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HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code (01347)

News Release

Reports 2023 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 – February 6, 2024.

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 December 31, 2023.

Fourth Quarter 2023 Highlights (Unaudited)

- Revenue was US\$455.4 million, compared to US\$630.1 million in 4Q 2022 and US\$568.5 million in 3Q 2023.
- Gross margin was 4.0%, compared to 38.2% in 4Q 2022 and 16.1% in 3Q 2023.
- Net profit attributable to shareholders of the parent company was US\$35.4 million, compared to US\$159.1 million in 4Q 2022 and US\$13.9 million in 3Q 2023.
- Basic earnings per share was US\$0.021, compared to US\$0.122 in 4Q 2022 and US\$0.009 in 3Q 2023.
- ROE (annualized) was 2.4%, compared to 22.0% in 4Q 2022 and 1.2% in 3Q 2023.

First Quarter 2024 Guidance

- We expect revenue to be approximately US\$450 million to US\$500 million.
- We expect gross margin to be in the range of 3% to 6%.

President's Message

Mr. Junjun Tang, President and Executive Director of the Company, commented on the fourth quarter and full year 2023 results:

"Hua Hong Semiconductor reported fourth quarter 2023 revenue of \$455.4 million with a gross margin of 4.0%, in line with our guidance. For the full year, we achieved sales revenue of \$2,286.1 million, with a gross margin of 21.3%."

"2023 was an extremely challenging year for the global semiconductor industry due to depressed market conditions. However, with the continued destocking in the industrial supply chain and rapid growth of new-generation communications, IoT, and other technologies, the semiconductor market has recently shown signs of recovery. The Company's image sensors, power management ICs and other related products all performed better in the fourth quarter. To meet medium- and long-term market demand, the Company has accelerated its pace of capacity expansion and continued research and development of its diversified specialty technologies improving its product supply capability and market responsiveness. By the end of the fourth quarter of 2023, the Company's 8-inch equivalent monthly capacity increased to 391,000 wafers. Meanwhile, construction of the Company's second 12-inch production line is progressing on schedule and is expected to be completed and commissioned by the end of 2024."

Mr. Tang continued, "Hua Hong Semiconductor has always prioritized technological innovation, devoting substantial resources to R&D, actively promoting new platforms, and optimizing existing platforms. In addition, the Company is proactively establishing strategic cooperation with upstream and downstream companies at home and abroad to enhance industry supply chain integration and actively explore new markets. In the new year, we will keep offering better technologies and services to our customers, focusing on emerging markets such as automotive, photovoltaic, and consumer upgrades, in order to pursue sustainable development and strengthen our leading position in the field of specialty technology foundries!"

Webcast/Conference Call Announcement

Date: Tuesday, February 6, 2024

Time: 17:00 Hong Kong/Shanghai Time
04:00 EST

Presenters: Mr. Junjun Tang, President and Executive Director
Mr. Daniel Wang, Executive Vice President and Chief Financial Officer

Webcast: The call will be webcast live with audio and slides at:
http://www.huahonggrace.com/html/investor_webcast.php or
<https://edge.media-server.com/mmc/p/wehhuicp>
(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/BI252a25170c124349b8452f07232bd0ad>

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 2 hours after the event and will be available for 12 months.

http://www.huahonggrace.com/html/investor_webcast.php

About the Company

Hua Hong Semiconductor Limited (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 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 ("Hua Hong Wuxi") in Wuxi National Hi-Tech District with a current monthly capacity of 94,500 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 ("Hua Hong Manufacturing") is now under construction.

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

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

	4Q 2023 (Unaudited)	4Q 2022 (Unaudited)	3Q 2023 (Unaudited)	YoY Change	QoQ Change
Revenue	455,361	630,110	568,529	(27.7)%	(19.9)%
Gross profit	18,220	240,707	91,623	(92.4)%	(80.1)%
Gross margin	4.0%	38.2 %	16.1%	(34.2)	(12.1)
Operating expenses	(95,063)	(59,579)	(85,065)	59.6 %	11.8 %
Other income / (loss) net	87,600	35,565	(19,417)	146.3%	(551.2)%
Profit / (loss) before tax	10,757	216,693	(12,859)	(95.0)%	(183.7)%
Income tax expense	(7,210)	(30,918)	(12,999)	(76.7)%	(44.5)%
Profit / (loss) for the period	3,547	185,775	(25,858)	(98.1)%	(113.7)%
Net profit margin	0.8 %	29.5 %	(4.5)%	(28.7)	5.3
Attributable to:					
Owners of the parent	35,386	159,136	13,890	(77.8)%	154.8 %
Non-controlling interests	(31,839)	26,639	(39,748)	(219.5)%	(19.9)%
Earnings per share attributable to owners of the parent					
Basic	0.021	0.122	0.009	(82.8)%	133.3 %
Diluted	0.021	0.121	0.009	(82.6)%	133.3 %
Wafers shipped (in thousands 8" equivalent wafers)	951	992	1,077	(4.1)%	(11.7)%
Capacity utilization ¹	84.1 %	103.2 %	86.8 %	(19.1)	(2.7)
ROE ²	2.4 %	22.0 %	1.2 %	(19.6)	1.2

Fourth Quarter 2023

- Revenue was US\$455.4 million, compared to US\$630.1 million in 4Q 2022 and US\$568.5 million in 3Q 2023, primarily due to decreased average selling price and wafer shipments.
- Gross margin was 4.0%, compared to 38.2% in 4Q 2022 and 16.1% in 3Q 2023, primarily due to decreased average selling price and capacity utilization.
- Operating expenses were US\$95.1 million, 59.6% over 4Q 2022, primarily due to decreased government grants for research and development and increased engineering wafer costs. They were 11.8% over 3Q 2023, mainly due to increased labor expenses of Hua Hong Manufacturing.
- Other income net was US\$87.6 million, 146.3% over 4Q 2022, mainly due to increased government subsidies, and compared to the other loss net of US\$19.4 million in 3Q 2023, primarily due to increased government subsidies and foreign exchange gains versus foreign exchange losses in 3Q 2023.
- Income tax expense was US\$7.2 million, 76.7% lower than 4Q 2022 and 44.5% lower than 3Q 2023, primarily due to decreased taxable income.
- Profit for the period was US\$3.5 million, compared to US\$185.8 million in 4Q 2022 and a loss of US\$25.9 million in 3Q 2023.
- Net profit attributable to shareholders of the parent company was US\$35.4 million, compared to US\$159.1 million in 4Q 2022 and US\$13.9 million in 3Q 2023.
- Basic earnings per share was US\$0.021, compared to US\$0.122 in 4Q 2022 and US\$0.009 in 3Q 2023.
- ROE (annualized) was 2.4%, compared to 22.0% in 4Q 2022 and 1.2% in 3Q 2023.

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.

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

	2023 (Unaudited)	2022 (Audited)	YoY Change
Revenue	2,286,113	2,475,488	(7.7)%
Gross profit	487,096	843,656	(42.3)%
Gross margin	21.3%	34.1 %	(12.8)
Operating expenses	(333,057)	(279,130)	19.3 %
Other income / (loss) net	19,540	(68,456)	(128.5)%
Profit before tax	173,579	496,070	(65.0)%
Income tax expense	(47,154)	(89,499)	(47.3)%
Profit for the year	126,425	406,571	(68.9)%
Net profit margin	5.5 %	16.4 %	(10.9)
Attributable to:			
Owners of the parent	280,034	449,912	(37.8)%
Non-controlling interests	(153,609)	(43,341)	254.4 %
Earnings per share attributable to owners of the parent			
Basic	0.189	0.345	(45.2)%
Diluted	0.188	0.342	(45.0)%
Wafers shipped (in thousands 8" equivalent wafers)	4,103	4,088	0.4 %
Capacity utilization	94.3 %	107.4 %	(13.1)
ROE	6.3 %	15.2 %	(8.9)

Full Year 2023

- Revenue was US\$2,286.1 million, 7.7% lower than the prior year, primarily due to decreased average selling price.
- Gross margin was 21.3%, 12.8 percentage points lower than 2022, mainly due to decreased average selling price and increased depreciation costs, partially offset by decreased labor costs.
- Operating expenses were US\$333.1 million, 19.3% over 2022, largely due to decreased government grants for research and development and increased engineering wafer costs.
- Other income net was US\$19.5 million, versus other loss net US\$68.5 million in 2022, primarily due to decreased foreign exchange losses, increased government subsidies and interest income, partially offset by increased finance costs.
- Net profit was US\$126.4 million, compared to US\$406.6 million in 2022.
- Net profit attributable to shareholders of the parent company was US\$280.0 million, compared to US\$449.9 million in 2022.
- Basic earnings per share was US\$0.189, compared to US\$0.345 in 2022.
- ROE was 6.3%, compared to 15.2% in 2022.

Analysis of Revenue

Revenue by service type	4Q 2023 US\$000 (Unaudited)	4Q 2023 % (Unaudited)	4Q 2022 US\$000 (Unaudited)	4Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	436,375	95.8 %	602,591	95.6 %	(166,216)	(27.6)%
Others	18,986	4.2 %	27,519	4.4 %	(8,533)	(31.0)%
Total revenue	455,361	100.0 %	630,110	100.0 %	(174,749)	(27.7)%

- 95.8% of total revenue was derived from the sale of semiconductor wafers in 4Q 2023.

Analysis of Revenue

Revenue by wafer size	4Q 2023 US\$000 (Unaudited)	4Q 2023 % (Unaudited)	4Q 2022 US\$000 (Unaudited)	4Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
8" wafers	250,743	55.1 %	397,513	63.1 %	(146,770)	(36.9)%
12" wafers	204,618	44.9 %	232,597	36.9 %	(27,979)	(12.0)%
Total revenue	455,361	100.0 %	630,110	100.0 %	(174,749)	(27.7)%

- Revenues from 8" wafers and 12" wafers were US\$250.7 million and US\$204.6 million, respectively, in 4Q 2023.

Analysis of Revenue

Revenue by geography	4Q 2023 US\$000 (Unaudited)	4Q 2023 % (Unaudited)	4Q 2022 US\$000 (Unaudited)	4Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
China ³	366,508	80.5 %	456,876	72.6 %	(90,368)	(19.8)%
North America ⁴	36,811	8.1 %	85,956	13.6 %	(49,145)	(57.2)%
Asia ⁵	30,176	6.6 %	42,055	6.7 %	(11,879)	(28.2)%
Europe	18,475	4.1 %	33,690	5.3 %	(15,215)	(45.2)%
Japan ⁶	3,391	0.7 %	11,533	1.8 %	(8,142)	(70.6)%
Total revenue	455,361	100.0 %	630,110	100.0 %	(174,749)	(27.7)%

- *Revenue from China* was US\$366.5 million, contributing 80.5% of total revenue and a decrease of 19.8% compared to 4Q 2022, mainly due to decreased demand for MCU, smart card ICs, super junction, and NOR flash products, partially offset by increased demand for IGBT and CIS products.
- *Revenue from North America* was US\$36.8 million, a decrease of 57.2% compared to 4Q 2022, mainly due to decreased demand for MCU and other PMIC products.
- *Revenue from Asia* was US\$30.2 million, a decrease of 28.2% compared to 4Q 2022, mainly due to decreased demand for MCU products.
- *Revenue from Europe* was US\$18.5 million, a decrease of 45.2% compared to 4Q 2022, mainly due to decreased demand for smart card ICs.
- *Revenue from Japan* was US\$3.4 million, a decrease of 70.6% compared to 4Q 2022, primarily due to decreased demand for MCU products.

³Includes Chinese Mainland and Hong Kong.

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

⁵Excludes China and Japan.

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

Analysis of Revenue

Revenue by technology platform	4Q 2023 US\$000 (Unaudited)	4Q 2023 % (Unaudited)	4Q 2022 US\$000 (Unaudited)	4Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
Embedded NVM	112,026	24.6 %	236,281	37.5 %	(124,255)	(52.6)%
Standalone NVM	14,753	3.2 %	36,557	5.8 %	(21,804)	(59.6)%
Discrete	182,377	40.2 %	212,972	33.8 %	(30,595)	(14.4)%
Logic & RF	56,227	12.3 %	42,942	6.8 %	13,285	30.9 %
Analog & PM	89,448	19.6 %	100,940	16.0 %	(11,492)	(11.4)%
Others	530	0.1 %	418	0.1 %	112	26.8 %
Total revenue	455,361	100.0 %	630,110	100.0 %	(174,749)	(27.7)%

- *Revenue from embedded NVM* was US\$112.0 million, a decrease of 52.6% compared to 4Q 2022, mainly due to decreased demand for MCU and smart card ICs.
- *Revenue from standalone NVM* was US\$14.8 million, a decrease of 59.6% compared to 4Q 2022, primarily due to decreased demand for NOR flash products.
- *Revenue from discrete* was US\$182.4 million, a decrease of 14.4% compared to 4Q 2022, mainly due to decreased demand for general MOSFET and super junction products, partially offset by increased demand for IGBT products.
- *Revenue from logic & RF* was US\$56.2 million, an increase of 30.9% over 4Q 2022, mainly due to increased demand for CIS products.
- *Revenue from analog & power management* was US\$89.4 million, a decrease of 11.4% compared to 4Q 2022, mainly due to decreased demand for other PMIC and analog products.

Analysis of Revenue

Revenue by process technology node	4Q 2023 US\$000 (Unaudited)	4Q 2023 % (Unaudited)	4Q 2022 US\$000 (Unaudited)	4Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
55nm & 65nm	60,920	13.4 %	59,244	9.4 %	1,676	2.8 %
90nm & 95nm	82,552	18.1 %	124,450	19.8 %	(41,898)	(33.7)%
0.11 μ m & 0.13 μ m	73,762	16.2 %	126,128	20.0 %	(52,366)	(41.5)%
0.15 μ m & 0.18 μ m	31,049	6.8 %	56,227	8.9 %	(25,178)	(44.8)%
0.25 μ m	5,357	1.2 %	4,153	0.7 %	1,204	29.0 %
\geq 0.35 μ m	201,721	44.3 %	259,908	41.2 %	(58,187)	(22.4)%
Total revenue	455,361	100.0 %	630,110	100.0 %	(174,749)	(27.7)%

- Revenue from the 55nm & 65nm technology nodes was US\$60.9 million, an increase of 2.8% over 4Q 2022, mainly due to increased demand for CIS and analog products, largely offset by decreased demand for NOR flash and MCU products.
- Revenue from the 90nm & 95nm technology nodes was US\$82.6 million, a decrease of 33.7% compared to 4Q 2022, mainly due to decreased demand for smart card ICs and MCU products.
- Revenue from the 0.11 μ m & 0.13 μ m technology nodes was US\$73.8 million, a decrease of 41.5% compared to 4Q 2022, mainly due to decreased demand for MCU products.
- Revenue from the 0.15 μ m & 0.18 μ m technology nodes was US\$31.0 million, a decrease of 44.8% compared to 4Q 2022, mainly due to decreased demand for MCU and logic products.
- Revenue from the 0.25 μ m technology node was US\$5.4 million, an increase of 29.0% over 4Q 2022, mainly due to increased demand for RF products.
- Revenue from the 0.35 μ m and above technology nodes was US\$201.7 million, a decrease of 22.4% compared to 4Q 2022, mainly due to decreased demand for super junction, general MOSFET, and other PMICs.

Analysis of Revenue

Revenue by end market distribution	4Q 2023 US\$000 (Unaudited)	4Q 2023 % (Unaudited)	4Q 2022 US\$000 (Unaudited)	4Q 2022 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer electronics	252,508	55.4 %	390,993	62.1 %	(138,485)	(35.4)%
Industrial & automotive	138,628	30.4 %	169,571	26.9 %	(30,943)	(18.2)%
Communications	53,973	11.9 %	50,632	8.0 %	3,341	6.6 %
Computing	10,252	2.3 %	18,914	3.0 %	(8,662)	(45.8)%
Total revenue	455,361	100.0 %	630,110	100.0 %	(174,749)	(27.7)%

- Revenue from consumer electronics, our largest end market segment, contributed US\$252.5 million, reaching 55.4% of total revenue, a decrease of 35.4% compared to 4Q 2022, mainly due to decreased demand for MCU, super junction, NOR flash, smart card ICs, and general MOSFET products.
- Revenue from industrial & automotive was US\$138.6 million, a decrease of 18.2% compared to 4Q 2022, mainly due to decreased demand for MCU, smart card ICs, and general MOSFET products, partially offset by increased demand for IGBT products.
- Revenue from communications was US\$54.0 million, an increase of 6.6% over 4Q 2022, mainly due to increased demand for CIS and analog products, partially offset by decreased demand for smart card ICs.
- Revenue from computing was US\$10.3 million, a decrease of 45.8% compared to 4Q 2022, mainly due to decreased demand for general MOSFET and MCU products.

Capacity⁷ and Capacity Utilization

Fab (in thousands 8" equivalent wafers)	4Q 2023 (Unaudited)	4Q 2022 (Unaudited)	3Q 2023 (Unaudited)
Capacity (200mm)	178	178	178
Capacity (300mm)	95	65	80
Total capacity	391	324	358
Capacity utilization (200mm)	91.0%	105.9%	95.3%
Capacity utilization (300mm)	77.5%	99.9%	78.4%
Overall capacity utilization	84.1%	103.2%	86.8%

- Monthly capacity was 391,000 8-inch equivalent wafers at the end of 4Q 2023. Overall capacity utilization was 84.1% in 4Q 2023.

⁷ 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 2023 (Unaudited)	4Q 2022 (Unaudited)	3Q 2023 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	951	992	1,077	(4.1)%	(11.7)%

- *Wafer shipments* were 951,000, a decrease of 4.1% year over year, and a decrease of 11.7% compared to 3Q 2023.

Operating Expenses Analysis

Amounts in US\$ thousands	4Q 2023 (Unaudited)	4Q 2022 (Unaudited)	3Q 2023 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	2,684	2,914	2,415	(7.9)%	11.1 %
Administrative expenses ⁸	92,379	56,665	82,650	63.0 %	11.8 %
Operating expenses	95,063	59,579	85,065	59.6 %	11.8 %

- *Operating expenses* were US\$95.1 million, 59.6% over 4Q 2022, primarily due to decreased government grants for research and development and increased engineering wafer costs. They were 11.8% over 3Q 2023, mainly due to increased labor expenses of Hua Hong Manufacturing.

Other Income/ (Loss) Net Analysis

Amounts in US\$ thousands	4Q 2023 (Unaudited)	4Q 2022 (Unaudited)	3Q 2023 (Unaudited)	YoY Change	QoQ Change
Rental income	3,447	3,352	3,428	2.8 %	0.6 %
Interest income	20,182	10,775	15,742	87.3 %	28.2 %
Foreign exchange gains / (losses)	27,041	22,054	(13,986)	22.6 %	(293.3)%
Share of profit / (loss) of associates	7,136	7,311	(1,410)	(2.4)%	(606.1)%
Finance costs	(19,540)	(8,465)	(24,257)	130.8 %	(19.4)%
Government subsidies	51,387	678	77	7,479.2 %	66,636.4 %
Others	(2,053)	(140)	989	1,366.4 %	(307.6)%
Other income /(loss) net	87,600	35,565	(19,417)	146.3 %	(551.2)%

- *Other income net* was US\$87.6 million, 146.3% over 4Q 2022, mainly due to increased government subsidies, and compared to the other loss net of US\$19.4 million in 3Q 2023, primarily due to increased government subsidies and foreign exchange gains versus foreign exchange losses in 3Q 2023.

⁸Administrative expenses include government grants recognized as an offset item.

Cash Flow Analysis

Amounts in US\$ thousands	4Q 2023 (Unaudited)	4Q 2022 (Unaudited)	3Q 2023 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	196,546	184,413	152,091	6.6 %	29.2 %
Net cash flows used in investing activities	(301,916)	(303,135)	(177,466)	(0.4)%	70.1 %
Net cash flows generated from financing activities	642,297	120,141	3,176,383	434.6 %	(79.8)%
Effect of exchange rate changes	58,753	23,118	(12,464)	154.1 %	(571.4)%
Net change in cash	595,680	24,537	3,138,544	2,327.7 %	(81.0)%

- *Net cash flows generated from operating activities* was US\$196.5 million, 6.6% over 4Q 2022 and 29.2% over 3Q 2023, primarily due to increased government subsidies and decreased payments for labor.
- *Net cash flows used in investing activities* was US\$301.9 million, including US\$331.4 million investment in fixed and intangible assets, partially offset by US\$17.8 million interest income and US\$11.7 million receipts of government grants for equipment.
- *Net cash flows generated from financing activities* was US\$642.3 million, including US\$491.7 million capital contribution from non-controlling interests, US\$246.6 million proceeds from bank borrowings, US\$3.0 million receipts of government grants for finance costs, and US\$1.4 million proceeds from share option exercises, partially offset by US\$54.9 million bank principal repayments, US\$45.2 million interest payments, and US\$0.3 million lease payments.

Capital Structure

Amounts in US\$ thousands	31-Dec-2023 (Unaudited)	30-Sep-2023 (Unaudited)
Total assets	10,943,420	9,974,339
Total liabilities	2,928,876	2,642,094
Total equity	8,014,544	7,332,245
<i>Debt ratio</i> ⁹	26.8%	26.5%

Capital Expenditures

Amounts in US\$ thousands	4Q 2023 (Unaudited)	3Q 2023 (Unaudited)
Hua Hong 8"	28,761	22,795
Hua Hong Wuxi	121,918	111,827
Hua Hong Manufacturing	180,690	59,030
Total	331,369	193,652

- *Capital expenditures* were US\$331.4 million in 4Q 2023, including US\$121.9 million for Hua Hong Wuxi, US\$180.7 million for Hua Hong Manufacturing, and US\$28.8 million for Hua Hong 8".

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

Liquidity

Amounts in US\$ thousands	31-Dec-2023 (Unaudited)	30-Sep-2023 (Unaudited)
Properties under development	178,828	157,230
Inventories	449,749	492,783
Trade and notes receivables	278,669	318,787
Prepayments, other receivables and other assets	33,821	34,168
Due from related parties	11,219	19,572
Restricted and time deposits	32,088	31,654
Cash and cash equivalents	5,585,181	4,989,501
Total current assets	6,569,555	6,043,695
Trade payables	235,410	213,530
Other payables and accruals	428,512	357,181
Interest-bearing bank borrowings	193,035	180,238
Lease liabilities	3,076	3,281
Government grants	35,017	34,321
Due to related parties	13,876	4,604
Income tax payable	61,495	57,885
Total current liabilities	970,421	851,040
Net working capital	5,599,134	5,192,655
<i>Quick ratio</i>	6.1x	6.3x
<i>Current ratio</i>	6.8x	7.1x
Trade and notes receivables turnover days	60	50
Inventories turnover days	97	99

- *Inventories* decreased from US\$492.8 million on 30 September 2023 to US\$449.8 million on 31 December 2023, mainly due to decreased raw materials and finished goods.
- *Trade and notes receivables* decreased from US\$318.8 million on 30 September 2023 to US\$278.7 million on 31 December 2023, mainly due to decreased revenue.
- *Cash and cash equivalents* increased from US\$4,989.5 million on 30 September 2023 to US\$5,585.2 million on 31 December 2023, due to the reasons stated in the cash flow analysis above.
- *Other payables and accruals* increased from US\$357.2 million on 30 September 2023 to US\$428.5 million on 31 December 2023, mainly due to increased payables for capital expenditures.
- On 31 December 2023, *net working capital* was US\$5,599.1 million and the *current ratio* was 6.8.
- *Trade and notes receivables turnover days* were 60.
- *Inventories turnover days* were 97.

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-2023 (Unaudited)	31-Dec-2022 (Unaudited)	30-Sep-2023 (Unaudited)
Revenue	455,361	630,110	568,529
Cost of sales	(437,141)	(389,403)	(476,906)
Gross profit	18,220	240,707	91,623
Other income and gains	100,442	37,090	20,290
Fair value gain on an investment property	103	394	-
Selling and distribution expenses	(2,684)	(2,914)	(2,415)
Administrative expenses	(92,379)	(56,665)	(82,650)
Other expenses	(541)	(765)	(14,040)
Finance costs	(19,540)	(8,465)	(24,257)
Share of profit / (loss) of associates	7,136	7,311	(1,410)
Profit / (loss) before tax	10,757	216,693	(12,859)
Income tax expense	(7,210)	(30,918)	(12,999)
Profit / (loss) for the period	3,547	185,775	(25,858)
Attributable to:			
Owners of the parent	35,386	159,136	13,890
Non-controlling interests	(31,839)	26,639	(39,748)
Earnings per share attributable to owners of parent			
Basic	0.021	0.122	0.009
Diluted	0.021	0.121	0.009
Shares used in calculating basic earnings per share attributable to owners of parent	1,716,439,808	1,306,626,546	1,580,159,540
Shares used in calculating diluted earnings per share attributable to owners of parent	1,720,215,394	1,314,496,496	1,587,083,357

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

	For the Year Ended	
	31-Dec-2023 (Unaudited)	31-Dec-2022 (Audited)
Revenue	2,286,113	2,475,488
Cost of sales	(1,799,017)	(1,631,832)
Gross profit	487,096	843,656
Other income and gains	144,370	70,986
Fair value gain on an investment property	103	78
Selling and distribution expenses	(10,189)	(12,464)
Administrative expenses	(322,868)	(266,666)
Other expenses	(33,666)	(111,360)
Finance costs	(100,497)	(40,331)
Share of profit of associates	9,230	12,171
Profit before tax	173,579	496,070
Income tax expense	(47,154)	(89,499)
Profit for the year	126,425	406,571
Attributable to:		
Owners of the parent	280,034	449,912
Non-controlling interests	(153,609)	(43,341)
Earnings per share attributable to owners of parent		
Basic	0.189	0.345
Diluted	0.188	0.342
Shares used in calculating basic earnings per share attributable to owners of parent	1,477,978,482	1,303,399,389
Shares used in calculating diluted earnings per share attributable to owners of parent	1,486,531,954	1,313,945,277

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

	As of		
	31-Dec-2023 (Unaudited)	30-Sep-2023 (Unaudited)	31-Dec-2022 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3,519,292	3,322,946	3,367,716
Investment property	166,643	164,287	169,363
Right-of-use assets	78,545	79,070	78,425
Intangible assets	49,827	29,182	32,986
Investment in associates	139,099	128,833	130,721
Equity instruments designated at fair value through other comprehensive income	270,506	153,024	178,632
Long term prepayment	149,953	36,085	7,742
Deferred tax assets	-	17,217	14,066
Total non-current assets	4,373,865	3,930,644	3,979,651
CURRENT ASSETS			
Properties under development	178,828	157,230	134,723
Inventories	449,749	492,783	578,060
Trade and notes receivables	278,669	318,787	291,856
Prepayments, other receivables and other assets	33,821	34,168	48,273
Due from related parties	11,219	19,572	13,006
Restricted and time deposits	32,088	31,654	1,042
Cash and cash equivalents	5,585,181	4,989,501	2,008,765
Total current assets	6,569,555	6,043,695	3,075,725
CURRENT LIABILITIES			
Trade payables	235,410	213,530	236,999
Other payables and accruals	428,512	357,181	593,971
Interest-bearing bank borrowings	193,035	180,238	426,756
Lease liabilities	3,076	3,281	4,704
Government grants	35,017	34,321	37,714
Due to related parties	13,876	4,604	6,096
Income tax payable	61,495	57,885	76,176
Total current liabilities	970,421	851,040	1,382,416
NET CURRENT ASSETS	5,599,134	5,192,655	1,693,309
TOTAL ASSETS LESS CURRENT LIABILITIES	9,972,999	9,123,299	5,672,960
Non-current liabilities			
Interest-bearing bank borrowings	1,906,526	1,745,779	1,481,580
Lease liabilities	19,129	18,650	14,644
Deferred tax liabilities	30,834	26,625	41,268
Employee benefit liabilities	1,966	-	-
Total non-current liabilities	1,958,455	1,791,054	1,537,492
Net assets	8,014,544	7,332,245	4,135,468
Equity and liabilities capital and reserves			
Share capital	4,933,559	4,932,673	1,994,462
Reserves	1,367,436	1,164,151	1,036,008
Equity attributable to the owners of the company	6,300,995	6,096,824	3,030,470
Non-controlling interests	1,713,549	1,235,421	1,104,998
Total equity	8,014,544	7,332,245	4,135,468

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

	For the Three Months Ended		
	31-Dec-2023 (Unaudited)	31-Dec-2022 (Unaudited)	30-Sep-2023 (Unaudited)
Cash flows from operating activities:			
Profit / (loss) before tax	10,757	216,693	(12,859)
Depreciation and amortization	129,135	107,849	127,305
Share of (profit) / loss of associates	(7,136)	(7,311)	1,410
Changes in working capital and others	63,790	(132,818)	36,235
Net cash flows generated from operating activities	196,546	184,413	152,091
Cash flows from investing activities:			
Payments for property, plant and equipment and intangible assets	(331,369)	(331,065)	(193,652)
Investment in an associate	-	(4,013)	-
Receipt of government grants of equipment	11,692	24,655	-
Other cash flow generated from investing activities	17,761	7,288	16,186
Net cash flows used in investing activities	(301,916)	(303,135)	(177,466)
Cash flows from financing activities:			
Capital contribution from non-controlling interests	491,723	-	-
Proceeds from bank borrowings	246,620	181,470	347,707
Repayment of bank borrowings	(54,942)	(39,826)	(239,086)
Interest paid	(45,234)	(31,861)	(3,803)
Payment of lease liabilities	(274)	(782)	(1,230)
Proceeds from issue of shares	1,407	1,631	2,937,689
Decrease in pledged deposits	-	-	136,524
Other cash flow generated from / (used in) financing activities	2,997	9,509	(1,418)
Net cash flows generated from financing activities	642,297	120,141	3,176,383
Net increase in cash and cash equivalents	536,927	1,419	3,151,008
Effects of exchange rate changes	58,753	23,118	(12,464)
Cash and cash equivalents, beginning of period	4,989,501	1,984,228	1,850,957
Cash and cash equivalents, ending of period	5,585,181	2,008,765	4,989,501

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

	For the Year Ended	
	31-Dec-2023 (Unaudited)	31-Dec-2022 (Audited)
Cash flows from operating activities:		
Profit before tax	173,579	496,070
Depreciation and amortization	500,439	456,860
Share of profit of associates	(9,230)	(12,171)
Changes in working capital and others	(23,093)	(189,894)
Net cash flows generated from operating activities	641,695	750,865
Cash flows from investing activities:		
Payments for property, plant and equipment and intangible assets	(906,607)	(996,182)
Investment in an associate	-	(6,717)
Receipt of government grants of equipment	11,692	38,414
Other cash flow generated from investing activities	61,603	34,329
Net cash flows used in investing activities	(833,312)	(930,156)
Cash flows from financing activities:		
Proceeds from issue of shares	2,941,945	6,248
Capital contribution from non-controlling interests	787,920	392,000
Proceeds from bank borrowings	615,415	514,622
Repayment of bank borrowings	(422,120)	(199,670)
Interest paid	(106,570)	(47,286)
Increase in pledged deposits	(31,214)	-
Payment of lease liabilities	(4,597)	(3,246)
Other cash flow generated from financing activities	967	9,509
Net cash flows generated from financing activities	3,781,746	672,177
Net increase in cash and cash equivalents	3,590,129	492,886
Effects of exchange rate changes	(13,713)	(94,261)
Cash and cash equivalents, beginning of period	2,008,765	1,610,140
Cash and cash equivalents, ending of period	5,585,181	2,008,765

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

Jun Ye

Limin Zhou

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

February 6, 2024