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Stock Code (1347)

News Release

Hua Hong Semiconductor Limited Reports 2022 Third 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 – November 10, 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 September 30, 2022.

Third Quarter 2022 Highlights (Unaudited)

- Revenue reached another all-time high of US\$629.9 million, up 39.5% over a year ago and 1.5% above the prior quarter.
- Gross margin rose to 37.2%, 10.1 percentage points higher than 3Q 2021 and 3.6 percentage points above 2Q 2022.
- Net profit was US\$65.4 million, 83.7% above 3Q 2021 and 22.9% over 2Q 2022.
- Net profit attributable to shareholders of the parent company was US\$103.9 million, 104.5% above 3Q 2021 and 23.8% over 2Q 2022.
- Basic earnings per share was US\$0.08, 105.1% above 3Q 2021 and 25.0% over 2Q 2022.
- ROE (annualized) was 14.4%, 6.8 percentage points higher than 3Q 2021 and 2.9 percentage points above 2Q 2022.

Fourth Quarter 2022 Guidance

- We expect revenue to be approximately US\$630 million.
- We expect gross margin to be in the range of 35% to 37%.

President's Message

Mr. Tang Junjun, President and Executive Director of the Company, commented on the 3Q22 results:

"Hua Hong Semiconductor maintained its positive performance in the third quarter of 2022. The Company continues to see strong demand for all specialty process platforms, especially for non-volatile memory and power discrete. All our 8-inch and 12-inch fabs remained fully utilized, and average selling prices increased both year-on-year and quarter-on-quarter. Revenue was \$629.9 million, another record, up 39.5% year-on-year and 1.5% quarter-on-quarter. Gross profit margin also reached a record high of 37.2%, 10.1 percentage points above a year ago and 3.6 percentage points over the prior quarter."

Mr. Tang continued, "Serving the World as a China-based company, we will keep focusing on the emerging markets, such as industrial applications, automotive electronics, and new energy, and to ceaselessly innovate in the specialty technology space. We will go full speed ahead with the 12-inch capacity expansion project, deeply integrate in the global IC industry supply chain, improve our core competitiveness, and provide customers with high-quality, reliable, efficient, diversified, and comprehensive product solutions."

Webcast/Conference Call Announcement

Date: Thursday, November 10, 2022

Time: 16:00 Hong Kong/Shanghai Time
03:00 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/o4dr42q8>
(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 and personal PIN.

<https://register.vevent.com/register/BI6aff4c3080d94c4aab32f4e6db1a3c1c>

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

Replay: A recording will be available for replay at the below website about 12 hours after the event and will be available for 12 months.

http://www.huahonggrace.com/html/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 non-volatile memory (“NVM”), 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 (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 National High-Tech Industrial Development Zone, at a 65,000 wafer per month capacity, has become a leading 12-inch foundry devoted to power discrete semiconductors in the Chinese mainland.

For more information, please visit: www.huahonggrace.com.

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

	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)	YoY Change	QoQ Change
Revenue	629,907	451,484	620,823	39.5 %	1.5 %
Cost of sales	(395,851)	(329,231)	(411,953)	20.2 %	(3.9)%
Gross profit	234,056	122,253	208,870	91.5 %	12.1 %
Gross margin	37.2 %	27.1 %	33.6 %	10.1	3.6
Operating expenses	(73,611)	(72,320)	(70,676)	1.8 %	4.2 %
Other (loss) / income net	(57,825)	7,486	(56,675)	(872.4)%	2.0 %
Profit before tax	102,620	57,419	81,519	78.7 %	25.9 %
Income tax expense	(37,174)	(21,801)	(28,272)	70.5 %	31.5 %
Profit for the period	65,446	35,618	53,247	83.7 %	22.9 %
Net profit margin	10.4 %	7.9 %	8.6 %	2.5	1.8
Attributable to:					
Owners of the parent	103,899	50,807	83,933	104.5 %	23.8 %
Non-controlling interests	(38,453)	(15,189)	(30,686)	153.2 %	25.3 %
Earnings per share attributable to owners of the parent					
Basic	0.080	0.039	0.064	105.1 %	25.0 %
Diluted	0.079	0.038	0.064	107.9 %	23.4 %
Wafers shipped (in thousands 8" equivalent wafers)	1,003	907	1,036	10.6 %	(3.2)%
Capacity utilization ¹	110.8 %	110.9 %	109.7 %	(0.1)	1.1
ROE ²	14.4 %	7.6 %	11.5 %	6.8	2.9

Third Quarter 2022

- Revenue reached another all-time high of US\$629.9 million, up 39.5% year over year and 1.5% above the prior quarter.
- Cost of sales was US\$395.9 million, 20.2% over 3Q 2021, largely due to increased wafer shipments and depreciation costs, and 3.9% below 2Q 2022, mainly due to decreased wafer shipments.
- Gross margin rose to 37.2%, 10.1 percentage points higher than 3Q 2021, primarily due to improved average selling price, partially offset by increased depreciation costs, and 3.6 percentage points above 2Q 2022, primarily due to improved average selling price.
- Operating expenses were US\$73.6 million, 1.8% over 3Q 2021 and 4.2% above 2Q 2022.
- Other loss net was US\$57.8 million versus other income net of US\$7.5 million in 3Q 2021, primarily due to increased foreign exchange losses, and flat to 2Q 2022.
- Income tax expense was US\$37.2 million, 70.5% above 3Q 2021, primarily due to increased taxable income.
- Profit for the period was US\$65.4 million, 83.7% above 3Q 2021 and 22.9% over 2Q 2022.
- Net profit attributable to shareholders of the parent company was US\$103.9 million, 104.5% above 3Q 2021 and 23.8% over 2Q 2022.
- Basic earnings per share was US\$0.08, 105.1% above 3Q 2021 and 25.0% over 2Q 2022.
- ROE (annualized) was 14.4%, 6.8 percentage points higher than 3Q 2021 and 2.9 percentage points above 2Q 2022.

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)

	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)	YoY Change	QoQ Change
Hua Hong 8"					
Revenue	384,235	314,784	353,990	22.1 %	8.5 %
Gross profit	179,340	110,696	156,617	62.0 %	14.5 %
Gross margin	46.7 %	35.2 %	44.2 %	11.5	2.5
Operating expenses	(34,067)	(42,602)	(35,157)	(20.0)%	(3.1)%
Profit before tax	178,940	81,562	141,908	119.4 %	26.1 %
EBITDA	211,857	118,594	176,457	78.6 %	20.1 %
<i>EBITDA margin</i>	55.1 %	37.7 %	49.8 %	17.4	5.3
Wafers shipped (in thousands 8" wafers)	600	622	567	(3.5)%	5.8 %
Hua Hong Wuxi					
Revenue	245,672	136,700	266,833	79.7 %	(7.9)%
Gross profit	54,716	11,557	52,253	373.4 %	4.7 %
Gross margin	22.3 %	8.5 %	19.6 %	13.8	2.7
Operating expenses	(39,544)	(29,718)	(35,519)	33.1 %	11.3 %
Profit before tax	(76,320)	(24,143)	(60,389)	216.1 %	26.4 %
EBITDA	24,075	29,949	28,614	(19.6)%	(15.9)%
<i>EBITDA margin</i>	9.8 %	21.9 %	10.7 %	(12.1)	(0.9)
Wafers shipped (in thousands 8" equivalent wafers)	403	285	469	41.4 %	(14.1)%

Hua Hong 8"

- Revenue was US\$384.2 million, 22.1% over 3Q 2021 and 8.5% above 2Q 2022.
- Gross margin was 46.7%, 11.5 percentage points above 3Q 2021 and 2.5 percentage points over 2Q 2022, largely due to improved average selling price.
- Operating expenses were US\$34.1 million, 20.0% lower than 3Q 2021, largely due to decreased labor expenses, partially offset by decreased government grants for research and development, and flat to 2Q 2022.
- Profit before tax was US\$178.9 million, 119.4% over 3Q 2021 and 26.1% above 2Q 2022.

Hua Hong Wuxi

- Revenue was US\$245.7 million, 79.7% over 3Q 2021, and 7.9% below 2Q 2022.
- Gross margin was 22.3%, 13.8 percentage points above 3Q 2021 and 2.7 percentage points over 2Q 2022, largely due to improved average selling price.
- Operating expenses were US\$39.5 million, 33.1% above 3Q 2021 and 11.3% over 2Q 2022, primarily due to increased research and development expenses.
- EBITDA was US\$24.1 million, 19.6% below 3Q 2021, and 15.9% under 2Q 2022, largely due to increased foreign exchange losses.

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

Analysis of Revenue

Revenue by service type	3Q 2022 US\$000 (Unaudited)	3Q 2022 % (Unaudited)	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	598,553	95.0 %	431,444	95.6 %	167,109	38.7 %
Others	31,354	5.0 %	20,040	4.4 %	11,314	56.5 %
Total revenue	629,907	100.0 %	451,484	100.0 %	178,423	39.5 %

- 95.0% of total revenue was derived from the sale of semiconductor wafers in 3Q 2022.

Analysis of Revenue

Revenue by wafer size	3Q 2022 US\$000 (Unaudited)	3Q 2022 % (Unaudited)	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	384,235	61.0 %	314,784	69.7 %	69,451	22.1 %
12" wafers	245,672	39.0 %	136,700	30.3 %	108,972	79.7 %
Total revenue	629,907	100.0 %	451,484	100.0 %	178,423	39.5 %

- Revenues from 8" wafers and 12" wafers were US\$384.2 million and US\$245.7 million, respectively, in 3Q 2022.

Analysis of Revenue

Revenue by geography	3Q 2022 US\$000 (Unaudited)	3Q 2022 % (Unaudited)	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
China ⁴	452,306	71.8 %	331,296	73.4 %	121,010	36.5 %
United States ⁵	80,450	12.8 %	47,924	10.6 %	32,526	67.9 %
Asia ⁶	55,733	8.8 %	44,313	9.8 %	11,420	25.8 %
Europe	30,340	4.8 %	20,897	4.6 %	9,443	45.2 %
Japan ⁷	11,078	1.8 %	7,054	1.6 %	4,024	57.0 %
Total revenue	629,907	100.0 %	451,484	100.0 %	178,423	39.5 %

- *Revenue from China* was US\$452.3 million, contributing 71.8% of total revenue and an increase of 36.5% over 3Q 2021, mainly due to increased demand for MCU, other PMIC, smart card ICs, NOR flash, IGBT, and super junction products.
- *Revenue from United States* was US\$80.5 million, an increase of 67.9% over 3Q 2021, mainly due to increased demand for other PMIC and MCU products.
- *Revenue from Asia* was US\$55.7 million, an increase of 25.8% over 3Q 2021, mainly due to increased demand for logic and MCU products.
- *Revenue from Europe* was US\$30.3 million, an increase of 45.2% over 3Q 2021, mainly due to increased demand for general MOSFET, smart card ICs, and IGBT products.
- *Revenue from Japan* was US\$11.1 million, an increase of 57.0% over 3Q 2021, primarily due to increased demand for MCU products.

⁴Includes Chinese Mainland and 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	3Q 2022 US\$000 (Unaudited)	3Q 2022 % (Unaudited)	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
Embedded NVM	213,813	33.9 %	126,514	28.0 %	87,299	69.0 %
Standalone NVM	43,473	6.9 %	19,889	4.4 %	23,584	118.6 %
Discrete	191,391	30.4 %	153,080	33.9 %	38,311	25.0 %
Logic & RF	59,069	9.4 %	80,079	17.7 %	(21,010)	(26.2)%
Analog & PM	121,777	19.3 %	71,110	15.8 %	50,667	71.3 %
Others	384	0.1 %	812	0.2 %	(428)	(52.7)%
Total revenue	629,907	100.0 %	451,484	100.0 %	178,423	39.5 %

- *Revenue from embedded NVM* was US\$213.8 million, an increase of 69.0% over 3Q 2021, mainly due to increased demand for MCU and smart card ICs.
- *Revenue from standalone NVM* was US\$43.5 million, an increase of 118.6% over 3Q 2021, primarily due to increased demand for NOR flash products.
- *Revenue from discrete* was US\$191.4 million, an increase of 25.0% over 3Q 2021, mainly due to increased demand for IGBT and super junction products
- *Revenue from logic & RF* was US\$59.1 million, a decrease of 26.2% compared to 3Q 2021, mainly due to decreased demand for CIS products.
- *Revenue from analog & power management* was US\$121.8 million, an increase of 71.3% over 3Q 2021, mainly due to increased demand for other PMIC products.

Analysis of Revenue

Revenue by process technology node	3Q 2022 US\$000 (Unaudited)	3Q 2022 % (Unaudited)	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	78,566	12.5 %	40,109	8.9 %	38,457	95.9 %
90nm & 95nm	141,726	22.5 %	82,470	18.3 %	59,256	71.9 %
0.11µm & 0.13µm	113,063	17.9 %	83,789	18.6 %	29,274	34.9 %
0.15µm & 0.18µm	54,590	8.7 %	46,165	10.2 %	8,425	18.2 %
0.25µm	3,471	0.6 %	7,040	1.6 %	(3,569)	(50.7)%
≥0.35µm	238,491	37.8 %	191,911	42.4 %	46,580	24.3 %
Total revenue	629,907	100.0 %	451,484	100.0 %	178,423	39.5 %

- Revenue from the 55nm & 65nm technology nodes was US\$78.6 million, an increase of 95.9% over 3Q 2021, mainly due to NOR flash, logic, and MCU products.
- Revenue from the 90nm & 95nm technology nodes was US\$141.7 million, an increase of 71.9% over 3Q 2021, mainly due to increased demand for other PMIC, smart card ICs, and MCU products, partially offset by decreased demand for CIS products.
- Revenue from the 0.11µm & 0.13µm technology nodes was US\$113.1 million, an increase of 34.9% over 3Q 2021, mainly due to increased demand for MCU products.
- Revenue from the 0.15µm & 0.18µm technology nodes was US\$54.6 million, an increase of 18.2% over 3Q 2021, mainly due to increased demand for MCU products.
- Revenue from the 0.25µm technology node was US\$3.5 million, a decrease of 50.7% over 3Q 2021, primarily due to decreased demand for RF products.
- Revenue from the 0.35µm and above technology nodes was US\$238.5 million, an increase of 24.3% over 3Q 2021, mainly due to increased demand for IGBT, super junction, general MOSFET, and other PMIC products.

Analysis of Revenue

Revenue by end market distribution	3Q 2022 US\$000 (Unaudited)	3Q 2022 % (Unaudited)	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	408,328	64.9 %	280,718	62.2 %	127,610	45.5 %
Industrial & automotive	148,889	23.6 %	90,176	20.0 %	58,713	65.1 %
Communications	54,138	8.6 %	66,418	14.7 %	(12,280)	(18.5)%
Computing	18,552	2.9 %	14,172	3.1 %	4,380	30.9 %
Total revenue	629,907	100.0 %	451,484	100.0 %	178,423	39.5 %

- Revenue from consumer electronics, our largest end market segment, contributed US\$408.3 million, reaching 64.9% of total revenue, an increase of 45.5% over 3Q 2021, mainly due to increased demand for all technology platforms.
- Revenue from industrial & automotive was US\$148.9 million, an increase of 65.1% over 3Q 2021, mainly due to increased demand for MCU, IGBT, other PMIC, and smart card ICs.
- Revenue from communications was US\$54.1 million, a decrease of 18.5% over 3Q 2021, mainly due to decreased demand for CIS products, partially offset by increased demand for MCU and logic products.
- Revenue from computing was US\$18.6 million, an increase of 30.9% over 3Q 2021, mainly due to increased demand for MCU products.

Capacity⁸ and Capacity Utilization

Fab (in thousands wafers per month)	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)
Fab 1 (200mm)	65	65	65
Fab 2 (200mm)	60	60	60
Fab 3 (200mm)	53	53	53
Fab 7 (300mm)	65	53	65
Total 8" equivalent wafers	324	297	324
Capacity utilization (200mm)	113.4%	112.3%	110.0%
Capacity utilization (300mm)	107.7%	108.7%	109.3%
Overall capacity utilization	110.8%	110.9%	109.7%

- Monthly capacity was 324,000 8-inch equivalent wafers at the end of 3Q 2022. Overall capacity utilization was 110.8% in 3Q 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	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	1,003	907	1,036	10.6 %	(3.2)%

- *Wafer shipments* were 1,003,000, an increase of 10.6% year over year, and 3.2% below 2Q 2022.

Operating Expenses Analysis

Amounts in US\$ thousands	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	2,524	2,907	2,530	(13.2)%	(0.2)%
Administrative expenses ⁹	71,087	69,413	68,146	2.4 %	4.3 %
Operating expenses	73,611	72,320	70,676	1.8 %	4.2 %

- *Operating expenses* were US\$73.6 million, 1.8% over 3Q 2021 and 4.2% above 2Q 2022.

Other (loss) / Income Net Analysis

Amounts in US\$ thousands	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)	YoY Change	QoQ Change
Rental income	3,372	3,649	3,852	(7.6)%	(12.5)%
Interest income	7,054	3,411	4,793	106.8 %	47.2 %
Foreign exchange losses	(79,444)	(3,456)	(56,555)	2,198.7 %	40.5 %
Share of profit of associates	2,561	1,393	444	83.8 %	476.8 %
Finance costs	(16,886)	(3,175)	(8,194)	431.8 %	106.1 %
Government subsidies	24,663	5,542	496	345.0 %	4,872.4 %
Others	855	122	(1,511)	600.8 %	(156.6)%
Other (loss) / income net	(57,825)	7,486	(56,675)	(872.4)%	2.0 %

- *Other loss net* was US\$57.8 million versus *other income net* of US\$7.5 million in 3Q 2021, primarily due to increased foreign exchange losses, and flat to 2Q 2022.

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

Cash Flow Analysis

Amounts in US\$ thousands	3Q 2022 (Unaudited)	3Q 2021 (Unaudited)	2Q 2022 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	158,604	151,709	212,259	4.5 %	(25.3)%
Net cash flows used in investing activities	(399,962)	(263,768)	(110,073)	51.6 %	263.4 %
Net cash flows generated from / (used in) financing activities	579,684	584,941	(30,087)	(0.9)%	(2,026.7)%
Effect of exchange rate changes	(61,748)	(3,057)	(59,383)	1,919.9 %	4.0 %
Net change in cash	276,578	469,825	12,716	(41.1)%	2,075.0 %

- *Net cash flows generated from operating activities* was US\$158.6 million, 4.5% over 3Q 2021, and 25.3% below 2Q 2022.
- *Net cash flows used in investing activities* was US\$400.0 million, including US\$428.7 million of investment in fixed and intangible assets, and US\$2.7 million of investment in an associate, partially offset by US\$16.6 million of interest income, US\$9.0 million of receipts of government grants for equipment, US\$5.7 million of receipts from selling an equity instrument, and US\$0.1 million of receipts from disposal of equipment.
- *Net cash flows generated from financing activities* was US\$579.7 million, including US\$392.0 million of capital contribution from non-controlling interests, US\$248.8 million proceeds from bank borrowings, and US\$3.0 million proceeds from share option exercises, partially offset by US\$62.2 million of bank principal payment, US\$1.6 million of interest payments and US\$0.3 million of lease payments.

Capital Structure

Amounts in US\$ thousands	30-Sep-2022 (Unaudited)	30-Jun-2022 (Unaudited)
Total assets	6,660,372	6,240,744
Total liabilities	2,800,784	2,608,878
Total equity	3,859,588	3,631,866
<i>Debt ratio</i> ¹⁰	42.1%	41.8%

Capital Expenditures

Amounts in US\$ thousands	3Q 2022 (Unaudited)	2Q 2022 (Unaudited)
Hua Hong 8"	38,391	17,179
Hua Hong Wuxi	390,293	95,174
Total	428,684	112,353

- *Capital expenditures* were US\$428.7 million in 3Q 2022, including US\$390.3 million for the Wuxi fab.

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

Liquidity

Amounts in US\$ thousands	30-Sep-2022 (Unaudited)	30-Jun-2022 (Unaudited)
Properties under development	117,971	121,026
Inventories	509,630	473,935
Trade and notes receivables	240,551	241,967
Prepayments, other receivables and other assets	60,304	63,186
Due from related parties	10,764	14,212
Restricted and time deposits	1,022	349
Cash and cash equivalents	1,984,228	1,707,650
Total current assets	2,924,470	2,622,325
Trade payables	223,704	303,263
Other payables and accruals	621,494	575,171
Interest-bearing bank borrowings	422,913	231,334
Lease liabilities	4,564	3,309
Government grants	63,274	66,876
Due to related parties	10,265	15,630
Income tax payable	57,730	35,532
Total current liabilities	1,403,944	1,231,115
Net working capital	1,520,526	1,391,210
<i>Quick ratio</i>	1.7x	1.7x
<i>Current ratio</i>	2.1x	2.1x
Trade and notes receivables turnover days	35	35
Inventories turnover days	112	101

- *Inventories* increased from US\$473.9 million on 30 June 2022 to US\$509.6 million on 30 September 2022, primarily due to increased finished goods and raw materials.
- *Trade payables* decreased from US\$303.3 million on 30 June 2022 to US\$223.7 million on 30 September 2022, primarily due to increased payments to suppliers.
- *Other payables and accruals* increased from US\$575.2 million on 30 June 2022 to US\$621.5 million on 30 September 2022, mainly due to increased payables for capital expenditures.
- *Interest-bearing bank borrowings* increased from US\$231.3 million on 30 June 2022 to US\$422.9 million on 30 September 2022, mainly due to increased short term bank borrowings.
- *Income tax payable* increased from US\$35.5 million on 30 June 2022 to US\$57.7 million on 30 September 2022, mainly due to accrued income tax for 3Q 2022.
- On 30 September 2022, *net working capital* was US\$1,520.5 million and the *current ratio* was 2.1.
- *Trade and notes receivables turnover days* were 35.
- *Inventories turnover days* were 112.

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		
	30-Sep-2022 (Unaudited)	30-Sep-2021 (Unaudited)	30-Jun-2022 (Unaudited)
Revenue	629,907	451,484	620,823
Cost of sales	(395,851)	(329,231)	(411,953)
Gross profit	234,056	122,253	208,870
Other income and gains	35,967	12,791	9,441
Selling and distribution expenses	(2,524)	(2,907)	(2,530)
Administrative expenses	(71,087)	(69,413)	(68,146)
Other expenses	(79,467)	(3,523)	(58,366)
Finance costs	(16,886)	(3,175)	(8,194)
Share of profit of associates	2,561	1,393	444
Profit before tax	102,620	57,419	81,519
Income tax expense	(37,174)	(21,801)	(28,272)
Profit for the period	65,446	35,618	53,247
Attributable to:			
Owners of the parent	103,899	50,807	83,933
Non-controlling interests	(38,453)	(15,189)	(30,686)
Earnings per share attributable to owners of parent			
Basic	0.080	0.039	0.064
Diluted	0.079	0.038	0.064
Shares used in calculating basic earnings per share attributable to owners of parent	1,303,756,848	1,300,378,175	1,301,760,320
Shares used in calculating diluted earnings per share attributable to owners of parent	1,311,796,050	1,324,812,751	1,316,099,219

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

	As of		
	30-Sep-2022 (Unaudited)	30-Jun-2022 (Unaudited)	30-Sep-2021 (Unaudited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3,140,178	2,955,516	3,026,016
Investment property	165,746	175,337	181,576
Right-of-use assets	78,359	81,994	75,334
Intangible assets	34,447	31,516	33,640
Investment in associates	116,894	118,129	117,579
Equity instruments designated at fair value through other comprehensive income	163,182	221,072	250,395
Long term prepayment	21,939	24,890	10,429
Deferred tax assets	15,157	9,965	10,824
Total non-current assets	3,735,902	3,618,419	3,705,793
CURRENT ASSETS			
Properties under development	117,971	121,026	107,830
Inventories	509,630	473,935	395,788
Trade and notes receivables	240,551	241,967	159,026
Prepayments, other receivables and other assets	60,304	63,186	54,463
Due from related parties	10,764	14,212	6,987
Restricted and time deposits	1,022	349	361
Cash and cash equivalents	1,984,228	1,707,650	1,444,347
Total current assets	2,924,470	2,622,325	2,168,802
CURRENT LIABILITIES			
Trade payables	223,704	303,263	159,025
Other payables and accruals	621,494	575,171	683,763
Interest-bearing bank borrowings	422,913	231,334	181,341
Lease liabilities	4,564	3,309	1,794
Government grants	63,274	66,876	119,456
Due to related parties	10,265	15,630	12,007
Income tax payable	57,730	35,532	34,577
Total current liabilities	1,403,944	1,231,115	1,191,963
NET CURRENT ASSETS	1,520,526	1,391,210	976,839
TOTAL ASSETS LESS CURRENT LIABILITIES	5,239,501	5,009,629	4,682,632
Non-current liabilities			
Interest-bearing bank borrowings	1,355,037	1,346,974	1,158,994
Lease liabilities	14,976	15,687	16,131
Deferred tax liabilities	26,827	15,102	21,867
Total non-current liabilities	1,396,840	1,377,763	1,196,992
Net assets	3,859,588	3,631,866	3,485,640
Equity and liabilities capital and reserves			
Share capital	1,993,604	1,987,494	1,984,658
Reserves	808,552	901,446	704,114
Equity attributable to the owners of the company	2,802,156	2,888,940	2,688,772
Non-controlling interests	1,057,432	742,926	796,868
Total equity	3,859,588	3,631,866	3,485,640

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

	For the Three Months Ended		
	30-Sep-2022 (Unaudited)	30-Sep-2021 (Unaudited)	30-Jun 2022 (Unaudited)
Cash flows from operating activities:			
Profit before tax	102,620	57,419	81,519
Depreciation and amortization	116,426	87,955	115,358
Share of profit of associates	(2,561)	(1,393)	(444)
Changes in working capital and others	(57,881)	7,728	15,826
Net cash flows generated from operating activities	158,604	151,709	212,259
Cash flows from investing activities:			
Payments for property, plant and equipment and intangible assets	(428,684)	(252,783)	(112,353)
Investment in an associate	(2,704)	(5,921)	-
Proceeds from disposal of / (investment in) an equity instrument	5,707	(6,290)	-
Receipt of government grants of equipment	8,954	-	449
Other cash flow generated from investing activities	16,765	1,226	1,831
Net cash flows used in investing activities	(399,962)	(263,768)	(110,073)
Cash flows from financing activities:			
Capital contribution from non-controlling interests	392,000	-	-
Proceeds from bank borrowings	248,768	604,986	36,971
Proceeds from issue of shares	2,972	360	393
Repayment of bank borrowings	(62,171)	(19,439)	(54,465)
Payment of lease liabilities	(333)	(710)	(545)
Interest paid	(1,552)	(256)	(12,441)
Net cash flows generated from / (used in) financing activities	579,684	584,941	(30,087)
Net increase in cash and cash equivalents	338,326	472,882	72,099
Effects of exchange rate changes	(61,748)	(3,057)	(59,383)
Cash and cash equivalents, beginning of period	1,707,650	974,522	1,694,934
Cash and cash equivalents, ending of period	1,984,228	1,444,347	1,707,650

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

November 10, 2022