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Stock Code (01347)

## News Release

### Hua Hong Semiconductor Limited Reports 2023 Second Quarter Results

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

Hong Kong Special Administrative Region of the People's Republic of China – August 10, 2023.

Hua Hong Semiconductor Limited (SEHK: 01347; SSE STAR MARKET: 688347) (the “Company”), a global, leading pure-play foundry, today announced its consolidated operational results for the quarter ending June 30, 2023.

#### Second Quarter 2023 Highlights (Unaudited)

- Revenue reached US\$631.4 million, up 1.7% over a year ago and flat to prior quarter.
- Gross margin was 27.7%, 5.9 percentage points lower than 2Q 2022 and 4.4 percentage points lower than 1Q 2023.
- Net profit was US\$7.8 million, compared to US\$53.2 million in 2Q 2022 and US\$140.9 million in 1Q 2023.
- Net profit attributable to shareholders of the parent company was US\$78.5 million, compared to US\$83.9 million in 2Q 2022 and US\$152.2 million in 1Q 2023.
- Basic earnings per share was US\$0.060, compared to US\$0.064 in 2Q 2022 and US\$0.116 in 1Q 2023.
- ROE (annualized) was 10.0%, compared to 11.5% in 2Q 2022 and 19.6% in 1Q 2023.

#### Third Quarter 2023 Guidance

- We expect revenue to be approximately US\$560 million to US\$600 million.
- We expect gross margin to be in the range of 16% to 18%.

## **President's Message**

Mr. Junjun Tang, President and Executive Director of the Company, commented on the 2Q23 results:

"Despite the fact that the semiconductor market has not yet recovered from the downward cycle, Hua Hong Semiconductor weathered the storm in 2Q23 and delivered a remarkable performance. By the end of the second quarter, the Company's 8-inch equivalent monthly production capacity increased to 347,000 wafers. Leveraging our technology capabilities and business scale in diversified specialty technology platforms, the Company's four production lines remained fully utilized. Second quarter revenue was \$631.4 million, up 1.7% year over year and flat quarter over quarter. Gross margin was 27.7%, exceeding our previously announced guidance, down 5.9 percentage points year-over-year and 4.4 percentage points quarter over quarter, primarily due to higher depreciation and utility costs and a lower average selling price. "

Mr. Tang continued, "On August 7, 2023, Hua Hong Semiconductor successfully completed its initial public offering (IPO) of A shares on the STAR market, raising more than RMB20 billion, demonstrating the recognition and support of investors and fueling our rapid growth in the future. As the world's leading specialty technology foundry, the Company will continue to optimize specialty technologies, further consolidate our leading position, and reward investors with even better performance."

## Webcast/Conference Call Announcement

**Date:** Thursday, August 10, 2023

**Time:** 17:00 Hong Kong/Shanghai Time  
05:00 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/xt2h7nk5>

(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/BI2d5948dcd4c3466bac73a8f562322cea>

**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](http://www.huahonggrace.com/html/investor_webcast.php)

## About the Company

Hua Hong Semiconductor Limited (Stock Code: 688347.SH/ 01347.HK) (the "Company") is a global leading pure-play foundry with specialty technologies which offers a diverse array of wafer foundry and supporting services to its customers, implementing "8-inch + 12-inch" and advanced "Specialty IC + Power Discrete" development strategies. The Company focuses on continuous innovation of "8-inch + 12-inch" specialty technologies, including embedded/standalone non-volatile memory (NVM), power discrete, analog & power management, and logic & RF, supporting applications in emerging areas, such as new energy vehicles, green energy, and the Internet of Things. Of special note is the Company's outstanding quality control system that satisfies the strict requirements of automotive chip manufacturing. The Company is a member of the Hua Hong Group, which is an industrial group in China that owns mainstream "8-inch + 12-inch" advanced IC manufacturing process technologies.

The Company has built three 8-inch wafer fabrication facilities (HH Fab1, HH Fab2, and HH Fab3) in Shanghai Jinqiao and Shanghai Zhangjiang, with a total monthly 8-inch capacity of approximately 180,000 wafers. The Company has built a 12-inch wafer fabrication facility (HH Fab7) in Wuxi National Hi-Tech District with a current monthly capacity of 75,000 wafers, which is a global leading 12-inch production line devoted to specialty processes and is also the world's first 12-inch power semiconductor foundry. The Hua Hong Wuxi Phase-II project for the new 12-inch IC production line (HH Fab9) is now under construction.

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

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

	2Q 2023 (Unaudited)	2Q 2022 (Unaudited)	1Q 2023 (Unaudited)	YoY Change	QoQ Change
Revenue	631,381	620,823	630,842	1.7 %	0.1 %
<b>Gross profit</b>	<b>175,056</b>	<b>208,870</b>	<b>202,197</b>	<b>(16.2)%</b>	<b>(13.4)%</b>
<b>Gross margin</b>	<b>27.7 %</b>	<b>33.6 %</b>	<b>32.1 %</b>	<b>(5.9)</b>	<b>(4.4)</b>
Operating expenses	(76,668)	(70,676)	(76,261)	8.5 %	0.5 %
Other (loss) / income net	(54,709)	(56,675)	6,066	(3.5)%	(1,001.9)%
<b>Profit before tax</b>	<b>43,679</b>	<b>81,519</b>	<b>132,002</b>	<b>(46.4)%</b>	<b>(66.9)%</b>
Income tax (expense) / credit	(35,845)	(28,272)	8,900	26.8 %	(502.8)%
<b>Profit for the period</b>	<b>7,834</b>	<b>53,247</b>	<b>140,902</b>	<b>(85.3)%</b>	<b>(94.4)%</b>
<b>Net profit margin</b>	<b>1.2 %</b>	<b>8.6 %</b>	<b>22.3 %</b>	<b>(7.4)</b>	<b>(21.1)</b>
Attributable to:					
Owners of the parent	78,524	83,933	152,234	(6.4)%	(48.4)%
Non-controlling interests	(70,690)	(30,686)	(11,332)	130.4 %	523.8 %
Earnings per share attributable to owners of the parent					
Basic	0.060	0.064	0.116	(6.3)%	(48.3)%
Diluted	0.060	0.064	0.115	(6.3)%	(47.8)%
Wafers shipped (in thousands 8" equivalent wafers)	1,074	1,036	1,001	3.7 %	7.3 %
Capacity utilization <sup>1</sup>	102.7 %	109.7 %	103.5 %	(7.0)	(0.8)
ROE <sup>2</sup>	10.0 %	11.5 %	19.6 %	(1.5)	(9.6)

### **Second Quarter 2023**

- *Revenue* reached US\$631.4 million, up 1.7% over a year ago and flat to prior quarter.
- *Gross margin* was 27.7%, 5.9 percentage points lower than 2Q 2022, primarily due to decreased average selling price, increased depreciation and utility costs, and 4.4 percentage points lower than 1Q 2023, primarily due to decreased average selling price.
- *Operating expenses* were US\$76.7 million, 8.5% over 2Q 2022 mainly due to increased engineering wafer costs, and flat to 1Q 2023.
- *Other loss net* was US\$54.7 million, 3.5% lower than 2Q 2022, mainly due to increased government subsidies and interest income, partially offset by increased finance costs and foreign exchange losses. There was an other income net gain of US\$6.1 million in 1Q 2023, mainly due to large foreign exchange losses in 2Q 2023 versus foreign exchange gains in 1Q 2023.
- *Income tax expense* was US\$35.8 million, 26.8% above 2Q 2022, primarily due to increased taxable income. There was an income tax credit of US\$8.9 million in 1Q 2023, mainly due to a reversal of dividend withholding tax accrued for the prior year.
- *Profit for the period* was US\$7.8 million, compared to US\$53.2 million in 2Q 2022 and US\$140.9 million in 1Q 2023.
- *Net profit attributable to shareholders of the parent* company was US\$78.5 million, compared to US\$83.9 million in 2Q 2022 and US\$152.2 million in 1Q 2023.
- *Basic earnings per share* was US\$0.060, compared to US\$0.064 in 2Q 2022 and US\$0.116 in 1Q 2023.
- *ROE (annualized)* was 10.0%, compared to 11.5% in 2Q 2022 and 19.6% in 1Q 2023.

<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.

#### Analysis of Revenue

Revenue by service type	2Q 2023 US\$000 (Unaudited)	2Q 2023 % (Unaudited)	2Q 2022 US\$000 (Unaudited)	2Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	600,950	95.2 %	600,865	96.8 %	85	0.0 %
Others	30,431	4.8 %	19,958	3.2 %	10,473	52.5 %
<b>Total revenue</b>	<b>631,381</b>	<b>100.0 %</b>	<b>620,823</b>	<b>100.0 %</b>	<b>10,558</b>	<b>1.7 %</b>

- 95.2% of total revenue was derived from the sale of semiconductor wafers in 2Q 2023.

#### Analysis of Revenue

Revenue by wafer size	2Q 2023 US\$000 (Unaudited)	2Q 2023 % (Unaudited)	2Q 2022 US\$000 (Unaudited)	2Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	361,237	57.2 %	353,990	57.0 %	7,247	2.0 %
12" wafers	270,144	42.8 %	266,833	43.0 %	3,311	1.2 %
<b>Total revenue</b>	<b>631,381</b>	<b>100.0 %</b>	<b>620,823</b>	<b>100.0 %</b>	<b>10,558</b>	<b>1.7 %</b>

- Revenues from 8" wafers and 12" wafers were US\$361.2 million and US\$270.1 million, respectively, in 2Q 2023.

### Analysis of Revenue

Revenue by geography	2Q 2023 US\$000 (Unaudited)	2Q 2023 % (Unaudited)	2Q 2022 US\$000 (Unaudited)	2Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
China <sup>3</sup>	489,269	77.5 %	450,449	72.6 %	38,820	8.6 %
North America <sup>4</sup>	48,547	7.7 %	73,213	11.8 %	(24,666)	(33.7)%
Asia <sup>5</sup>	45,186	7.2 %	57,937	9.3 %	(12,751)	(22.0)%
Europe	39,965	6.3 %	28,617	4.6 %	11,348	39.7 %
Japan <sup>6</sup>	8,414	1.3 %	10,607	1.7 %	(2,193)	(20.7)%
<b>Total revenue</b>	<b>631,381</b>	<b>100.0 %</b>	<b>620,823</b>	<b>100.0 %</b>	<b>10,558</b>	<b>1.7 %</b>

- *Revenue from China* was US\$489.3 million, contributing 77.5% of total revenue and an increase of 8.6% over 2Q 2022, mainly due to increased demand for IGBT, MCU, and super junction products, partially offset by decreased demand for NOR flash, CIS and other PMIC products.
- *Revenue from North America* was US\$48.5 million, a decrease of 33.7% compared to 2Q 2022, mainly due to decreased demand for other PMIC and MCU products.
- *Revenue from Asia* was US\$45.2 million, a decrease of 22.0% compared to 2Q 2022, mainly due to decreased demand for logic, general MOSFET, and other PMIC products.
- *Revenue from Europe* was US\$40.0 million, an increase of 39.7% over 2Q 2022, mainly due to increased demand for smart card ICs and IGBT products.
- *Revenue from Japan* was US\$8.4 million, a decrease of 20.7% over 2Q 2022, primarily due to decreased demand for MCU products.

<sup>3</sup>Includes Chinese Mainland and Hong Kong.

<sup>4</sup>Includes a major customer in US that was acquired by an Europe headquartered company in 2020.

<sup>5</sup>Excludes China and Japan.

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

### Analysis of Revenue

Revenue by technology platform	2Q 2023 US\$000 (Unaudited)	2Q 2023 % (Unaudited)	2Q 2022 US\$000 (Unaudited)	2Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
Embedded NVM	208,265	33.0 %	175,216	28.2 %	33,049	18.9 %
Standalone NVM	33,360	5.3 %	69,595	11.2 %	(36,235)	(52.1)%
Discrete	251,351	39.8 %	188,933	30.5 %	62,418	33.0 %
Logic & RF	57,175	9.1 %	77,046	12.4 %	(19,871)	(25.8)%
Analog & PM	80,453	12.7 %	109,374	17.6 %	(28,921)	(26.4)%
Others	777	0.1 %	659	0.1 %	118	17.9 %
<b>Total revenue</b>	<b>631,381</b>	<b>100.0 %</b>	<b>620,823</b>	<b>100.0 %</b>	<b>10,558</b>	<b>1.7 %</b>

- *Revenue from embedded NVM* was US\$208.3 million, an increase of 18.9% over 2Q 2022, mainly due to increased demand for MCU and smart card ICs.
- *Revenue from standalone NVM* was US\$33.4 million, a decrease of 52.1% over 2Q 2022, primarily due to decreased demand for NOR flash products.
- *Revenue from discrete* was US\$251.4 million, an increase of 33.0% over 2Q 2022, mainly due to increased demand for IGBT and super junction products.
- *Revenue from logic & RF* was US\$57.2 million, a decrease of 25.8% compared to 2Q 2022, mainly due to decreased demand for CIS and logic products.
- *Revenue from analog & power management* was US\$80.5 million, a decrease of 26.4% over 2Q 2022, mainly due to decreased demand for other PMIC products.

### Analysis of Revenue

Revenue by process technology node	2Q 2023 US\$000 (Unaudited)	2Q 2023 % (Unaudited)	2Q 2022 US\$000 (Unaudited)	2Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	84,920	13.5 %	114,320	18.4 %	(29,400)	(25.7)%
90nm & 95nm	96,675	15.3 %	114,697	18.5 %	(18,022)	(15.7)%
0.11µm & 0.13µm	120,254	19.0 %	104,371	16.8 %	15,883	15.2 %
0.15µm & 0.18µm	37,368	5.9 %	47,290	7.6 %	(9,922)	(21.0)%
0.25µm	6,319	1.0 %	3,601	0.6 %	2,718	75.5 %
≥0.35µm	285,845	45.3 %	236,544	38.1 %	49,301	20.8 %
<b>Total revenue</b>	<b>631,381</b>	<b>100.0 %</b>	<b>620,823</b>	<b>100.0 %</b>	<b>10,558</b>	<b>1.7 %</b>

- Revenue from the 55nm & 65nm technology nodes was US\$84.9 million, a decrease of 25.7% over 2Q 2022, mainly due to decreased demand for NOR flash, CIS, and logic products.
- Revenue from the 90nm & 95nm technology nodes was US\$96.7 million, a decrease of 15.7% over 2Q 2022, mainly due to decreased demand for other PMIC products, partially offset by increased demand for smart card ICs and MCU.
- Revenue from the 0.11µm & 0.13µm technology nodes was US\$120.3 million, an increase of 15.2% over 2Q 2022, mainly due to increased demand for MCU products.
- Revenue from the 0.15µm & 0.18µm technology nodes was US\$37.4 million, a decrease of 21.0% over 2Q 2022, mainly due to decreased demand for logic and MCU products.
- Revenue from the 0.25µm technology node was US\$6.3 million, an increase of 75.5% over 2Q 2022, mainly due to increased demand for logic and MCU products.
- Revenue from the 0.35µm and above technology nodes was US\$285.8 million, an increase of 20.8% over 2Q 2022, mainly due to increased demand for IGBT and super junction products.

### Analysis of Revenue

Revenue by end market distribution	2Q 2023 US\$000 (Unaudited)	2Q 2023 % (Unaudited)	2Q 2022 US\$000 (Unaudited)	2Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	347,824	55.1 %	404,719	65.2 %	(56,895)	(14.1)%
Industrial & automotive	195,158	30.9 %	125,728	20.3 %	69,430	55.2 %
Communications	68,412	10.8 %	70,416	11.3 %	(2,004)	(2.8)%
Computing	19,987	3.2 %	19,960	3.2 %	27	0.1 %
<b>Total revenue</b>	<b>631,381</b>	<b>100.0 %</b>	<b>620,823</b>	<b>100.0 %</b>	<b>10,558</b>	<b>1.7 %</b>

- Revenue from consumer electronics, our largest end market segment, contributed US\$347.8 million, reaching 55.1% of total revenue, a decrease of 14.1% over 2Q 2022, mainly due to decreased demand for other PMIC and NOR flash products, partially offset by increased demand for super junction and MCU products.
- Revenue from industrial & automotive was US\$195.2 million, an increase of 55.2% over 2Q 2022, mainly due to increased demand for IGBT, smart card ICs, general MOSFET, and MCU.
- Revenue from communications was US\$68.4 million, a decrease of 2.8% over 2Q 2022, mainly due to decreased demand for CIS products, partially offset by increased demand for analog products.
- Revenue from computing was US\$20.0 million, flat to 2Q 2022.

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

Fab (in thousands 8" equivalent wafers)	2Q 2023 (Unaudited)	2Q 2022 (Unaudited)	1Q 2023 (Unaudited)
Capacity (200mm)	178	178	178
Capacity (300mm)	75	65	65
<b>Total capacity</b>	<b>347</b>	<b>324</b>	<b>324</b>
Capacity utilization (200mm)	112.0%	110.0%	107.1%
Capacity utilization (300mm)	92.9%	109.3%	99.0%
Overall capacity utilization	102.7%	109.7%	103.5%

- Monthly capacity was 347,000 8-inch equivalent wafers at the end of 2Q 2023. Overall capacity utilization was 102.7% in 2Q 2023.

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

### Wafer Shipments

in thousands 8" equivalent wafers	2Q 2023 (Unaudited)	2Q 2022 (Unaudited)	1Q 2023 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	1,074	1,036	1,001	3.7 %	7.3 %

- *Wafer shipments* were 1,074,000, an increase of 3.7% year over year, and 7.3% above 1Q 2023.

### Operating Expenses Analysis

Amounts in US\$ thousands	2Q 2023 (Unaudited)	2Q 2022 (Unaudited)	1Q 2023 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	2,402	2,530	2,688	(5.1)%	(10.6)%
Administrative expenses <sup>8</sup>	74,266	68,146	73,573	9.0 %	0.9 %
<b>Operating expenses</b>	<b>76,668</b>	<b>70,676</b>	<b>76,261</b>	<b>8.5 %</b>	<b>0.5 %</b>

- *Operating expenses* were US\$76.7 million, 8.5% over 2Q 2022 mainly due to increased engineering wafers, and flat to 1Q 2023.

### Other (Loss) / Income Net Analysis

Amounts in US\$ thousands	2Q 2023 (Unaudited)	2Q 2022 (Unaudited)	1Q 2023 (Unaudited)	YoY Change	QoQ Change
Rental income	3,921	3,852	3,464	1.8 %	13.2 %
Interest income	14,057	4,793	11,364	193.3 %	23.7 %
Foreign exchange (losses) / gains	(62,646)	(56,555)	16,536	10.8 %	(478.8)%
Share of profit of associates	1,984	444	1,520	346.8 %	30.5 %
Finance costs	(28,287)	(8,194)	(28,413)	245.2 %	(0.4)%
Government subsidies	14,213	496	788	2,765.5 %	1,703.7 %
Others	2,049	(1,511)	807	(235.6)%	153.9 %
<b>Other (loss) / income net</b>	<b>(54,709)</b>	<b>(56,675)</b>	<b>6,066</b>	<b>(3.5)%</b>	<b>(1,001.9)%</b>

- *Other loss net* was US\$54.7 million, 3.5% lower than 2Q 2022, mainly due to increased government subsidies and interest income, partially offset by increased finance costs and foreign exchange losses. There was an other income net gain of US\$6.1 million in 1Q 2023, mainly due to large foreign exchange losses in 2Q 2023 versus foreign exchange gains in 1Q 2023.

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

### Cash Flow Analysis

Amounts in US\$ thousands	2Q 2023 (Unaudited)	2Q 2022 (Unaudited)	1Q 2023 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	161,190	212,259	131,868	(24.1)%	22.2 %
Net cash flows used in investing activities	(150,649)	(110,073)	(203,281)	36.9 %	(25.9)%
Net cash flows (used in) / generated from financing activities	(300,183)	(30,087)	263,249	897.7 %	(214.0)%
Effect of exchange rate changes	(77,948)	(59,383)	17,946	31.3 %	(534.3)%
<b>Net change in cash</b>	<b>(367,590)</b>	<b>12,716</b>	<b>209,782</b>	<b>(2,990.8)%</b>	<b>(275.2)%</b>

- *Net cash flows generated from operating activities* was US\$161.2 million, 24.1% below 2Q 2022, primarily due to decreased receipts from customers, partially offset by decreased payroll payments, and 22.2% over 1Q 2023, primarily due to payment of bonuses in 1Q 2023.
- *Net cash flows used in investing activities* was US\$150.6 million, including US\$165.0 million of investment in fixed and intangible assets, partially offset by US\$14.4 million of interest income.
- *Net cash flows used in financing activities* was US\$300.2 million, including US\$167.7 million of pledged deposits for bank borrowings, US\$85.6 million of bank principal repayments, US\$52.7 million of interest payments, US\$3.3 million of lease payments, and US\$0.4 million of listing fees, partially offset by US\$8.1 million proceeds from bank borrowings and US\$1.4 million proceeds from share option exercises.

### Capital Structure

Amounts in US\$ thousands	30-Jun-2023 (Unaudited)	31-Mar-2023 (Unaudited)
Total assets	6,950,336	7,378,331
Total liabilities	2,555,160	2,747,651
Total equity	4,395,176	4,630,680
<i>Debt ratio</i> <sup>9</sup>	36.8%	37.2%

### Capital Expenditures

Amounts in US\$ thousands	2Q 2023 (Unaudited)	1Q 2023 (Unaudited)
Hua Hong 8 <sup>th</sup>	16,677	25,642
Hua Hong Wuxi	148,289	190,978
<b>Total</b>	<b>164,966</b>	<b>216,620</b>

- *Capital expenditures* were US\$165.0 million in 2Q 2023, including US\$148.3 million for the Wuxi fab.

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

## Liquidity

Amounts in US\$ thousands	30-Jun-2023 (Unaudited)	31-Mar-2023 (Unaudited)
Properties under development	143,674	143,960
Inventories	558,252	593,922
Trade and notes receivables	310,705	306,062
Prepayments, other receivables and other assets	32,194	38,657
Due from related parties	16,803	15,348
Restricted and time deposits	167,077	1,056
Cash and cash equivalents	1,850,957	2,218,547
<b>Total current assets</b>	<b>3,079,662</b>	<b>3,317,552</b>
Trade payables	227,907	220,243
Other payables and accruals	397,826	441,795
Interest-bearing bank borrowings	385,746	408,669
Lease liabilities	4,477	5,582
Government grants	34,133	38,165
Due to related parties	4,720	7,944
Income tax payable	49,557	98,314
<b>Total current liabilities</b>	<b>1,104,366</b>	<b>1,220,712</b>
<b>Net working capital</b>	<b>1,975,296</b>	<b>2,096,840</b>
<i>Quick ratio</i>	2.2x	2.1x
<i>Current ratio</i>	2.8x	2.7x
Trade and notes receivables turnover days	45	43
Inventories turnover days	114	123

- *Inventories* decreased from US\$593.9 million on 31 March 2023 to US\$558.3 million on 30 June 2023, mainly due to decreased work in progress and finished goods.
- *Restricted and time deposits* increased from US\$1.1 million on 31 March 2023 to US\$167.1 million on 30 June 2023, mainly due to pledged deposits for bank borrowings.
- *Cash and cash equivalents* decreased from US\$2,218.5 million to US\$1,851.0 million on 30 June 2023, due to the reasons stated in the cash flow analysis above.
- *Other payables and accruals* decreased from US\$441.8 million on 31 March 2023 to US\$397.8 million on 30 June 2023, mainly due to decreased prepayments from customers, partially offset by increased payroll payables.
- *Income tax payable* decreased from US\$98.3 million on 31 March 2023 to US\$49.6 million on 30 June 2023, mainly due to a payment of income tax for 2022, partially offset by accrued income tax for 2Q 2023.
- On 30 June 2023, *net working capital* was US\$1,975.3 million and the *current ratio* was 2.8.
- *Trade and notes receivables turnover days* were 45.
- *Inventories turnover days* were 114.

Please visit Company's website at [www.huahonggrace.com](http://www.huahonggrace.com)  
for further details regarding recent announcements.

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

	For the Three Months Ended		
	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)	31-Mar-2023 (Unaudited)
Revenue	631,381	620,823	630,842
Cost of sales	(456,325)	(411,953)	(428,645)
<b>Gross profit</b>	<b>175,056</b>	<b>208,870</b>	<b>202,197</b>
Other income and gains	34,245	9,441	32,970
Selling and distribution expenses	(2,402)	(2,530)	(2,688)
Administrative expenses	(74,266)	(68,146)	(73,573)
Other expenses	(62,651)	(58,366)	(11)
Finance costs	(28,287)	(8,194)	(28,413)
Share of profit of associates	1,984	444	1,520
<b>Profit before tax</b>	<b>43,679</b>	<b>81,519</b>	<b>132,002</b>
Income tax (expense) / credit	(35,845)	(28,272)	8,900
<b>Profit for the period</b>	<b>7,834</b>	<b>53,247</b>	<b>140,902</b>
Attributable to:			
Owners of the parent	78,524	83,933	152,234
Non-controlling interests	(70,690)	(30,686)	(11,332)
Earnings per share attributable to owners of parent			
Basic	0.060	0.064	0.116
Diluted	0.060	0.064	0.115
<b>Shares used in calculating basic earnings per share attributable to owners of parent</b>	<b>1,308,028,146</b>	<b>1,301,760,320</b>	<b>1,307,286,436</b>
<b>Shares used in calculating diluted earnings per share attributable to owners of parent</b>	<b>1,318,619,081</b>	<b>1,316,099,219</b>	<b>1,318,907,456</b>

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

	As of		
	30-Jun-2023 (Unaudited)	31-Mar-2023 (Unaudited)	30-Jun-2022 (Unaudited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3,256,562	3,436,656	2,955,516
Investment property	163,241	171,653	175,337
Right-of-use assets	80,145	84,063	81,994
Intangible assets	31,170	31,217	31,516
Investment in associates	129,414	134,017	118,129
Equity instruments designated at fair value through other comprehensive income	151,812	181,597	221,072
Long term prepayment	40,937	6,903	24,890
Deferred tax assets	17,393	14,673	9,965
<b>Total non-current assets</b>	<b>3,870,674</b>	<b>4,060,779</b>	<b>3,618,419</b>
<b>CURRENT ASSETS</b>			
Properties under development	143,674	143,960	121,026
Inventories	558,252	593,922	473,935
Trade and notes receivables	310,705	306,062	241,967
Prepayments, other receivables and other assets	32,194	38,657	63,186
Due from related parties	16,803	15,348	14,212
Restricted and time deposits	167,077	1,056	349
Cash and cash equivalents	1,850,957	2,218,547	1,707,650
<b>Total current assets</b>	<b>3,079,662</b>	<b>3,317,552</b>	<b>2,622,325</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	227,907	220,243	303,263
Other payables and accruals	397,826	441,795	575,171
Interest-bearing bank borrowings	385,746	408,669	231,334
Lease liabilities	4,477	5,582	3,309
Government grants	34,133	38,165	66,876
Due to related parties	4,720	7,944	15,630
Income tax payable	49,557	98,314	35,532
<b>Total current liabilities</b>	<b>1,104,366</b>	<b>1,220,712</b>	<b>1,231,115</b>
<b>NET CURRENT ASSETS</b>	<b>1,975,296</b>	<b>2,096,840</b>	<b>1,391,210</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>5,845,970</b>	<b>6,157,619</b>	<b>5,009,629</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	1,410,544	1,496,396	1,346,974
Lease liabilities	18,312	19,080	15,687
Deferred tax liabilities	21,938	11,463	15,102
<b>Total non-current liabilities</b>	<b>1,450,794</b>	<b>1,526,939</b>	<b>1,377,763</b>
<b>Net assets</b>	<b>4,395,176</b>	<b>4,630,680</b>	<b>3,631,866</b>
<b>Equity and liabilities capital and reserves</b>			
Share capital	1,997,829	1,996,528	1,987,494
Reserves	1,130,367	1,229,318	901,446
<b>Equity attributable to the owners of the company</b>	<b>3,128,196</b>	<b>3,225,846</b>	<b>2,888,940</b>
Non-controlling interests	1,266,980	1,404,834	742,926
<b>Total equity</b>	<b>4,395,176</b>	<b>4,630,680</b>	<b>3,631,866</b>

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

	For the Three Months Ended		
	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)	31-Mar-2023 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before tax	43,679	81,519	132,002
Depreciation and amortization	123,661	115,358	120,338
Share of profit of associates	(1,984)	(444)	(1,520)
Changes in working capital and others	(4,166)	15,826	(118,952)
<b>Net cash flows generated from operating activities</b>	<b>161,190</b>	<b>212,259</b>	<b>131,868</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment and intangible assets	(164,966)	(112,353)	(216,620)
Other cash flow generated from investing activities	14,317	2,280	13,339
<b>Net cash flows used in investing activities</b>	<b>(150,649)</b>	<b>(110,073)</b>	<b>(203,281)</b>
<b>Cash flows from financing activities:</b>			
Capital contribution from non-controlling interests	-	-	296,197
Proceeds from bank borrowings	8,116	36,971	12,972
Proceeds from issue of shares	1,407	393	1,442
Increase in pledged deposits	(167,738)	-	-
Repayment of bank borrowings	(85,565)	(54,465)	(42,527)
Payment of lease liabilities	(3,320)	(545)	(756)
Interest paid	(52,720)	(12,441)	(3,830)
Other cash flow used in financing activities	(363)	-	(249)
<b>Net cash flows (used in) / generated from financing activities</b>	<b>(300,183)</b>	<b>(30,087)</b>	<b>263,249</b>
Net (decrease) / increase in cash and cash equivalents	(289,642)	72,099	191,836
Effects of exchange rate changes	(77,948)	(59,383)	17,946
Cash and cash equivalents, beginning of period	2,218,547	1,694,934	2,008,765
<b>Cash and cash equivalents, ending of period</b>	<b>1,850,957</b>	<b>1,707,650</b>	<b>2,218,547</b>

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

**Executive Directors**

Suxin Zhang (Chairman)

Junjun Tang (President)

**Non-Executive Directors**

Guodong Sun

Jing Wang

Jun Ye

**Independent Non-Executive Directors**

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye

By order of the Board

**Hua Hong Semiconductor Limited**

Mr. Suxin Zhang

Chairman and Executive Director

Hong Kong SAR, PRC

August 10, 2023