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Stock Code (1347)

News Release

Hua Hong Semiconductor Limited Reports 2021 Fourth Quarter Results

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

Hong Kong Special Administrative Region of the People's Republic of China – January 28, 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 December 31, 2021.

Fourth Quarter 2021 Highlights (Unaudited)

- Revenue hit an all-time high of US\$528.3 million, up 88.6% year over year and 17.0% above the prior quarter.
- Gross margin was 29.3%, 3.5 percentage points over 4Q 2020 and 2.2 percentage points above 3Q 2021.
- Net profit was US\$88.2 million, 212.8% over 4Q 2020 and 147.7% above 3Q 2021.
- Net profit attributable to shareholders of the parent company was US\$84.1 million, 92.9% over 4Q 2020 and 65.6% above 3Q 2021.
- Basic earnings per share was US\$0.065, US\$0.031 over 4Q 2020 and US\$0.026 above 3Q 2021.
- ROE (annualized) was 12.4%, 5.2 percentage points over 4Q 2020 and 4.8 percentage points above 3Q 2021.

First Quarter 2022 Guidance

- We expect revenue to be approximately US\$560 million.
- We expect gross margin to be in the range of 28% to 29%.

2021 Dividend Payout

- During the Annual General Meeting in May 2022, the Company shall decide on its dividend distribution plan for the accounting year 2021.

President's Message

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

"Hua Hong Semiconductor's performance in 4Q21 was admirable, breaking sales records for six consecutive quarters. 4Q21 revenue reached US\$528.3 million, an increase of 88.6% compared to 4Q20 and 17.0% compared to 3Q21. Net profit and annualized ROE both hit all-time highs. Gross profit margin steadily increased to 29.3%, 3.5 percentage points higher year-on-year and 2.2 percentage points higher quarter-on-quarter. Gross margin for the 8-inch Fabs reached 40.0% for the first time. These outstanding achievements are a new milestone and a successful conclusion to 2021.

In 2021, total monthly production capacity (8-inch wafer equivalent) increased by about 40% compared to 2020, and revenue increased by nearly 70% to US\$1.6308 billion. All segments saw double-digit growth, especially Flash and Power Discrete. In 2021, 12-inch wafer fab capacity expanded significantly with a corresponding increase in depreciation expense. Thanks to a steady increase in average selling price and a consistently high utilization rate, gross profit margin achieved an increase of 2.3 percentage points year-on-year, and net profit increased by more than four times compared to 2020. The Company was able to capitalize on market opportunities with its timely accelerated expansion. These encouraging results confirm our strategy and are the reward for our relentless pursuit of growth and profitability.

Looking forward to 2022, we will accelerate the pace of the expansion for our 12-inch production line to reach 94.5K monthly capacity. The extra capacity is expected to be released gradually in 4Q22. The Company will continue to seize market opportunities, further strengthen our positions in specialty technologies accumulated over the years, optimize our business structure, and offer more products in high value-added markets. I am confident that the Company will reach a new height in 2022!"

Webcast/Conference Call Announcement

Date: Friday, January 28, 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/ray8v7wb>

(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/5528609>

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: 5528609

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 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 60,000 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)

	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)	YoY Change	QoQ Change
Revenue	528,317	280,094	451,484	88.6 %	17.0 %
Cost of sales	(373,750)	(207,825)	(329,231)	79.8 %	13.5 %
Gross profit	154,567	72,269	122,253	113.9 %	26.4 %
Gross margin	29.3 %	25.8%	27.1 %	3.5	2.2
Operating expenses	(78,145)	(61,134)	(72,320)	27.8 %	8.1 %
Other income net	27,467	24,493	7,486	12.1 %	266.9 %
Profit before tax	103,889	35,628	57,419	191.6 %	80.9 %
Income tax expense	(15,661)	(7,421)	(21,801)	111.0 %	(28.2)%
Profit for the period	88,228	28,207	35,618	212.8 %	147.7%
Net profit margin	16.7 %	10.1 %	7.9 %	6.6	8.8
Attributable to:					
Owners of the parent	84,127	43,609	50,807	92.9 %	65.6 %
Non-controlling interests	4,101	(15,402)	(15,189)	(126.6)%	(127.0)%
Earnings per share attributable to owners of the parent					
Basic	0.065	0.034	0.039	91.2 %	66.7 %
Diluted	0.064	0.033	0.038	93.9 %	68.4 %
Wafers shipped (in thousands 8" equivalent wafers)	1,022	628	907	62.7 %	12.7 %
Capacity utilization ¹	105.4 %	99.0 %	110.9 %	6.4	(5.5)
ROE ²	12.4 %	7.2 %	7.6 %	5.2	4.8

Fourth Quarter 2021

- *Revenue* reached an all-time high of US\$528.3 million, 88.6% over the prior year and 17.0% above the prior quarter.
- *Cost of sales* was US\$373.8 million, 79.8% over 4Q 2020 and 13.5% above 3Q 2021, mainly due to increased wafer shipments.
- *Gross margin* was 29.3%, 3.5 percentage points over 4Q 2020 and 2.2 percentage points above 3Q 2021, mainly due to improved average selling price and product mix.
- *Operating expenses* were US\$78.1 million, 27.8% over 4Q 2020, mainly due to decreased government grants for research and development, partially offset by decreased engineering wafer costs, and 8.1% over 3Q 2021, mainly due to impairment provisions for PPE.
- *Other income net* was US\$27.5 million, 12.1% over 4Q 2020, primarily due to increased foreign exchange gains, partially offset by decreased share of profit of associates, and 266.9% over 3Q 2021, primarily due to foreign exchange gains versus foreign exchange losses in the previous period.
- *Income tax expense* was US\$15.7 million, 111.0% over 4Q 2020, primarily due to increased taxable profit from Hua Hong 8-inch fabs.
- *Profit for the period* was US\$88.2 million, 212.8% over 4Q 2020 and 147.7% above 3Q 2021.
- *Net profit attributable to shareholders of the parent company* was US\$84.1 million, 92.9% over 4Q 2020 and 65.6% above 3Q 2021.
- *Basic earnings per share* was US\$0.065, US\$0.031 over 4Q 2020 and US\$0.026 above 3Q 2021.
- *ROE (annualized)* was 12.4%, 5.2 percentage points over 4Q 2020 and 4.8 percentage points above 3Q 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)

	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)	YoY Change	QoQ Change
Hua Hong 8"					
Revenue	322,631	244,390	314,784	32.0 %	2.5 %
Gross profit	129,009	69,963	110,696	84.4 %	16.5 %
Gross margin	40.0 %	28.6 %	35.2 %	11.4	4.8
Operating expenses	(43,321)	(15,983)	(42,602)	171.0 %	1.7 %
Profit before tax	93,214	67,061	81,562	39.0 %	14.3 %
EBITDA	127,934	98,193	118,594	30.3 %	7.9 %
EBITDA margin	39.7 %	40.2 %	37.7 %	(0.5)	2.0
Wafers shipped (in thousands 8" wafers)	617	544	622	13.4 %	(0.8)%
Hua Hong Wuxi					
Revenue	205,686	35,704	136,700	476.1 %	50.5 %
Gross profit	25,558	2,306	11,557	1,008.3 %	121.1 %
Gross margin	12.4 %	6.5 %	8.5 %	5.9	3.9
Operating expenses	(34,824)	(45,151)	(29,718)	(22.9)%	17.2 %
Profit before tax	10,675	(31,433)	(24,143)	(134.0)%	(144.2)%
EBITDA	79,011	(4,426)	29,949	(1,885.2)%	163.8 %
EBITDA margin	38.4 %	(12.4)%	21.9 %	50.8	16.5
Wafers shipped (in thousands 8" equivalent wafers)	405	84	285	382.1 %	42.1 %

Hua Hong 8"

- Revenue was US\$322.6 million, 32.0% over 4Q 2020 and 2.5% above 3Q 2021.
- Gross margin was 40.0%, 11.4 percentage points over 4Q 2020 and 4.8 percentage points above 3Q 2021, primarily due to improved average selling price and product mix.
- Operating expenses were US\$43.3 million, 171.0% over 4Q 2020 primarily due to decreased government grants for research and development and increased labor expenses.
- Profit before tax was US\$93.2 million, 39.0 % over 4Q 2020 and 14.3% above 3Q 2021.

Hua Hong Wuxi

- Revenue was US\$205.7 million, 476.1% over 4Q 2020 and 50.5% above 3Q 2021.
- Gross margin was 12.4%, 3.9 percentage points above 3Q 2021, mainly due to improved average selling price.
- Operating expenses were US\$34.8 million, 22.9% lower than 4Q 2020, mainly due to decreased engineering wafer costs, partially offset by decreased government grants for research and development, and 17.2% above 3Q 2021, primarily due to increased R&D expenses.
- EBITDA was US\$79.0 million, 163.8% over 3Q 2021, mainly due to increased gross profit and foreign exchange gains versus foreign exchange losses in the previous period.

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

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

	2021 (Unaudited)	2020 (Audited)	YoY Change
Revenue	1,630,754	961,279	69.6 %
Cost of sales	(1,196,106)	(726,486)	64.6 %
Gross profit	434,648	234,793	85.1 %
Gross margin	26.7 %	24.4 %	2.3
Operating expenses	(255,872)	(269,308)	(5.0)%
Other income net	53,970	80,592	(33.0)%
Profit before tax	232,746	46,077	405.1 %
Income tax expense	(50,797)	(12,762)	298.0 %
Profit for the year	181,949	33,315	446.1 %
Net profit margin	11.2 %	3.5 %	7.7
Attributable to:			
Owners of the parent	212,075	99,443	113.3 %
Non-controlling interests	(30,126)	(66,128)	(54.4)%
Earnings per share attributable to owners of the parent			
Basic	0.163	0.077	111.7 %
Diluted	0.161	0.076	111.8 %
Wafers shipped (in thousands 8" equivalent wafers)	3,328	2,191	51.9 %
Capacity utilization ⁴	107.5 %	92.7 %	14.8
ROE ⁵	7.9 %	4.2 %	3.7

Full Year 2021

- Revenue was US\$1,630.8 million, an all-time high and an increase of 69.6% over the prior year.
- Cost of sales was US\$1,196.1 million, 64.6% over 2020, primarily due to increased wafer shipments and increased depreciation costs.
- Gross margin was 26.7%, 2.3 percentage points over 2020, mainly due to improved average selling price, capacity utilization, and product mix, partially offset by increased depreciation expenses.
- Operating expenses were US\$255.9 million, 5.0% lower than 2020, largely due to decreased engineering wafer costs, partially offset by decreased government grants for research and development and increased labor expenses.
- Other income net was US\$54.0 million, 33.0% lower than 2020, primarily due to decreased share of profit of an associate and increased finance costs, partially offset by increased foreign exchange gains.
- Net profit was US\$181.9 million, 446.1% over 2020.
- Net profit attributable to shareholders of the parent company was US\$212.1 million, 113.3% over 2020.
- Basic earnings per share was US\$0.163, US\$0.086 over 2020.
- ROE was 7.9%, 3.7 percentage points over 2020.

⁴The capacity utilization is calculated based on average monthly equivalent wafers output divided by total estimated monthly capacity.

⁵Profit attributable to owners of the parent / weighted average net assets attributable to owners of the parent.

Operating Results by Segment⁶
(Amounts in US\$ thousands, except for operating data)

	2021 (Unaudited)	2020 (Unaudited)	YoY Change
Hua Hong 8"			
Revenue	1,149,586	897,202	28.1 %
Gross profit	390,761	236,272	65.4 %
Gross margin	34.0 %	26.3 %	7.7
Operating expenses	(139,286)	(102,214)	36.3 %
Profit before tax	285,067	181,031	57.5 %
EBITDA	433,405	312,635	38.6 %
<i>EBITDA margin</i>	37.7 %	34.8 %	2.9
Wafers shipped (in thousands 8" wafers)	2,326	2,042	13.9 %
Hua Hong Wuxi			
Revenue	481,168	64,077	650.9 %
Gross profit	43,887	(1,479)	(3,067.3)%
Gross margin	9.1 %	(2.3)%	11.4
Operating expenses	(116,586)	(167,094)	(30.2)%
Profit before tax	(52,321)	(134,954)	(61.2)%
EBITDA	148,511	(57,236)	(359.5)%
<i>EBITDA margin</i>	30.9 %	(89.3)%	120.2
Wafers shipped (in thousands 8" equivalent wafers)	1,002	149	572.5 %

Hua Hong 8"

- Revenue was US\$1,149.6 million, 28.1% over 2020.
- Gross margin was 34.0%, 7.7 percentage points over 2020, mainly due to increased average selling price, improved capacity utilization, and product mix.
- Operating expenses were US\$139.3 million, 36.3% over 2020, primarily due to increased labor expenses and decreased government grants for research and development.
- Profit before tax was US\$285.1 million, 57.5% over 2020.

Hua Hong Wuxi

- Revenue was US\$481.2 million, 650.9% over 2020.
- Gross margin was 9.1%, 11.4 percentage points over 2020, largely due to a swift ramp up, improved capacity utilization and average selling price.
- Operating expenses were US\$116.6 million, 30.2% below 2020, primarily due to decreased engineering wafer costs and depreciation expenses.
- EBITDA was US\$148.5 million, versus minus US\$57.2 million in 2020.

⁶ The operating results of each operating segment are figures after netting of inter-segment elimination.

Analysis of Revenue

Revenue by service type	4Q 2021 US\$000 (Unaudited)	4Q 2021 % (Unaudited)	4Q 2020 US\$000 (Unaudited)	4Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	507,184	96.0 %	270,197	96.5 %	236,987	87.7 %
Others	21,133	4.0 %	9,897	3.5 %	11,236	113.5 %
Total revenue	528,317	100.0 %	280,094	100.0 %	248,223	88.6 %

- 96.0% of total revenue was derived from the sale of semiconductor wafers in 4Q 2021.

Analysis of Revenue

Revenue by wafer size	4Q 2021 US\$000 (Unaudited)	4Q 2021 % (Unaudited)	4Q 2020 US\$000 (Unaudited)	4Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	322,631	61.1 %	244,390	87.3 %	78,241	32.0 %
12" wafers	205,686	38.9 %	35,704	12.7 %	169,982	476.1 %
Total revenue	528,317	100.0 %	280,094	100.0 %	248,223	88.6 %

- Revenues from 8" wafers and 12" wafers were US\$322.6 million and US\$205.7 million, respectively, in 4Q 2021.

Analysis of Revenue

Revenue by geography	4Q 2021 US\$000 (Unaudited)	4Q 2021 % (Unaudited)	4Q 2020 US\$000 (Unaudited)	4Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
China ⁷	398,900	75.5 %	197,056	70.4 %	201,844	102.4 %
United States ⁸	53,520	10.1 %	28,377	10.1 %	25,143	88.6 %
Asia ⁹	50,505	9.6 %	33,573	12.0 %	16,932	50.4 %
Europe	18,612	3.5 %	14,407	5.1 %	4,205	29.2 %
Japan ¹⁰	6,780	1.3 %	6,681	2.4 %	99	1.5 %
Total revenue	528,317	100.0 %	280,094	100.0 %	248,223	88.6 %

- *Revenue from China* was US\$398.9 million, contributing 75.5% of total revenue and an increase of 102.4% over 4Q 2020, mainly due to increased demand for all technology platforms.
- *Revenue from United States* was US\$53.5 million, an increase of 88.6% over 4Q 2020, mainly due to increased demand for other PMIC products.
- *Revenue from Asia* was US\$50.5 million, an increase of 50.4% over 4Q 2020, mainly due to increased demand for general MOSFET, MCU, and logic products.
- *Revenue from Europe* was US\$18.6 million, an increase of 29.2% compared to 4Q 2020, mainly due to increased demand for general MOSFET product, partially offset by decreased shipments for smart card ICs.
- *Revenue from Japan* was US\$6.8 million, flat compared to 4Q 2020.

⁷Includes Hong Kong.

⁸Includes a major customer in US that was acquired by an Europe headquartered company in 2020.

⁹Excludes China and Japan.

¹⁰Includes a major customer in Japan that was acquired by a U.S. headquartered company in 2013.

Analysis of Revenue

Revenue by technology platform	4Q 2021 US\$000 (Unaudited)	4Q 2021 % (Unaudited)	4Q 2020 US\$000 (Unaudited)	4Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
eNVM	134,508	25.5 %	97,041	34.7 %	37,467	38.6 %
Standalone NVM	39,013	7.4 %	2,912	1.0 %	36,101	1,239.7 %
Discrete	175,512	33.2 %	94,229	33.6 %	81,283	86.3 %
Logic & RF	85,114	16.1 %	45,894	16.4 %	39,220	85.5 %
Analog & PM	93,640	17.7 %	39,509	14.1 %	54,131	137.0 %
Others	530	0.1 %	509	0.2 %	21	4.1 %
Total revenue	528,317	100.0 %	280,094	100.0 %	248,223	88.6 %

- *Revenue from eNVM* was US\$134.5 million, an increase of 38.6% over 4Q 2020, mainly due to increased demand for MCU and smart card ICs.
- *Revenue from Standalone NVM* was US\$39.0 million, an increase of 1,239.7% over 4Q 2020, primarily due to increased demand for NOR flash products.
- *Revenue from discrete* was US\$175.5 million, an increase of 86.3% over 4Q 2020, mainly due to increased demand for general MOSFET, IGBT, and super junction products.
- *Revenue from logic & RF* was US\$85.1 million, an increase of 85.5% over 4Q 2020, mainly due to increased demand for logic and CIS products.
- *Revenue from analog & power management* was US\$93.6 million, an increase of 137.0% over 4Q 2020, mainly due to increased demand for other PMIC products.

Analysis of Revenue

Revenue by process technology node	4Q 2021 US\$000 (Unaudited)	4Q 2021 % (Unaudited)	4Q 2020 US\$000 (Unaudited)	4Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	74,490	14.1 %	3,388	1.2 %	71,102	2,098.6 %
90nm & 95nm	103,522	19.6 %	43,430	15.5 %	60,092	138.4 %
0.11μm & 0.13μm	84,414	16.0 %	63,303	22.6 %	21,111	33.3 %
0.15μm & 0.18μm	44,880	8.5 %	37,805	13.5 %	7,075	18.7 %
0.25μm	4,336	0.8 %	4,211	1.5 %	125	3.0 %
≥0.35μm	216,675	41.0 %	127,957	45.7 %	88,718	69.3 %
Total revenue	528,317	100.0 %	280,094	100.0 %	248,223	88.6 %

- Revenue from the 55nm & 65nm technology nodes was US\$74.5 million, an increase of 2,098.6% over 4Q 2020, mainly due to NOR flash, logic, and CIS products.
- Revenue from the 90nm & 95nm technology nodes was US\$103.5 million, an increase of 138.4% over 4Q 2020, mainly due to increased demand for other PMIC, MCU, smart card ICs, and NOR flash products.
- Revenue from the 0.11μm & 0.13μm technology nodes was US\$84.4 million, an increase of 33.3% over 4Q 2020, mainly due to increased demand for MCU and logic products.
- Revenue from the 0.15μm & 0.18μm technology nodes was US\$44.9 million, an increase of 18.7% over 4Q 2020, mainly due to increased demand for other PMIC and logic products.
- Revenue from the 0.25μm technology node was US\$4.3 million, an increase of 3.0% over 4Q 2020, primarily due to increased demand for general MOSFET products.
- Revenue from the 0.35μm and above technology nodes was US\$216.7 million, an increase of 69.3% over 4Q 2020, mainly due to increased demand for general MOSFET, IGBT, super junction, and other PMIC products.

Analysis of Revenue						
Revenue by end market distribution	4Q 2021 US\$000 (Unaudited)	4Q 2021 % (Unaudited)	4Q 2020 US\$000 (Unaudited)	4Q 2020 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	349,050	66.1 %	176,387	63.0 %	172,663	97.9 %
Industrial & automotive	99,913	18.9 %	47,401	16.9 %	52,512	110.8 %
Communications	60,250	11.4 %	46,487	16.6 %	13,763	29.6 %
Computing	19,104	3.6 %	9,819	3.5 %	9,285	94.6 %
Total revenue	528,317	100.0 %	280,094	100.0 %	248,223	88.6 %

- Revenue from consumer electronics, our largest end market segment, contributed US\$349.1 million, reaching 66.1% of total revenue, an increase of 97.9% over 4Q 2020, mainly due to increased demand for all technology platforms.
- Revenue from industrial & automotive was US\$99.9 million, an increase of 110.8% over 4Q 2020, mainly due to increased demand for MCU, IGBT, general MOSFET, and smart card ICs.
- Revenue from communications was US\$60.3 million, an increase of 29.6% over 4Q 2020, mainly due to increased demand for CIS and RF products.
- Revenue from computing was US\$19.1 million, an increase of 94.6% over 4Q 2020, mainly due to increased demand for general MOSFET products.

Capacity¹¹ and Capacity Utilization

Fab (in thousands wafers per month)	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)
Fab 1 (200mm)	65	65	65
Fab 2 (200mm)	60	60	60
Fab 3 (200mm)	53	53	53
Fab 7 (300mm)	60	20	53
Total 8" equivalent wafers	313	223	297
Capacity utilization (200mm)	107.5%	104.4%	112.3%
Capacity utilization (300mm)	102.5%	75.5%	108.7%
Overall capacity utilization	105.4%	99.0%	110.9%

- Monthly capacity was 313,000 8-inch equivalent wafers at the end of 4Q 2021. Overall capacity utilization was 105.4% in 4Q 2021, 5.5 percentage points lower than 3Q 2021 due to annual maintenance for two of our fabs.

¹¹ 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	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	1,022	628	907	62.7 %	12.7 %

- *Wafer shipments* were 1,022,000, an increase of 62.7% year over year and 12.7% quarter over quarter.

Operating Expenses Analysis

Amounts in US\$ thousands	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	3,158	2,331	2,907	35.5 %	8.6 %
Administrative expenses ¹²	74,987	58,803	69,413	27.5 %	8.0 %
Operating expenses	78,145	61,134	72,320	27.8 %	8.1 %

- *Operating expenses* were US\$78.1 million, 27.8% over 4Q 2020, mainly due to decreased government grants for research and development, partially offset by decreased engineering wafer costs, and 8.1% over 3Q 2021, mainly due to impairment provisions for PPE.

Other Income Net Analysis

Amounts in US\$ thousands	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)	YoY Change	QoQ Change
Rental income	3,614	3,362	3,649	7.5 %	(1.0)%
Interest income	3,441	2,604	3,411	32.1 %	0.9 %
Foreign exchange gains / (losses)	21,619	11,583	(3,456)	86.6 %	(725.5)%
Share of profit of associates	2,436	12,803	1,393	(81.0)%	74.9 %
Finance costs	(5,201)	(1,771)	(3,175)	193.7 %	63.8 %
Government subsidies	685	(4,597)	5,542	(114.9)%	(87.6)%
Others	873	509	122	71.5 %	615.6 %
Other income net	27,467	24,493	7,486	12.1 %	266.9 %

- *Other income net* was US\$27.5 million, 12.1% over 4Q 2020, primarily due to increased foreign exchange gains, partially offset by decreased share of profit of associates, and 266.9% over 3Q 2021, primarily due to foreign exchange gains versus foreign exchange losses in the previous period.

¹² Administrative expenses include government grants recognized as an offset item.

Cash Flow Analysis

Amounts in US\$ thousands	4Q 2021 (Unaudited)	4Q 2020 (Unaudited)	3Q 2021 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	224,542	84,492	151,709	165.8 %	48.0 %
Net cash flows used in investing activities	(314,782)	(223,167)	(263,768)	41.1 %	19.3 %
Net cash flows generated from financing activities	242,187	319,899	584,941	(24.3)%	(58.6)%
Effect of exchange rate changes	13,846	25,103	(3,057)	(44.8)%	(552.9)%
Net change in cash	165,793	206,327	469,825	(19.6)%	(64.7)%

- *Net cash flows generated from operating activities* was US\$224.5 million, 165.8% over 4Q 2020, primarily due to increased revenue, partially offset by increased payments for materials and payrolls.
- *Net cash flows used in investing activities* was US\$314.8 million, including US\$382.2 million of investment in fixed and intangible assets, partially offset by US\$65.8 million of receipts of government grants for equipment and US\$1.6 million of interest income.
- *Net cash flows generated from financing activities* was US\$242.2 million, including US\$275.0 million proceeds from bank borrowings and US\$0.4 million proceeds from share option exercises, partially offset by US\$26.1 million of repayment of bank borrowings, US\$6.5 million of interest expenses for bank borrowings, and US\$0.6 million of lease payments.

Capital Structure

Amounts in US\$ thousands	31-Dec-2021 (Unaudited)	30-Sep-2021 (Unaudited)
Total assets	6,203,399	5,874,595
Total liabilities	2,567,609	2,388,955
Total equity	3,635,790	3,485,640
<i>Debt ratio</i> ¹³	41.4%	40.7%

Capital Expenditures

Amounts in US\$ thousands	4Q 2021 (Unaudited)	3Q 2021 (Unaudited)
Hua Hong 8"	29,779	28,243
Hua Hong Wuxi	352,457	224,540
Total	382,236	252,783

- *Capital expenditures* were US\$382.2 million in 4Q 2021, including US\$352.5 million for the Wuxi fab.

¹³ Debt ratio is calculated based on total liabilities / total assets.

Liquidity

Amounts in US\$ thousands	31-Dec-2021 (Unaudited)	30-Sep-2021 (Unaudited)
Properties under development	114,492	107,830
Inventories	433,706	395,788
Trade and notes receivables	181,315	159,026
Prepayments, other receivables and other assets	43,443	54,463
Due from related parties	6,910	6,987
Restricted and time deposits	2,248	361
Cash and cash equivalents	1,610,140	1,444,347
Total current assets	2,392,254	2,168,802
Trade payables	194,385	159,025
Other payables and accruals	560,435	683,763
Interest-bearing bank borrowings	195,024	181,341
Lease liabilities	1,676	1,794
Government grants	136,391	119,456
Due to related parties	7,501	12,007
Income tax payable	44,845	34,577
Total current liabilities	1,140,257	1,191,963
Net working capital	1,251,997	976,839
Quick ratio	1.7x	1.5x
Current ratio	2.1x	1.8x
Trade and notes receivables turnover days	29	27
Inventories turnover days	100	103

- *Inventories* increased from US\$395.8 million on 30 September 2021 to US\$433.7 million on 31 December 2021, mainly due to increased customer demand.
- *Trade and notes receivables* increased from US\$159.0 million on 30 September 2021 to US\$181.3 million on 31 December 2021, mainly due to increased revenue.
- *Prepayments, other receivables, and other assets* decreased from US\$54.5 million on 30 September 2021 to US\$43.4 million on 31 December 2021, primarily due to decreased VAT refund receivables.
- *Trade payables* increased from US\$159.0 million on 30 September 2021 to US\$194.4 million on 31 December 2021, primarily due to increased payables to suppliers.
- *Other payables and accruals* decreased from US\$683.8 million on 30 September 2021 to US\$560.4 million on 31 December 2021, mainly due to decreased payables for capital expenditures.
- *Government grants* increased from US\$119.5 million on 30 September 2021 to US\$136.4 million on 31 December 2021, due to receipts of government funding.
- *Income tax payable* increased from US\$34.6 million on 30 September 2021 to US\$44.8 million on 31 December 2021, mainly due to accrued income tax for the period.
- On 31 December 2021, *net working capital* was US\$1,252.0 million and the *current ratio* was 2.1.
- *Trade and notes receivables turnover days* were 29.
- *Inventories turnover days* were 100.

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

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

	For the Three Months Ended		
	31-Dec-2021 (Unaudited)	31-Dec-2020 (Unaudited)	30-Sep-2021 (Unaudited)
Revenue	528,317	280,094	451,484
Cost of sales	(373,750)	(207,825)	(329,231)
Gross profit	154,567	72,269	122,253
Other income and gains	30,049	13,266	12,791
Fair value gain on an investment property	183	198	-
Selling and distribution expenses	(3,158)	(2,331)	(2,907)
Administrative expenses	(74,987)	(58,803)	(69,413)
Other expenses	-	(3)	(3,523)
Finance costs	(5,201)	(1,771)	(3,175)
Share of profit of associates	2,436	12,803	1,393
Profit before tax	103,889	35,628	57,419
Income tax expense	(15,661)	(7,421)	(21,801)
Profit for the period	88,228	28,207	35,618
Attributable to:			
Owners of the parent	84,127	43,609	50,807
Non-controlling interests	4,101	(15,402)	(15,189)
Earnings per share attributable to owners of parent			
Basic	0.065	0.034	0.039
Diluted	0.064	0.033	0.038
Shares used in calculating basic earnings per share attributable to owners of parent	1,300,675,399	1,295,965,426	1,300,378,175
Shares used in calculating diluted earnings per share attributable to owners of parent	1,320,444,781	1,319,737,426	1,324,812,751

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

	For the Year Ended	
	31-Dec-2021 (Unaudited)	31-Dec-2020 (Audited)
Revenue	1,630,754	961,279
Cost of sales	(1,196,106)	(726,486)
Gross profit	434,648	234,793
Other income and gains	60,617	57,313
Fair value gain on an investment property	183	198
Selling and distribution expenses	(10,673)	(8,169)
Administrative expenses	(245,199)	(261,139)
Other expenses	(165)	(10)
Finance costs	(13,430)	(2,968)
Share of profit of associates	6,765	26,059
Profit before tax	232,746	46,077
Income tax expense	(50,797)	(12,762)
Profit for the year	181,949	33,315
Attributable to:		
Owners of the parent	212,075	99,443
Non-controlling interests	(30,126)	(66,128)
Earnings per share attributable to owners of parent		
Basic	0.163	0.077
Diluted	0.161	0.076
Shares used in calculating basic earnings per share attributable to owners of parent	1,300,169,098	1,293,227,187
Shares used in calculating diluted earnings per share attributable to owners of parent	1,320,165,735	1,310,613,187

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

	As of		
	31-Dec-2021 (Unaudited)	30-Sep-2021 (Unaudited)	31-Dec-2020 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3,116,501	3,026,016	2,510,442
Investment property	184,883	181,576	180,476
Right-of-use assets	75,331	75,334	79,221
Intangible assets	35,312	33,640	36,947
Investment in associates	122,040	117,579	105,218
Equity instruments designated at fair value through other comprehensive income	258,119	250,395	230,265
Long term prepayment	15,573	10,429	10,768
Due from related parties	-	-	26
Deferred tax assets	3,386	10,824	8,965
Total non-current assets	3,811,145	3,705,793	3,162,328
CURRENT ASSETS			
Properties under development	114,492	107,830	-
Inventories	433,706	395,788	226,476
Trade and notes receivables	181,315	159,026	120,952
Prepayments, other receivables and other assets	43,443	54,463	130,979
Due from related parties	6,910	6,987	4,706
Restricted and time deposits	2,248	361	359
Cash and cash equivalents	1,610,140	1,444,347	922,786
Total current assets	2,392,254	2,168,802	1,406,258
CURRENT LIABILITIES			
Trade payables	194,385	159,025	130,980
Other payables and accruals	560,435	683,763	386,305
Interest-bearing bank borrowings	195,024	181,341	47,784
Lease liabilities	1,676	1,794	4,235
Government grants	136,391	119,456	58,926
Due to related parties	7,501	12,007	12,647
Income tax payable	44,845	34,577	24,171
Total current liabilities	1,140,257	1,191,963	665,048
NET CURRENT ASSETS	1,251,997	976,839	741,210
TOTAL ASSETS LESS CURRENT LIABILITIES	5,063,142	4,682,632	3,903,538
Non-current liabilities			
Interest-bearing bank borrowings	1,390,381	1,158,994	518,391
Lease liabilities	16,137	16,131	17,405
Deferred tax liabilities	20,834	21,867	13,621
Total non-current liabilities	1,427,352	1,196,992	549,417
Net assets	3,635,790	3,485,640	3,354,121
Equity and liabilities capital and reserves			
Share capital	1,986,152	1,984,658	1,979,033
Reserves	835,071	704,114	549,409
Equity attributable to the owners of the company	2,821,223	2,688,772	2,528,442
Non-controlling interests	814,567	796,868	825,679
Total equity	3,635,790	3,485,640	3,354,121

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

	For the Three Months Ended		
	31-Dec-2021 (Unaudited)	31-Dec-2020 (Unaudited)	30-Sep-2021 (Unaudited)
Cash flows from operating activities:			
Profit before tax	103,889	35,628	57,419
Depreciation and amortization	97,855	56,368	87,955
Share of profit of associates	(2,436)	(12,803)	(1,393)
Changes in working capital and others	25,234	5,299	7,728
Net cash flows generated from operating activities	224,542	84,492	151,709
Cash flows from investing activities:			
Payments for property, plant and equipment and intangible assets	(382,236)	(305,048)	(252,783)
Receipt of government grants of property, plant and equipment	65,856	80,136	-
Investment in an associate	-	-	(5,921)
Investment in an equity instrument	-	-	(6,290)
Other cash flow generated from investing activities	1,598	1,745	1,226
Net cash flows used in investing activities	(314,782)	(223,167)	(263,768)
Cash flows from financing activities:			
Proceeds from bank borrowings	275,021	673,747	604,986
Proceeds from issue of shares	410	602	360
Repayment of bank borrowings	(26,099)	(352,299)	(19,439)
Payment of lease liabilities	(632)	(524)	(710)
Interest paid	(6,513)	(1,627)	(256)
Net cash flows generated from financing activities	242,187	319,899	584,941
Net increase in cash and cash equivalents	151,947	181,224	472,882
Effects of exchange rate changes	13,846	25,103	(3,057)
Cash and cash equivalents, beginning of period	1,444,347	716,459	974,522
Cash and cash equivalents, ending of period	1,610,140	922,786	1,444,347

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

	For the Year Ended	
	31-Dec-2021 (Unaudited)	31-Dec-2020 (Audited)
Cash flows from operating activities:		
Profit before tax	232,746	46,077
Depreciation and amortization	335,754	206,354
Share of profit of associates	(6,765)	(26,059)
Changes in working capital and others	(25,526)	42,738
Net cash flows generated from operating activities	536,209	269,110
Cash flows from investing activities:		
Payments for property, plant and equipment and intangible assets	(938,911)	(1,087,257)
Receipt of government grants of property, plant and equipment	65,856	80,136
Investment in an associate	(7,405)	-
Investment in an equity instrument	(6,290)	-
Other cash flow generated from investing activities	5,953	601,460
Net cash flows used in investing activities	(880,797)	(405,661)
Cash flows from financing activities:		
Proceeds from bank borrowings	1,070,805	893,186
Proceeds from issue of shares	7,419	8,177
Repayment of bank borrowings	(47,860)	(354,418)
Payment of lease liabilities	(4,878)	(4,661)
Interest paid	(10,846)	(1,857)
Net cash flows generated from financing activities	1,014,640	540,427
Net increase in cash and cash equivalents	670,052	403,876
Effects of exchange rate changes	17,302	42,624
Cash and cash equivalents, beginning of year	922,786	476,286
Cash and cash equivalents, ending of year	1,610,140	922,786

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

January 28, 2022