0)%
Effect of exchange rate changes	3,752	(1,511)	13,846	(348.3)%	(72.9)%
Net change in cash	84,794	38,720	165,793	119.0 %	(48.9)%

- *Net cash flows generated from operating activities* was US\$195.6 million, 221.5% over 1Q 2021, primarily due to increased revenue, partially offset by increased payments for payrolls and materials.
- *Net cash flows used in investing activities* was US\$117.0 million, including US\$124.1 million of investment in fixed and intangible assets, partially offset by US\$4.4 million of receipts of government grants for equipment and US\$2.7million of interest income.
- *Net cash flows generated from financing activities* was US\$2.4 million, including US\$47.4 million proceeds from bank borrowings and US\$1.2 million proceeds from share option exercises, partially offset by US\$43.2 million of repayment of bank borrowings, US\$2.5 million of lease payments, and US\$0.5 million of interest expenses for bank borrowings.

Capital Structure

Amounts in US\$ thousands	31-Mar-2022 (Unaudited)	31-Dec-2021 (Unaudited)
Total assets	6,316,078	6,202,099
Total liabilities	2,531,648	2,517,552
Total equity	3,784,430	3,684,547
<i>Debt ratio</i> ¹⁰	40.1%	40.6%

Capital Expenditures

Amounts in US\$ thousands	1Q 2022 (Unaudited)	4Q 2021 (Unaudited)
Hua Hong 8"	16,553	29,779
Hua Hong Wuxi	107,527	352,457
Total	124,080	382,236

- *Capital expenditures* were US\$124.1 million in 1Q 2022, including US\$107.5 million for the Wuxi fab.

¹⁰ Debt ratio is calculated based on total liabilities / total assets.

Liquidity

Amounts in US\$ thousands	31-Mar-2022 (Unaudited)	31-Dec-2021 (Unaudited)
Properties under development	125,110	114,492
Inventories	451,671	432,917
Trade and notes receivables	243,443	181,042
Prepayments, other receivables and other assets	50,060	43,443
Due from related parties	7,074	6,910
Restricted and time deposits	2,258	2,248
Cash and cash equivalents	1,694,934	1,610,140
Total current assets	2,574,550	2,391,192
Trade payables	243,211	194,385
Other payables and accruals	513,204	560,435
Interest-bearing bank borrowings	194,304	195,024
Lease liabilities	2,524	1,676
Government grants	67,127	66,837
Due to related parties	19,949	7,501
Income tax payable	67,538	54,543
Total current liabilities	1,107,857	1,080,401
Net working capital	1,466,693	1,310,791
<i>Quick ratio</i>	1.9x	1.8x
<i>Current ratio</i>	2.3x	2.2x
Trade and notes receivables turnover days	32	29
Inventories turnover days	92	105

- *Trade and notes receivables* increased from US\$181.0 million on 31 December 2021 to US\$243.4 million on 31 March 2022, mainly due to increased revenue.
- *Prepayments, other receivables and other assets* increased from US\$43.4 million on 31 December 2021 to US\$50.1 million on 31 March 2022, primarily due to increased prepayments to suppliers.
- *Trade payables* increased from US\$194.4 million on 31 December 2021 to US\$243.2 million on 31 March 2022, primarily due to increased payables to suppliers.
- *Other payables and accruals* decreased from US\$560.4 million on 31 December 2021 to US\$513.2 million on 31 March 2022, mainly due to decreased payables for capital expenditures.
- *Due to related parties* increased from US\$7.5 million on 31 December 2021 to US\$19.9 million on 31 March 2022, primarily due to receipt of a rental prepayment from one of our related parties.
- *Income tax payable* increased from US\$54.5 million on 31 December 2021 to US\$67.5 million on 31 March 2022, mainly due to accrued income tax for the period.
- On 31 March 2022, *net working capital* was US\$1,466.7 million and the *current ratio* was 2.3.
- *Trade and notes receivables turnover days* were 32.
- *Inventories turnover days* were 92.

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-Mar-2022 (Unaudited)	31-Mar-2021 (Unaudited)	31-Dec-2021 (Unaudited)
Revenue	594,648	304,843	528,317
Cost of sales	(434,625)	(232,685)	(356,800)
Gross profit	160,023	72,158	171,517
Other income and gains	17,721	7,604	30,190
Fair value gain on an investment property	(316)	-	183
Selling and distribution expenses	(4,496)	(2,620)	(3,158)
Administrative expenses	(70,768)	(56,882)	(28,708)
Other expenses	(1,995)	(359)	-
Finance costs	(6,786)	(1,636)	(4,997)
Share of profit of associates	1,855	1,512	2,436
Profit before tax	95,238	19,777	167,463
Income tax credit / (expense)	6,865	1,148	(30,213)
Profit for the period	102,103	20,925	137,250
Attributable to:			
Owners of the parent	102,944	33,059	133,528
Non-controlling interests	(841)	(12,134)	3,722
Earnings per share attributable to owners of parent			
Basic	0.079	0.025	0.103
Diluted	0.078	0.025	0.101
Shares used in calculating basic earnings per share attributable to owners of parent	1,301,453,841	1,299,428,463	1,300,675,399
Shares used in calculating diluted earnings per share attributable to owners of parent	1,319,204,155	1,325,196,463	1,320,444,781

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

	As of		
	31-Mar-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Mar-2021 (Unaudited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3,053,141	3,116,501	2,498,485
Investment property	185,369	184,883	179,202
Right-of-use assets	76,681	75,331	77,050
Intangible assets	33,487	35,312	36,841
Investment in associates	124,420	122,040	107,436
Equity instruments designated at fair value through other comprehensive income	236,005	257,788	228,639
Long term prepayment	23,710	15,573	29,447
Due from related parties	-	-	17
Deferred tax assets	8,715	3,479	9,538
Total non-current assets	3,741,528	3,810,907	3,166,655
CURRENT ASSETS			
Properties under development	125,110	114,492	106,040
Inventories	451,671	432,917	283,764
Trade and notes receivables	243,443	181,042	127,613
Prepayments, other receivables and other assets	50,060	43,443	29,280
Due from related parties	7,074	6,910	7,220
Restricted and time deposits	2,258	2,248	356
Cash and cash equivalents	1,694,934	1,610,140	961,506
Total current assets	2,574,550	2,391,192	1,515,779
CURRENT LIABILITIES			
Trade payables	243,211	194,385	124,799
Other payables and accruals	513,204	560,435	346,232
Interest-bearing bank borrowings	194,304	195,024	90,959
Lease liabilities	2,524	1,676	1,884
Government grants	67,127	66,837	67,609
Due to related parties	19,949	7,501	23,469
Income tax payable	67,538	54,543	31,432
Total current liabilities	1,107,857	1,080,401	686,384
NET CURRENT ASSETS	1,466,693	1,310,791	829,395
TOTAL ASSETS LESS CURRENT LIABILITIES	5,208,221	5,121,698	3,996,050
Non-current liabilities			
Interest-bearing bank borrowings	1,400,496	1,395,279	618,261
Lease liabilities	15,429	16,137	16,689
Deferred tax liabilities	7,866	25,735	5,583
Total non-current liabilities	1,423,791	1,437,151	640,533
Net assets	3,784,430	3,684,547	3,355,517
Equity and liabilities capital and reserves			
Share capital	1,987,216	1,986,152	1,984,004
Reserves	980,308	884,207	563,599
Equity attributable to the owners of the company	2,967,524	2,870,359	2,547,603
Non-controlling interests	816,906	814,188	807,914
Total equity	3,784,430	3,684,547	3,355,517

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

	For the Three Months Ended		
	31-Mar-2022 (Unaudited)	31-Mar-2021 (Unaudited)	31-Dec-2021 (Unaudited)
Cash flows from operating activities:			
Profit before tax	95,238	19,777	167,463
Depreciation and amortization	117,227	71,158	80,117
Share of profit of associates	(1,855)	(1,512)	(2,436)
Changes in working capital and others	(15,021)	(28,592)	(38,340)
Net cash flows generated from operating activities	195,589	60,831	206,804
Cash flows from investing activities:			
Payments for property, plant and equipment and intangible assets	(124,080)	(167,357)	(382,236)
Receipt of government grants of property, plant and equipment	4,356	-	83,594
Investment in an associate	-	(1,484)	-
Other cash flow generated from investing activities	2,738	1,313	1,598
Net cash flows used in investing activities	(116,986)	(167,528)	(297,044)
Cash flows from financing activities:			
Proceeds from bank borrowings	47,413	143,208	275,021
Proceeds from issue of shares	1,252	6,498	410
Repayment of bank borrowings	(43,208)	-	(26,099)
Payment of lease liabilities	(2,484)	(2,709)	(632)
Interest paid	(534)	(69)	(6,513)
Net cash flows generated from financing activities	2,439	146,928	242,187
Net increase in cash and cash equivalents	81,042	40,231	151,947
Effects of exchange rate changes	3,752	(1,511)	13,846
Cash and cash equivalents, beginning of period	1,610,140	922,786	1,444,347
Cash and cash equivalents, ending of period	1,694,934	961,506	1,610,140

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
May 12, 2022