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Stock Code (1347)

## News Release

### Hua Hong Semiconductor Limited Reports 2021 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 11, 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 September 30, 2021.

#### Third Quarter 2021 Highlights (Unaudited)

- Revenue reached another new high of US\$451.5 million, up 78.5% year over year and 30.4% above the previous quarter.
- Gross margin was 27.1%, 2.9 percentage points over 3Q 2020 and 2.3 percentage points above 2Q 2021.
- Net profit was US\$35.6 million, 3,132.1% over 3Q 2020 and 4.2% below 2Q 2021 due to tax on a one-off intercompany transaction.
- Net profit attributable to shareholders of the parent company was US\$50.8 million, 187.1% over 3Q 2020 and 15.3% above 2Q 2021.
- Basic earnings per share was US\$0.039, US\$0.025 over 3Q 2020 and US\$0.005 above 2Q 2021.
- ROE (annualized) was 7.6%, 4.4 percentage points over 3Q 2020 and 0.8 percentage point above 2Q 2021.

#### Fourth Quarter 2021 Guidance

- We expect revenue to be approximately US\$490 million.
- We expect gross margin to be in the range of 27% to 28%.

## **President's Message**

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

"3Q 2021 was the strongest quarter in the Company's history! Almost all market segments have strong demand, in particular, MCU, Power Management IC, IGBT, Super Junction, CIS, and Logic & RF. Revenue hit a record high of \$451.5 million, an increase of 78.5% year-on-year and a quarter-on-quarter increase of 30.4%. Gross profit margin rose steadily to 27.1%, an increase of 2.9 percentage points year-on-year and 2.3 percentage points quarter-on-quarter. Such outstanding performance is mainly attributed to the increase in selling prices for virtually all technology platforms and extremely high utilization. Thanks to all employees of Hua Hong Semiconductor for their dedication and unremitting efforts, both of our revenue and gross profit margin have once again surpassed our guidance."

Mr. Tang continued, "We are full of confidence in the Company's future. Judging from the current market demand, we expect the Company to usher in unprecedented opportunities and growth with highest sales ever. In 2022, we will continue to grow at a high rate and make brilliant achievements! Therefore, we are advancing the next expansion of Wuxi Fab at full speed. We plan to reach a 12-inch monthly production capacity of 95,000 wafers by the end of next year to better fulfill customers' needs and expectations. A further expansion plan is being developed, and we will share it with you as soon as it becomes ready."

## Webcast/Conference Call Announcement

**Date:** Thursday, November 11, 2021

**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](http://www.huahonggrace.com/html/investor_webcast.php) or  
<https://edge.media-server.com/mmc/p/47bntqv4>

(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/9083522>

**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:** 9083522

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)

	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)	YoY Change	QoQ Change
Revenue	451,484	252,981	346,110	78.5 %	30.4 %
Cost of sales	(329,231)	(191,689)	(260,440)	71.8 %	26.4 %
<b>Gross profit</b>	<b>122,253</b>	<b>61,292</b>	<b>85,670</b>	<b>99.5 %</b>	<b>42.7 %</b>
<b>Gross margin</b>	<b>27.1 %</b>	<b>24.2 %</b>	<b>24.8 %</b>	<b>2.9</b>	<b>2.3</b>
Operating expenses	(72,320)	(74,200)	(45,905)	(2.5)%	57.5 %
Other income net	7,486	24,056	11,896	(68.9)%	(37.1)%
<b>Profit before tax</b>	<b>57,419</b>	<b>11,148</b>	<b>51,661</b>	<b>415.1 %</b>	<b>11.1 %</b>
Income tax expense	(21,801)	(10,046)	(14,483)	117.0 %	50.5 %
<b>Profit for the period</b>	<b>35,618</b>	<b>1,102</b>	<b>37,178</b>	<b>3,132.1 %</b>	<b>(4.2)%</b>
<b>Net profit margin</b>	<b>7.9 %</b>	<b>0.4 %</b>	<b>10.7 %</b>	<b>7.5</b>	<b>(2.8)</b>
Attributable to:					
Owners of the parent	50,807	17,694	44,082	187.1 %	15.3 %
Non-controlling interests	(15,189)	(16,592)	(6,904)	(8.5)%	120.0 %
Earnings per share attributable to owners of the parent					
Basic	0.039	0.014	0.034	178.6 %	14.7 %
Diluted	0.038	0.013	0.033	192.3 %	15.2 %
Wafers shipped (in thousands 8" equivalent wafers)	907	577	730	57.2 %	24.2 %
Capacity utilization <sup>1</sup>	110.9 %	95.8 %	109.5 %	15.1	1.4
ROE <sup>2</sup>	7.6 %	3.2 %	6.8 %	4.4	0.8

### **Third Quarter 2021**

- *Revenue* reached an all-time high of US\$451.5 million, 78.5% over the prior year and 30.4% above the prior quarter.
- *Cost of sales* was US\$329.2 million, 71.8% above 3Q 2020 and 26.4% over 2Q 2021, mainly due to increased wafer shipments and depreciation costs.
- *Gross margin* was 27.1%, 2.9 percentage points over 3Q 2020 and 2.3 percentage points above 2Q 2021, mainly due to improved average selling price, partially offset by increased depreciation costs.
- *Operating expenses* were US\$72.3 million, 2.5% below 3Q 2020. It was 57.5% above 2Q 2021, mainly due to increased labor expenses and decreased government grants for research and development.
- *Other income net* was US\$7.5 million, 68.9% below 3Q 2020, primarily due to foreign exchange losses versus foreign exchange gains, decreased share of profit of associates, decreased government subsidies, and increased finance costs, and 37.1% below 2Q 2021, primarily due to a foreign exchange losses versus foreign exchange gains, partially offset by increased government subsidies.
- *Income tax expense* was US\$21.8 million, 117.0% over 3Q 2020 and 50.5% over 2Q 2021, primarily due to increased taxable profit including an inter-company IP transfer transaction of US\$45.7 million.
- *Profit for the period* was US\$35.6 million, 3,132.1% over 3Q 2020 and 4.2% below 2Q 2021 due to tax on a one-off intercompany transaction.
- *Net profit attributable to shareholders of the parent company* was US\$50.8 million, 187.1% over 3Q 2020 and 15.3% above 2Q 2021.
- *Basic earnings per share* was US\$0.039, US\$0.025 over 3Q 2020 and US\$0.005 above 2Q 2021.
- *ROE (annualized)* was 7.6%, 4.4 percentage points over 3Q 2020 and 0.8 percentage point above 2Q 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<sup>3</sup>**  
(Amounts in US\$ thousands, except for operating data)

	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)	YoY Change	QoQ Change
<b>Hua Hong 8"</b>					
Revenue	314,784	236,378	261,975	33.2 %	20.2 %
Gross profit	110,696	64,278	82,862	72.2 %	33.6 %
Gross margin	35.2 %	27.2 %	31.6 %	8.0	3.6
Operating expenses	(42,602)	(30,791)	(20,835)	38.4 %	104.5 %
Profit before tax	81,562	45,009	65,751	81.2 %	24.0 %
EBITDA	118,594	80,035	103,994	48.2 %	14.0 %
EBITDA margin	37.7 %	33.9 %	39.7 %	3.8	(2.0)
Wafers shipped (in thousands 8" wafers)	622	537	546	15.8 %	13.9 %
<b>Hua Hong Wuxi</b>					
Revenue	136,700	16,603	84,135	723.3 %	62.5 %
Gross profit	11,557	(2,986)	2,808	(487.0)%	311.6 %
Gross margin	8.5 %	(18.0)%	3.3 %	26.5	5.2
Operating expenses	(29,718)	(43,409)	(25,070)	(31.5)%	18.5 %
Profit before tax	(24,143)	(33,861)	(14,090)	(28.7)%	71.3 %
EBITDA	29,949	(11,517)	29,864	(360.0)%	0.3 %
EBITDA margin	21.9 %	(69.4)%	35.5 %	91.3	(13.6)
Wafers shipped (in thousands 8" equivalent wafers)	285	40	184	612.5 %	54.9 %

**Hua Hong 8"**

- Revenue reached a record high of US\$314.8 million, 33.2% over 3Q 2020 and 20.2% above 2Q 2021.
- Gross margin was 35.2%, 8.0 percentage points over 3Q 2020 and 3.6 percentage points above 2Q 2021, primarily due to improved average selling price.
- Operating expenses were US\$42.6 million, 38.4% over 3Q 2020 and 104.5% above 2Q 2021, primarily due to increased R&D expenses and labor expenses.
- Profit before tax was US\$81.6 million, 81.2% over 3Q 2020 and 24.0% over 2Q 2021.

**Hua Hong Wuxi**

- Revenue was US\$136.7 million, 723.3% over 3Q 2020 and 62.5% above 2Q 2021.
- Gross margin was 8.5%, 5.2 percentage points above 2Q 2021, mainly due to improved average selling price, partially offset by increased depreciation costs.
- Operating expenses were US\$29.7 million, 31.5 % lower than 3Q 2020, mainly due to decreased engineering wafer costs, partially offset by increased labor expenses and service expenses, and 18.5% above 2Q 2021, primarily due to decreased government grants for research and development.
- EBITDA was US\$29.9 million, flat compared to 2Q 2021, mainly due to increased gross profit, partially offset by foreign exchange losses versus foreign exchange gains in the prior period and increased labor expenses.

<sup>3</sup> The operating results of each operating segment are figures after netting of inter-segment elimination.

#### Analysis of Revenue

Revenue by service type	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	3Q 2020 US\$000 (Unaudited)	3Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	431,444	95.6 %	244,380	96.6 %	187,064	76.5 %
Others	20,040	4.4 %	8,601	3.4 %	11,439	133.0 %
<b>Total revenue</b>	<b>451,484</b>	<b>100.0 %</b>	<b>252,981</b>	<b>100.0 %</b>	<b>198,503</b>	<b>78.5 %</b>

- 95.6% of total revenue was derived from the sale of semiconductor wafers in 3Q 2021.

#### Analysis of Revenue

Revenue by wafer size	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	3Q 2020 US\$000 (Unaudited)	3Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	314,784	69.7 %	236,378	93.4 %	78,406	33.2 %
12" wafers	136,700	30.3 %	16,603	6.6 %	120,097	723.3 %
<b>Total revenue</b>	<b>451,484</b>	<b>100.0 %</b>	<b>252,981</b>	<b>100.0 %</b>	<b>198,503</b>	<b>78.5 %</b>

- Revenues from 8" wafers and 12" wafers were US\$314.8 million and US\$136.7 million, respectively, in 3Q 2021.

### Analysis of Revenue

Revenue by geography	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	3Q 2020 US\$000 (Unaudited)	3Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
China <sup>4</sup>	331,296	73.4 %	165,258	65.4 %	166,038	100.5 %
United States <sup>5</sup>	47,924	10.6 %	34,144	13.5 %	13,780	40.4 %
Asia <sup>6</sup>	44,313	9.8 %	30,446	12.0 %	13,867	45.5 %
Europe	20,897	4.6 %	16,444	6.5 %	4,453	27.1 %
Japan <sup>7</sup>	7,054	1.6 %	6,689	2.6 %	365	5.5 %
<b>Total revenue</b>	<b>451,484</b>	<b>100.0 %</b>	<b>252,981</b>	<b>100.0 %</b>	<b>198,503</b>	<b>78.5 %</b>

- *Revenue from China* was US\$331.3 million, contributing 73.4% of total revenue and an increase of 100.5% over 3Q 2020, mainly due to increased demand for all technology platforms.
- *Revenue from United States* was US\$47.9 million, an increase of 40.4% over 3Q 2020, mainly due to increased demand for other PMIC and MCU products.
- *Revenue from Asia* was US\$44.3 million, an increase of 45.5% over 3Q 2020, mainly due to increased demand for MCU, discrete, and logic products.
- *Revenue from Europe* was US\$20.9 million, an increase of 27.1% compared to 3Q 2020, mainly due to increased demand for discrete and smart card ICs.
- *Revenue from Japan* was US\$7.1 million, flat compared to 3Q 2020.

<sup>4</sup>Includes Hong Kong.

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

<sup>6</sup>Excludes China and Japan.

<sup>7</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	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	3Q 2020 US\$000 (Unaudited)	3Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
eNVM	126,514	28.0 %	87,396	34.6 %	39,118	44.8 %
Standalone NVM	19,889	4.4 %	2,796	1.1 %	17,093	611.3 %
Discrete	153,080	33.9 %	96,244	38.1 %	56,836	59.1 %
Logic & RF	80,079	17.7 %	32,661	12.9 %	47,418	145.2 %
Analog & PM	71,110	15.8 %	33,512	13.2 %	37,598	112.2 %
Others	812	0.2 %	372	0.1 %	440	118.3 %
<b>Total revenue</b>	<b>451,484</b>	<b>100.0 %</b>	<b>252,981</b>	<b>100.0 %</b>	<b>198,503</b>	<b>78.5 %</b>

- *Revenue from eNVM* was US\$126.5 million, an increase of 44.8% over 3Q 2020, mainly due to increased demand for MCU and smart card ICs.
- *Revenue from Standalone NVM* was US\$19.9 million, an increase of 611.3% over 3Q 2020, primarily due to increased demand for NOR flash products.
- *Revenue from discrete* was US\$153.1 million, an increase of 59.1% over 3Q 2020, mainly due to increased demand for general MOSFET, super junction, and IGBT products.
- *Revenue from logic & RF* was US\$80.1 million, an increase of 145.2% over 3Q 2020, mainly due to increased demand for CIS and logic products.
- *Revenue from analog & power management* was US\$71.1 million, an increase of 112.2% over 3Q 2020, mainly due to increased demand for other PMIC products.



### Analysis of Revenue

Revenue by process technology node	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	3Q 2020 US\$000 (Unaudited)	3Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	40,109	8.9 %	593	0.2 %	39,516	6,663.7 %
90nm & 95nm	82,470	18.3 %	22,910	9.1 %	59,560	260.0 %
0.11μm & 0.13μm	83,789	18.6 %	60,268	23.8 %	23,521	39.0 %
0.15μm & 0.18μm	46,165	10.2 %	37,576	14.9 %	8,589	22.9 %
0.25μm	7,040	1.6 %	4,951	2.0 %	2,089	42.2 %
≥0.35μm	191,911	42.4 %	126,683	50.0 %	65,228	51.5 %
<b>Total revenue</b>	<b>451,484</b>	<b>100.0 %</b>	<b>252,981</b>	<b>100.0 %</b>	<b>198,503</b>	<b>78.5 %</b>

- Revenue from the 55nm & 65nm technology nodes was US\$40.1 million, an increase of 6,663.7% over 3Q 2020, mainly due to CIS, NOR flash, and logic products.
- Revenue from the 90nm & 95nm technology nodes was US\$82.5 million, an increase of 260.0% over 3Q 2020, mainly due to increased demand for other PMIC, smart card ICs, CIS, and MCU products.
- Revenue from the 0.11μm & 0.13μm technology nodes was US\$83.8 million, an increase of 39.0% versus 3Q 2020, mainly due to increased demand for MCU and logic products.
- Revenue from the 0.15μm & 0.18μm technology nodes was US\$46.2 million, an increase of 22.9% from 3Q 2020, mainly due to increased demand for logic and other PMIC products.
- Revenue from the 0.25μm technology node was US\$7.0 million, an increase of 42.2% from 3Q 2020, primarily due to increased demand for logic products.
- Revenue from the 0.35μm and above technology nodes was US\$191.9 million, an increase of 51.5% over 3Q 2020, mainly due to increased demand for super junction, general MOSFET, IGBT, and other PMIC products.

### Analysis of Revenue

Revenue by end market distribution	3Q 2021 US\$000 (Unaudited)	3Q 2021 % (Unaudited)	3Q 2020 US\$000 (Unaudited)	3Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	280,718	62.2 %	158,580	62.7 %	122,138	77.0 %
Industrial & automotive	90,176	20.0 %	50,355	19.9 %	39,821	79.1 %
Communications	66,418	14.7 %	34,833	13.8 %	31,585	90.7 %
Computing	14,172	3.1 %	9,213	3.6 %	4,959	53.8 %
<b>Total revenue</b>	<b>451,484</b>	<b>100.0 %</b>	<b>252,981</b>	<b>100.0 %</b>	<b>198,503</b>	<b>78.5 %</b>

- *Revenue from consumer electronics*, our largest end market segment, contributed US\$280.7 million, reaching 62.2% of total revenue, an increase of 77.0% over 3Q 2020, mainly due to increased demand for other PMIC, super junction, MCU, NOR flash, logic, and general MOSFET products.
- *Revenue from industrial & automotive* was US\$90.2 million, an increase of 79.1% over 3Q 2020, mainly due to increased demand for IGBT, MCU, and smart card ICs.
- *Revenue from communications* was US\$66.4 million, an increase of 90.7% over 3Q 2020, mainly due to increased demand for CIS and smart card ICs.
- *Revenue from computing* was US\$14.2 million, an increase of 53.8% over 3Q 2020, mainly due to increased demand for MCU and general MOSFET products.

### Capacity<sup>8</sup> and Capacity Utilization

Fab (in thousands wafers per month)	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)
Fab 1 (200mm)	65	65	65
Fab 2 (200mm)	60	60	60
Fab 3 (200mm)	53	53	53
Fab 7 (300mm)	53	14	40
<b>Total 8" equivalent wafers</b>	<b>297</b>	<b>210</b>	<b>268</b>
<i>Capacity utilization (200mm)</i>	<i>112.3%</i>	<i>102.0%</i>	<i>112.1%</i>
<i>Capacity utilization (300mm)</i>	<i>108.7%</i>	<i>56.4%</i>	<i>104.1%</i>
<i>Overall capacity utilization</i>	<i>110.9%</i>	<i>95.8%</i>	<i>109.5%</i>

- Monthly capacity was 297,000 8-inch equivalent wafers at the end of 3Q 2021. Overall capacity utilization was 110.9% in 3Q 2021, 1.4 percentage points above 2Q 2021.

<sup>8</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	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	907	577	730	57.2 %	24.2 %

- *Wafer shipments* were 907,000, an increase of 57.2% year over year and 24.2% quarter over quarter.

### Operating Expenses Analysis

Amounts in US\$ thousands	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	2,907	1,612	1,988	80.3 %	46.2 %
Administrative expenses <sup>9</sup>	69,413	72,588	43,917	(4.4)%	58.1 %
<b>Operating expenses</b>	<b>72,320</b>	<b>74,200</b>	<b>45,905</b>	<b>(2.5)%</b>	<b>57.5 %</b>

- *Operating expenses* were US\$72.3 million, 2.5% below 3Q 2020. It was 57.5% above 2Q 2021, mainly due to increased labor expenses and decreased government grants for research and development.

### Other Income Net Analysis

Amounts in US\$ thousands	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)	YoY Change	QoQ Change
Rental income	3,649	3,257	3,544	12.0 %	3.0 %
Interest income	3,411	2,433	3,547	40.2 %	(3.8)%
Fair value gains on financial assets at fair value through profit or loss	-	225	-	(100.0)%	-
Foreign exchange (losses) /gains	(3,456)	3,224	6,050	(207.2)%	(157.1)%
Share of profit of associates	1,393	5,998	1,424	(76.8)%	(2.2)%
Finance costs	(3,175)	(579)	(3,418)	448.4 %	(7.1)%
Government subsidies	5,542	9,217	376	(39.9)%	1,373.9 %
Others	122	281	373	(56.6)%	(67.3)%
<b>Other income net</b>	<b>7,486</b>	<b>24,056</b>	<b>11,896</b>	<b>(68.9)%</b>	<b>(37.1)%</b>

- *Other income net* was US\$7.5 million, 68.9% below 3Q 2020, primarily due to foreign exchange losses versus foreign exchange gains, decreased share of profit of associates, decreased government subsidies, and increased finance costs, and 37.1% below 2Q 2021, primarily due to foreign exchange losses versus foreign exchange gains, partially offset by increased government subsidies.

<sup>9</sup>Administrative expenses include government grants recognized as an offset item.

### Cash Flow Analysis

Amounts in US\$ thousands	3Q 2021 (Unaudited)	3Q 2020 (Unaudited)	2Q 2021 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	151,709	89,410	99,127	69.7 %	53.0 %
Net cash flows used in investing activities	(263,768)	(315,355)	(134,719)	(16.4)%	95.8 %
Net cash flows generated from financing activities	584,941	222,096	40,584	163.4 %	1,341.3 %
Effect of exchange rate changes	(3,057)	21,351	8,024	(114.3)%	(138.1)%
<b>Net change in cash</b>	<b>469,825</b>	<b>17,502</b>	<b>13,016</b>	<b>2,584.4 %</b>	<b>3,509.6 %</b>

- *Net cash flows generated from operating activities* was US\$151.7 million, 69.7% over 3Q 2020, primarily due to stronger collection from customer receivables, partially offset by increased payments for materials and payrolls and decreased receipts of VAT refunds.
- *Net cash flows used in investing activities* was US\$263.8 million, including US\$252.8 million of investment in fixed and intangible assets, US\$6.3 million of investment in an equity instrument, and US\$5.9 million of investment in an associate, offset by US\$1.2 million of interest income.
- *Net cash flows generated from financing activities* was US\$584.9 million, including US\$605.0 million proceeds from bank borrowings and US\$0.3 million proceeds from share option exercises, partially offset by US\$19.4 million of repayment of bank borrowings, US\$0.7 million of lease payments, and US\$0.3 million of interest expenses for bank borrowings.

### Capital Structure

Amounts in US\$ thousands	30-Sep-2021 (Unaudited)	30-Jun-2021 (Unaudited)
Total assets	5,874,595	4,990,981
Total liabilities	2,388,955	1,539,407
Total equity	3,485,640	3,451,574
<i>Debt ratio</i> <sup>10</sup>	40.7%	30.8%

### Capital Expenditures

Amounts in US\$ thousands	3Q 2021 (Unaudited)	2Q 2021 (Unaudited)
Hua Hong 8"	28,243	17,439
Hua Hong Wuxi	224,540	119,096
<b>Total</b>	<b>252,783</b>	<b>136,535</b>

- *Capital expenditures* were US\$252.8 million in 3Q 2021, including US\$224.5 million for the Wuxi fab.

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

## Liquidity

Amounts in US\$ thousands	30-Sep-2021 (Unaudited)	30-Jun-2021 (Unaudited)
Properties under development	107,830	107,865
Inventories	395,788	355,881
Trade and notes receivables	159,026	108,358
Prepayments, other receivables and other assets	54,463	61,448
Due from related parties	6,987	6,253
Restricted and time deposits	361	362
Cash and cash equivalents	1,444,347	974,522
<b>Total current assets</b>	<b>2,168,802</b>	<b>1,614,689</b>
Trade payables	159,025	147,074
Other payables and accruals	683,763	491,089
Interest-bearing bank borrowings	181,341	138,627
Lease liabilities	1,794	2,010
Government grants	119,456	76,611
Due to related parties	12,007	18,723
Income tax payable	34,577	22,165
<b>Total current liabilities</b>	<b>1,191,963</b>	<b>896,299</b>
<b>Net working capital</b>	<b>976,839</b>	<b>718,390</b>
<i>Quick ratio</i>	1.5x	1.4x
<i>Current ratio</i>	1.8x	1.8x
Trade and notes receivables turnover days	27	31
Inventories turnover days	103	111

- *Trade and notes receivables* increased from US\$108.4 million on 30 June 2021 to US\$159.0 million on 30 September 2021, mainly due to increased revenue.
- *Prepayments, other receivables, and other assets* decreased from US\$61.4 million on 30 June 2021 to US\$54.5 million on 30 September 2021, primarily due to decreased VAT refund receivables.
- *Other payables and accruals* increased from US\$491.1 million on 30 June 2021 to US\$683.8 million on 30 September 2021, mainly due to increased payables for capital expenditures and advances from customers.
- *Interest-bearing bank borrowings* increased from US\$138.6 million on 30 June 2021 to US\$181.3 million on 30 September 2021, due to drawdowns of bank borrowings.
- *Government grants* increased from US\$76.6 million on 30 June 2021 to US\$119.5 million on 30 September 2021, due to receipts of government funding.
- *Income tax payable* increased from US\$22.2 million on 30 June 2021 to US\$34.6 million on 30 September 2021, mainly due to accrued income tax for the period.
- On 30 September 2021, *net working capital* was US\$976.8 million and the *current ratio* was 1.8.
- *Trade and notes receivables turnover days* improved from 31 to 27.
- *Inventories turnover days* were 103.

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-Sep-2021 (Unaudited)	30-Sep-2020 (Unaudited)	30-Jun-2021 (Unaudited)
Revenue	451,484	252,981	346,110
Cost of sales	(329,231)	(191,689)	(260,440)
<b>Gross profit</b>	<b>122,253</b>	<b>61,292</b>	<b>85,670</b>
Other income and gains	12,791	18,641	13,898
Selling and distribution expenses	(2,907)	(1,612)	(1,988)
Administrative expenses	(69,413)	(72,588)	(43,917)
Other expenses	(3,523)	(4)	(8)
Finance costs	(3,175)	(579)	(3,418)
Share of profit of associates	1,393	5,998	1,424
<b>Profit before tax</b>	<b>57,419</b>	<b>11,148</b>	<b>51,661</b>
Income tax expense	(21,801)	(10,046)	(14,483)
<b>Profit for the period</b>	<b>35,618</b>	<b>1,102</b>	<b>37,178</b>
Attributable to:			
Owners of the parent	50,807	17,694	44,082
Non-controlling interests	(15,189)	(16,592)	(6,904)
Earnings per share attributable to owners of parent			
Basic	0.039	0.014	0.034
Diluted	0.038	0.013	0.033
<b>Shares used in calculating basic earnings per share attributable to owners of parent</b>	<b>1,300,378,175</b>	<b>1,294,890,812</b>	<b>1,300,192,217</b>
<b>Shares used in calculating diluted earnings per share attributable to owners of parent</b>	<b>1,324,812,751</b>	<b>1,317,522,812</b>	<b>1,325,014,217</b>

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

	As of		
	30-Sep-2021 (Unaudited)	30-Jun-2021 (Unaudited)	30-Sep-2020 (Unaudited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3,026,016	2,710,002	2,272,520
Investment property	181,576	182,287	172,727
Right-of-use assets	75,334	76,997	77,323
Intangible assets	33,640	35,784	33,603
Investment in associates	117,579	110,699	88,494
Equity instruments designated at fair value through other comprehensive income	250,395	232,575	212,754
Long term prepayment	10,429	17,407	33,445
Due from related parties	-	40	180
Deferred tax assets	10,824	10,501	9,108
<b>Total non-current assets</b>	<b>3,705,793</b>	<b>3,376,292</b>	<b>2,900,154</b>
<b>CURRENT ASSETS</b>			
Properties under development	107,830	107,865	-
Inventories	395,788	355,881	205,223
Trade and notes receivables	159,026	108,358	122,938
Prepayments, other receivables and other assets	54,463	61,448	66,261
Due from related parties	6,987	6,253	11,292
Restricted and time deposits	361	362	345
Cash and cash equivalents	1,444,347	974,522	716,459
<b>Total current assets</b>	<b>2,168,802</b>	<b>1,614,689</b>	<b>1,122,518</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	159,025	147,074	96,232
Other payables and accruals	683,763	491,089	386,672
Interest-bearing bank borrowings	181,341	138,627	223,844
Lease liabilities	1,794	2,010	3,513
Government grants	119,456	76,611	59,076
Due to related parties	12,007	18,723	12,790
Income tax payable	34,577	22,165	21,350
<b>Total current liabilities</b>	<b>1,191,963</b>	<b>896,299</b>	<b>803,477</b>
<b>NET CURRENT ASSETS</b>	<b>976,839</b>	<b>718,390</b>	<b>319,041</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,682,632</b>	<b>4,094,682</b>	<b>3,219,195</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	1,158,994	616,254	19,823
Lease liabilities	16,131	16,463	17,311
Deferred tax liabilities	21,867	10,391	7,351
<b>Total non-current liabilities</b>	<b>1,196,992</b>	<b>643,108</b>	<b>44,485</b>
<b>Net assets</b>	<b>3,485,640</b>	<b>3,451,574</b>	<b>3,174,710</b>
<b>Equity and liabilities capital and reserves</b>			
Share capital	1,984,658	1,984,207	1,974,417
Reserves	704,114	652,280	394,214
<b>Equity attributable to the owners of the company</b>	<b>2,688,772</b>	<b>2,636,487</b>	<b>2,368,631</b>
Non-controlling interests	796,868	815,087	806,079
<b>Total equity</b>	<b>3,485,640</b>	<b>3,451,574</b>	<b>3,174,710</b>

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

	For the Three Months Ended		
	30-Sep-2021 (Unaudited)	30-Sep-2020 (Unaudited)	30-Jun-2021 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before tax	57,419	11,148	51,661
Depreciation and amortization	87,955	56,791	78,786
Share of profit associates	(1,393)	(5,998)	(1,424)
Changes in working capital and others	7,728	27,469	(29,896)
<b>Net cash flows generated from operating activities</b>	<b>151,709</b>	<b>89,410</b>	<b>99,127</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment and intangible assets	(252,783)	(403,586)	(136,535)
Investment in an associate	(5,921)	-	-
Investment in an equity instrument	(6,290)	-	-
Other cash flow generated from investing activities	1,226	88,231	1,816
<b>Net cash flows used in investing activities</b>	<b>(263,768)</b>	<b>(315,355)</b>	<b>(134,719)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from bank borrowings	604,986	219,439	47,590
Proceeds from issue of shares	360	3,741	151
Repayment of bank borrowings	(19,439)	-	(2,322)
Payment of lease liabilities	(710)	(1,009)	(827)
Interest paid	(256)	(75)	(4,008)
<b>Net cash flows generated from financing activities</b>	<b>584,941</b>	<b>222,096</b>	<b>40,584</b>
Net increase / (decrease) in cash and cash equivalents	472,882	(3,849)	4,992
Effects of exchange rate changes	(3,057)	21,351	8,024
Cash and cash equivalents, beginning of period	974,522	698,957	961,506
<b>Cash and cash equivalents, ending of period</b>	<b>1,444,347</b>	<b>716,459</b>	<b>974,522</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

November 11 2021