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Stock Code (1347)

## News Release

### Hua Hong Semiconductor Limited Reports 2017 Fourth Quarter Results

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

Hong Kong, China – February 8, 2018. Hua Hong Semiconductor Limited (SEHK: 1347) (the “Company”), one of the leading 200mm semiconductor foundries in the world, today announced its consolidated operational results for the three months ending December 31, 2017.

#### Fourth Quarter 2017 Highlights (Unaudited)

- Revenue continued to make history, reaching another new high of US\$216.9 million, an increase of 3.3% over 3Q 2017 and 11.8% higher than 4Q 2016.
- Gross margin was 33.7%, 1.5 percentage points lower compared to 3Q 2017 but 2.7 percentage points higher than 4Q 2016.
- Profit rose to US\$41.5 million, 17.4% over 3Q 2017 and 8.7% above 4Q 2016.
- Earnings per share was US\$0.04, up by US\$0.01 from 3Q 2017, and flat to 4Q 2016.
- ROE (annualized) was 10.0%, an improvement of 1.2 percentage points from 3Q 2017.

#### Full Year 2017 (Unaudited)

- Revenue was US\$808.1 million, a surge of 12.0% from 2016.
- Gross margin was 33.1%, 2.6 percentage points higher than 2016.
- Net profit was US\$145.3 million, a boost to 12.8% compared with 2016.
- Earnings per share was US\$0.14, up US\$0.02 from 2016.
- ROE was 9.1%, 0.5 percentage point higher than 2016.

## First Quarter 2018 Guidance

- We expect revenue to be between US\$209 million and US\$210 million. The slight decrease quarter over quarter is due to seasonality and annual maintenance of our two fabs. Year over year, revenue is expected to grow 14% to 15%.
- We expect gross margin to be approximately 30%.

## 2017 Dividend Payout

- During the Annual General Meeting in May 2018 the Company will decide on its dividend distribution plan for the accounting year 2017, pursuant to its dividend policy as published (viz. the average dividends paid in three consecutive years will be no less than 30% of the average distributable net profit of these three years).

Mr. Yu Wang, president and executive director of our Company, commented on the results as follows:

“We ended the year on a very strong note. The fourth quarter performance was nothing if not stellar! The \$US808.1 million revenues came from virtually all segments, especially bank card, ID card, super junction, IGBT and power management ICs. Gross margin and net profit margin grew substantially over 2016 thanks to the commitment and engagement of all customers and employees. Once again our company reconfirmed the success of our strategy and clearly demonstrated our relentless commitment to growth and profitability.”

“As discussed in previous earnings releases, the consistent strong demand for the Company’s 200mm wafer business far exceeds our capacity, leading to the need for substantially more capacity, a need that can be satisfied best with a new 300mm fab. In addition, several of our customers also have requirements that can be met only with 300mm technologies, and potential new customers needing significant 300mm capacity wait in the wings. For these reasons, we are going to establish a joint venture to build a 300mm wafer fab in Wuxi, in conjunction with the National IC Fund and the Wuxi government.”

“We are convinced that augmenting our 200mm business with 300mm production is the next best step” continued Yu Wang, “both to obtain needed capacity and to enable innovation down to 65nm. This will be a natural extension of our present expertise, as we already successfully manufacture at 90nm, leading to a comparatively easy path to manufacturing on 300mm wafers at 90nm and then at 65nm. Our embedded non-volatile memory, RF, power management and related IPs, just to name a few of our highly successful technologies, all can be transferred to and implemented on 300mm equipment rapidly and with reasonable effort.”

“In summary”, our President concluded, “our Wuxi project will provide the much-needed capacity and technologies to fulfill the demand coming from all segments of our customer base, fixing our capacity bottleneck for the foreseeable future! Furthermore, and equally importantly, Wuxi will also enable a significant expansion of that customer base.”

## Webcast/Conference Call Announcement

**Date:** February 9, 2018

**Time:** 04:00 P.M. (Shanghai and Hong Kong)  
03:00 A.M. (New York, February 9, 2018)

**Presenters:** Mr. Yu WANG, 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/s/investor\\_webcast.php](http://www.huahonggrace.com/s/investor_webcast.php) or

[https://engage.vevent.com/rt/huahongsemiconductor~2017\\_q4\\_earnings\\_call](https://engage.vevent.com/rt/huahongsemiconductor~2017_q4_earnings_call)

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**Conference ID:** 2727809

**Passcode:** HUAHONG

Recording will be available for replay at [http://www.huahonggrace.com/s/investor\\_webcast.php](http://www.huahonggrace.com/s/investor_webcast.php) about 24 hours after the event, and will be valid for 12 months.

## About Company

Hua Hong Semiconductor Limited (“Hua Hong Semiconductor”, stock code: 1347.HK) is a global leading specialty foundry, focusing on eNVM, power discretets, analog and power management, and logic and RF process platforms. Its outstanding quality control system satisfies the strict requirements of automotive chip manufacturing. Hua Hong Semiconductor is part of the Huahong Group, which is an important member of China’s 909 Project. With semiconductor manufacturing as its core business, Huahong Group is a high tech, globally oriented, highly competitive enterprise with innovative capabilities.

Hua Hong Semiconductor presently operates three 200mm wafer fabrication facilities (HH Fab1, HH Fab2, HH Fab3) in Jinqiao and Zhangjiang, Shanghai, with a total capacity of approximately 170,000 wafers per month. There is also a 300mm wafer fabrication facility (HH Fab7) being built in Wuxi’s National High-Tech Industrial Development Zone, which when completed will increase Hua Hong Semiconductor’s capacity by 40,000 wafers per month.

For more information, please visit <http://www.huahonggrace.com/>

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

	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)	4Q 2016 (Unaudited)	QoQ Change	YoY Change
Revenue	216,916	209,928	194,026	3.3 %	11.8 %
Cost of sales	(143,809)	(135,960)	(133,946)	5.8 %	7.4 %
<b>Gross profit</b>	<b>73,107</b>	<b>73,968</b>	<b>60,080</b>	<b>(1.2)%</b>	<b>21.7 %</b>
<b>Gross margin</b>	<b>33.7 %</b>	<b>35.2 %</b>	<b>31.0 %</b>	<b>(1.5)</b>	<b>2.7</b>
Operating expenses	(36,773)	(29,336)	(29,727)	25.4 %	23.7 %
Other income net	12,200	4,438	14,440	174.9 %	(15.5)%
<b>Profit before tax</b>	<b>48,534</b>	<b>49,070</b>	<b>44,793</b>	<b>(1.1)%</b>	<b>8.4 %</b>
Income tax expense	(7,032)	(13,729)	(6,597)	(48.8)%	6.6 %
<b>Profit for the period</b>	<b>41,502</b>	<b>35,341</b>	<b>38,196</b>	<b>17.4 %</b>	<b>8.7 %</b>
<b>Net profit margin</b>	<b>19.1 %</b>	<b>16.8%</b>	<b>19.7 %</b>	<b>2.3</b>	<b>(0.6)</b>
Earnings per share					
Basic	0.04	0.03	0.04	33.3 %	-
Diluted	0.04	0.03	0.04	33.3 %	-
Wafers shipped (in thousands 8" wafers)	501	477	488	5.0 %	2.7 %
Capacity utilization <sup>1</sup>	96.8 %	99.8 %	99.5 %	(3.0)	(2.7)
ROE <sup>2</sup>	10.0 %	8.8 %	10.4 %	1.2	(0.4)

**Fourth Quarter 2017**

- Revenue was US\$216.9 million, 3.3% over 3Q 2017 and 11.8% higher than 4Q 2016.
- Cost of sales was US\$143.8 million, 5.8% higher than 3Q 2017, primarily due to increased wafer shipments, and 7.4% above 4Q 2016, mainly due to increased wafer shipments and depreciation expenses.
- Gross margin was 33.7%, 1.5 percentage points lower than 3Q 2017, primarily due to an accrual of year-end bonus, and 2.7 percentage points above 4Q 2016, largely due to improved average selling price and product mix, partially offset by increased depreciation expenses.
- Operating expenses were US\$36.8 million, 25.4% over 3Q 2017, primarily due to (i) an accrual of year-end bonus, and (ii) an impairment provision for certain tools, and 23.7% above 4Q 2016, mainly due to increased labor, R&D expenses, and a foreign exchange impact as a result of RMB appreciation.
- Other income net was US\$12.2 million, 174.9% higher than 3Q 2017, primarily due to increased share of profits from an associate, and 15.5% lower than 4Q 2016, mainly due to a foreign exchange loss, partially offset by increased share of profits from an associate.
- Income tax expense decreased to US\$7.0 million, 48.8% lower than 3Q 2017, primarily due to an end-of-year adjustment of income tax deductibles.
- Profit for the period was US\$41.5 million, 17.4% over 3Q 2017 and 8.7% above 4Q 2016.
- Net profit margin was 19.1%, 2.3 percentage points over 3Q 2017 and 0.6 percentage point lower than 4Q 2016.
- Earnings per share was US\$0.04, up by US\$0.01 from 3Q 2017, and flat to 4Q 2016.
- ROE (annualized) was 10.0%, 1.2 percentage points better than 3Q 2017.

<sup>1</sup>The capacity utilization is calculated based on average monthly output divided by total estimated monthly capacity.

<sup>2</sup>Quarter ROE figures are annualized.

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

	2017 (Unaudited)	2016 (Audited)	YoY Change
Revenue	808,148	721,428	12.0 %
Cost of sales	(540,971)	(501,080)	8.0 %
<b>Gross profit</b>	<b>267,177</b>	<b>220,348</b>	<b>21.3 %</b>
<b>Gross margin</b>	<b>33.1 %</b>	<b>30.5 %</b>	<b>2.6</b>
Operating expenses	(115,905)	(104,218)	11.2 %
Other income net	21,215	37,350	(43.2)%
<b>Profit before tax</b>	<b>172,487</b>	<b>153,480</b>	<b>12.4 %</b>
Income tax expense	(27,225)	(24,648)	10.5 %
<b>Profit for the year</b>	<b>145,262</b>	<b>128,832</b>	<b>12.8 %</b>
<b>Net profit margin</b>	<b>18.0%</b>	<b>17.9 %</b>	<b>0.1</b>
Earnings per share			
Basic	0.14	0.12	16.7 %
Diluted	0.14	0.12	16.7 %
Wafers shipped (in thousands 8" wafers)	1,869	1,787	4.6 %
<i>Capacity utilization</i>	<i>98.1 %</i>	<i>97.6 %</i>	<i>0.5</i>
<i>ROE</i>	<i>9.1 %</i>	<i>8.6 %</i>	<i>0.5</i>

**Full Year 2017**

- Revenue was US\$808.1 million, an increase of 12.0% over 2016.
- Gross margin was 33.1%, 2.6 percentage points over 2016, primarily due to improved average selling price and product mix, partially offset by increased depreciation expenses.
- Operating expenses were US\$115.9 million, 11.2% over 2016, primarily due to increased labor, R&D expenses, and a foreign exchange impact as result of RMB appreciation.
- Other income net was US\$21.2 million, 43.2% lower than 2016, largely due to a foreign exchange loss versus a gain in 2016.
- Income tax expense was US\$27.2 million, an increase of 10.5% over 2016, primarily due to increased taxable profit.
- Net profit reached US\$145.3 million, an increase of 12.8% over 2016.
- Earnings per share was US\$0.14, up US\$0.02 over 2016.
- ROE was 9.1%, 0.5 percentage point higher than 2016.

#### Analysis of Revenue

Revenue by service type	4Q 2017 US\$000 (Unaudited)	4Q 2017 %	3Q 2017 US\$000 (Unaudited)	3Q 2017 %	QoQ Change US\$000	QoQ Change %
Wafers	212,552	98.0 %	204,516	97.4 %	8,036	3.9 %
Others	4,364	2.0 %	5,412	2.6 %	(1,048)	(19.4)%
<b>Total revenue</b>	<b>216,916</b>	<b>100.0 %</b>	<b>209,928</b>	<b>100.0 %</b>	<b>6,988</b>	<b>3.3 %</b>

- 98.0% of our total revenue were derived from the sale of semiconductor wafers in 4Q 2017.

#### Analysis of Revenue

Revenue by geography	4Q 2017 US\$000 (Unaudited)	4Q 2017 %	3Q 2017 US\$000 (Unaudited)	3Q 2017 %	QoQ Change US\$000	QoQ Change %
China <sup>3</sup>	122,410	56.3 %	116,530	55.6 %	5,880	5.0 %
United States	41,133	19.0 %	37,887	18.0 %	3,246	8.6 %
Asia <sup>4</sup>	22,246	10.3 %	26,281	12.5 %	(4,035)	(15.4)%
Europe	15,581	7.2 %	14,573	6.9 %	1,008	6.9 %
Japan <sup>5</sup>	15,546	7.2 %	14,657	7.0 %	889	6.1 %
<b>Total revenue</b>	<b>216,916</b>	<b>100.0 %</b>	<b>209,928</b>	<b>100.0 %</b>	<b>6,988</b>	<b>3.3 %</b>

- Revenue from China reached US\$122.4 million, contributing 56.3% of our total revenue, and an increase of 5.0% compared to 3Q 2017, chiefly driven by increased demand for smart card IC.
- Revenue from the United States was US\$41.1 million, an increase of 8.6% compared to 3Q 2017, predominantly due to increased demand for MCU and super junction products, partially offset by decreased demand for logic products.
- Revenue from Asia was US\$22.2 million, a decrease of 15.4% compared to 3Q 2017, principally due to decreased demand for logic and general MOSFET products.
- Revenue from Europe was US\$15.6 million, an increase of 6.9% compared to 3Q 2017, primarily due to increased demand for general MOSFET products.
- Revenue from Japan was US\$15.5 million, an increase of 6.1% compared to 3Q 2017, largely due to increased demand for MCU, flash, super junction, other power management IC (PMIC) products, partially offset by decreased demand for logic products.

<sup>3</sup>Includes Hong Kong.

<sup>4</sup>Excludes China and Japan.

<sup>5</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	4Q 2017 US\$000 (Unaudited)	4Q 2017 % (Unaudited)	3Q 2017 US\$000 (Unaudited)	3Q 2017 % (Unaudited)	QoQ Change US\$000	QoQ Change %
eNVM	85,940	39.6 %	75,832	36.1 %	10,108	13.3 %
Discrete	62,319	28.7 %	57,872	27.6 %	4,447	7.7 %
Analog & PM	40,572	18.7 %	39,761	18.9 %	811	2.0 %
Logic & RF	19,200	8.9 %	28,471	13.6 %	(9,271)	(32.6)%
Standalone NVM	8,327	3.8 %	7,600	3.6 %	727	9.6 %
Others	558	0.3 %	392	0.2 %	166	42.3 %
<b>Total revenue</b>	<b>216,916</b>	<b>100.0 %</b>	<b>209,928</b>	<b>100.0 %</b>	<b>6,988</b>	<b>3.3 %</b>

- Revenue from eNVM was US\$85.9 million, an increase of 13.3% compared to 3Q 2017, largely due to increased demand for smart card IC and MCU.
- Revenue from discrete was US\$62.3 million, an increase of 7.7% compared to 3Q 2017, primarily due to increased demand for super junction and general MOSFET products.
- Revenue from analog & PM was US\$40.6 million, an increase of 2.0% compared to 3Q 2017, primarily driven by increased demand for other PMIC products.
- Revenue from logic & RF was US\$19.2 million, a decrease of 32.6% compared to 3Q 2017, primarily due to decreased demand for logic products.
- Revenue from standalone NVM was US\$8.3 million, up by 9.6% compared to 3Q 2017, principally due to increased demand for flash products.

### Analysis of Revenue

Revenue by Process technology node	4Q 2017 US\$000 (Unaudited)	4Q 2017 % (Unaudited)	3Q 2017 US\$000 (Unaudited)	3Q 2017 % (Unaudited)	QoQ Change US\$000	QoQ Change %
≤0.13μm	76,054	35.1 %	69,559	33.1 %	6,495	9.3 %
0.15μm & 0.18μm	33,187	15.3 %	39,462	18.8 %	(6,275)	(15.9)%
0.25μm	4,769	2.2 %	3,744	1.8 %	1,025	27.4 %
≥0.35μm	102,906	47.4 %	97,163	46.3 %	5,743	5.9 %
<b>Total revenue</b>	<b>216,916</b>	<b>100.0 %</b>	<b>209,928</b>	<b>100.0 %</b>	<b>6,988</b>	<b>3.3 %</b>

- Revenue from 0.13μm and below technology nodes was US\$76.1 million, an increase of 9.3% compared to 3Q 2017, mainly resulting from an increased demand for smart card IC.
- Revenue from 0.15μm & 0.18μm technology nodes was US\$33.2 million, a decrease of 15.9% compared to 3Q 2017, primarily due to decreased demand for logic, MCU and smart card IC products.
- Revenue from 0.25μm technology node was US\$4.8 million, an increase of 27.4%, chiefly driven by increased demand for general MOSFET products.
- Revenue from 0.35μm and above technology nodes was US\$102.9 million, an increase of 5.9% compared to 3Q 2017, due to increased demand for super junction, other PMIC and MCU products.

### Analysis of Revenue

Revenue by end market distribution	4Q 2017 US\$000 (Unaudited)	4Q 2017 % (Unaudited)	3Q 2017 US\$000 (Unaudited)	3Q 2017 % (Unaudited)	QoQ Change US\$000	QoQ Change %
Consumer	151,242	69.7 %	144,402	68.8 %	6,840	4.7 %
Industrial & automotive	28,115	13.0 %	28,879	13.8 %	(764)	(2.6)%
Communications	27,358	12.6 %	26,089	12.4 %	1,269	4.9 %
Computing	10,201	4.7 %	10,558	5.0 %	(357)	(3.4)%
<b>Total revenue</b>	<b>216,916</b>	<b>100.0 %</b>	<b>209,928</b>	<b>100.0 %</b>	<b>6,988</b>	<b>3.3 %</b>

- Consumer electronics, with a revenue of US\$151.2 million, remained our largest end market segment, representing 69.7% of the total revenue, an increase of 4.7% compared to 3Q 2017, primarily due to increased demand for MCU.
- Revenue from industrial & automotive was US\$28.1 million, a decrease of 2.6% compared to 3Q 2017, primarily due to decreased demand for MCU, partially offset by increased demand for super junction.
- Revenue from communications was US\$27.4 million, an increase of 4.9% compared to 3Q 2017, largely due to increased demand for smart card IC.

### Capacity<sup>6</sup> and Capacity Utilization

Fab (in thousands of wafers per month)	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)	4Q 2016 (Unaudited)
Fab 1	63	63	56
Fab 2	57	57	57
Fab 3	48	46	42
<b>Total</b>	<b>168</b>	<b>166</b>	<b>155</b>
<i>Capacity utilization</i>	96.8%	99.8%	99.5%

- Monthly capacity increased to 168,000 wafers at the end of 4Q 2017, as a result of capacity expansion in Fab 3. Overall capacity utilization continued at high level due to strong demand.

<sup>6</sup> Wafers per month at the end of the period, calculated on a 30-day basis for comparison purposes.



### Wafer Shipments

in thousands of wafers	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)	4Q 2016 (Unaudited)	QoQ Change	YoY Change
Wafer shipments	501	477	488	5.0 %	2.7 %

- Wafer shipments were 501,000, an increase of 5.0% compared to 3Q 2017, mainly due to increased demand.

### Operating Expenses Analysis

Amounts in US\$ thousands	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)	4Q 2016 (Unaudited)	QoQ Change	YoY Change
Selling and distribution expenses	2,153	1,826	2,003	17.9 %	7.5 %
Administrative expenses <sup>7</sup>	34,620	27,510	27,724	25.8 %	24.9 %
<b>Operating expenses</b>	<b>36,773</b>	<b>29,336</b>	<b>29,727</b>	<b>25.4 %</b>	<b>23.7 %</b>

- Operating expenses were US\$36.8 million, an increase of 25.4% quarter over quarter, primarily due to (i) an accrual of year-end bonus, and (ii) an impairment provision for certain tools. There was an increase of 23.7% year over year, mainly due to increased labor, R&D expenses, and foreign exchange impact as a result of RMB appreciation

### Other Income Net Analysis

Amounts in US\$ thousands	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)	4Q 2016 (Unaudited)	QoQ Change	YoY Change
Rental income	3,362	3,607	3,772	(6.8)%	(10.9)%
Interest income	2,042	1,819	1,367	12.3 %	49.4 %
Foreign exchange (loss) / gain	(2,992)	(3,235)	6,024	(7.5)%	(149.7)%
Share of profit of an associate	8,515	1,248	3,871	582.3 %	120.0 %
Finance costs	(572)	(557)	(874)	2.7 %	(34.6)%
Government subsidies	2,519	1,429	320	76.3 %	687.2 %
Others	(674)	127	(40)	(630.7)%	1,585.0 %
<b>Other income net</b>	<b>12,200</b>	<b>4,438</b>	<b>14,440</b>	<b>174.9 %</b>	<b>(15.5)%</b>

- Other income net was US\$12.2 million, an increase of 174.9% over 3Q 2017, primarily due to increased share of profits from an associate, and a decrease of 15.5% year over year, mainly due to a foreign exchange loss, partially offset by increased share of profits from an associate.

<sup>7</sup>Administrative expenses include government grants recognized as an offset item.

### Cash Flow Analysis

Amounts in US\$ thousands	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)	4Q 2016 (Unaudited)	QoQ Change	YoY Change
Net cash flows generated from operating activities	88,282	75,394	84,319	17.1 %	4.7 %
Net cash flows generated from / (used in) investing activities	38,653	(76,675)	(23,060)	(150.4)%	(267.6)%
Net cash flows generated from / (used in) financing activities	208	(556)	(86,424)	(137.4)%	(100.2)%
Effect of exchange rate changes	3,894	4,253	(8,766)	(8.4)%	(144.4)%
<b>Net change in cash</b>	<b>131,037</b>	<b>2,416</b>	<b>(33,931)</b>	<b>5,323.7 %</b>	<b>(486.2)%</b>

- Net cash flows generated by operating activities were US\$88.3 million, up by 17.1% quarter over quarter, mainly due to increased government subsidies and decreased payroll and utility payments.
- Net cash flows from investing activities were US\$38.7 million, including (i) payout of \$US\$54.6 million from investment in time deposits and (ii) US\$1.8 million of interest income, partially offset by US\$17.8 million of investment in fixed assets.
- Net cash flows generated by financing activities were US\$0.2 million, including US\$2.8 million of proceeds from share option exercise, partially offset by (i) US\$2.0 million repayment of bank borrowings, and (ii) US\$0.6 million payment of interest expenses.

### Capital Structure

Amounts in US\$ thousands	31-Dec-2017 (Unaudited)	30-Sep-2017 (Unaudited)
Total assets	2,078,306	1,989,929
Total liabilities	383,101	365,559
Total equity	1,695,205	1,624,370
<i>Debt ratio</i> <sup>8</sup>	18.4%	18.4%

### Capital Expenditures

Amounts in US\$ thousands	4Q 2017 (Unaudited)	3Q 2017 (Unaudited)
Capital expenditures	17,780	33,757

- Capital expenditures were US\$17.8 million in 4Q 2017, compared to US\$33.8 million in 3Q 2017.

<sup>8</sup> Debt ratio is calculated based on total liabilities / total assets.

## Liquidity

Amounts in US\$ thousands	31-Dec-2017 (Unaudited)	30-Sep-2017 (Unaudited)
Inventories	115,578	115,500
Trade and notes receivables	112,372	110,624
Prepayments, deposits and other receivables	10,074	12,943
Due from related parties	46,988	46,217
Restricted and time deposits	193,530	246,931
Cash and cash equivalents	374,890	243,853
<b>Total current assets</b>	<b>853,432</b>	<b>776,068</b>
Trade payables	68,124	66,978
Other payables, advances from customers and accruals	129,908	114,707
Interest-bearing bank borrowings	60,751	4,219
Government grants	40,523	41,572
Due to related parties	10,885	14,264
Income tax payables	26,648	23,806
<b>Total current liabilities</b>	<b>336,839</b>	<b>265,546</b>
<b>Net working capital</b>	<b>516,593</b>	<b>510,522</b>
<i>Quick ratio</i>	2.2x	2.5x
<i>Current ratio</i>	2.5x	2.9x
Trade and notes receivables turnover days	52	51
Inventories turnover days	72	72

- Prepayments, deposits and other receivables decreased from US\$12.9 million on 30 September 2017 to US\$10.1 million on 31 December 2017, primarily due to decreased advanced payments to suppliers.
- Restricted and time deposits decreased from US\$246.9 million on 30 September 2017 to US\$193.5 million on 31 December 2017, primarily due to payout of US\$54.6 million from investment in time deposits.
- Other payables, advances from customers and accruals increased from US\$114.7 million on 30 September 2017 to US\$129.9 million on 31 December 2017, primarily due to an accrual of year-end bonus payments.
- Interest-bearing bank borrowings increased from US\$4.2 million on 30 September 2017 to US\$60.8 million on 31 December 2017, due to reclassification of bank borrowings.
- Due to related parties decreased from US\$14.3 million on 30 September 2017 to US\$10.9 million on 31 December 2017, mainly due to recognition of rental income from one of our related parties.
- Income tax payables increased from US\$23.8 million on 30 September 2017 to US\$26.6 million on 31 December 2017, due to the accrual of income tax for 4Q 2017.
- On 31 December 2017, net working capital was US\$516.6 million and the current ratio was 2.5.
- Trade and notes receivables turnover days were 52 days.
- Inventories turnover days were 72 days.

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		
	31-Dec-2017 (Unaudited)	30-Sep-2017 (Unaudited)	31-Dec-2016 (Unaudited)
Revenue	216,916	209,928	194,026
Cost of sales	(143,809)	(135,960)	(133,946)
<b>Gross profit</b>	<b>73,107</b>	<b>73,968</b>	<b>60,080</b>
Other income and gains	7,160	7,049	12,034
Fair value gains on investment properties	89	-	72
Selling and distribution expenses	(2,153)	(1,826)	(2,003)
Administrative expenses	(34,620)	(27,510)	(27,724)
Other expenses	(2,992)	(3,302)	(663)
Finance costs	(572)	(557)	(874)
Share of profit of an associate	8,515	1,248	3,871
<b>Profit before tax</b>	<b>48,534</b>	<b>49,070</b>	<b>44,793</b>
Income tax expense	(7,032)	(13,729)	(6,597)
<b>Profit for the period</b>	<b>41,502</b>	<b>35,341</b>	<b>38,196</b>
Attributable to:			
Owners of the parent	41,502	35,341	38,196
Non-controlling interests	-	-	-
Earnings per share			
Basic	0.04	0.03	0.04
Diluted	0.04	0.03	0.04
<b>Shares used in calculating basic earnings per share</b>	<b>1,036,020,104</b>	<b>1,034,043,768</b>	<b>1,033,871,656</b>
<b>Shares used in calculating diluted earnings per share</b>	<b>1,047,910,104</b>	<b>1,043,395,768</b>	<b>1,040,365,656</b>

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

	For the Year Ended	
	31-Dec-2017 (Unaudited)	31-Dec-2016 (Audited)
Revenue	808,148	721,428
Cost of sales	(540,971)	(501,080)
<b>Gross profit</b>	<b>267,177</b>	<b>220,348</b>
Other income and gains	24,394	34,761
Fair value gains on investment properties	89	72
Selling and distribution expenses	(7,232)	(6,814)
Administrative expenses	(108,673)	(97,404)
Other expenses	(10,712)	(666)
Finance costs	(2,178)	(3,873)
Share of profit of an associate	9,622	7,056
<b>Profit before tax</b>	<b>172,487</b>	<b>153,480</b>
Income tax expense	(27,225)	(24,648)
<b>Profit for the period</b>	<b>145,262</b>	<b>128,832</b>
Attributable to:		
Owners of the parent	145,262	128,832
Non-controlling interests	-	-
Earnings per share		
Basic	0.14	0.12
Diluted	0.14	0.12
<b>Shares used in calculating basic earnings per share</b>	<b>1,034,430,282</b>	<b>1,033,871,656</b>
<b>Shares used in calculating diluted earnings per share</b>	<b>1,043,366,282</b>	<b>1,037,288,656</b>

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

	As of		
	31-Dec-2017 (Unaudited)	30-Sep-2017 (Unaudited)	31-Dec-2016 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	733,462	737,713	656,517
Investment property	179,586	176,718	169,074
Prepaid land lease payments	20,634	20,481	20,071
Intangible assets	7,411	8,002	8,176
Investment in an associate	57,577	48,258	45,121
Available-for-sale investments	215,864	212,524	203,330
Long term prepayment	3,266	2,801	3,861
Deferred tax assets	7,074	7,364	5,720
<b>Total non-current assets</b>	<b>1,224,874</b>	<b>1,213,861</b>	<b>1,111,870</b>
<b>CURRENT ASSETS</b>			
Inventories	115,578	115,500	95,199
Trade and notes receivables	112,372	110,624	106,078
Prepayments, deposits and other receivables	10,074	12,943	8,963
Due from related parties	46,988	46,217	37,752
Restricted and time deposits	193,530	246,931	125,547
Cash and cash equivalents	374,890	243,853	341,255
<b>Total current assets</b>	<b>853,432</b>	<b>776,068</b>	<b>714,794</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	68,124	66,978	64,790
Other payables, advanced from customers and accruals	129,908	114,707	101,507
Interest-bearing bank borrowings	60,751	4,219	1,874
Government grants	40,523	41,572	35,863
Due to related parties	10,885	14,264	9,689
Income tax payable	26,648	23,806	24,222
<b>Total current liabilities</b>	<b>336,839</b>	<b>265,546</b>	<b>237,945</b>
<b>NET CURRENT ASSETS</b>	<b>516,593</b>	<b>510,522</b>	<b>476,849</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,741,467</b>	<b>1,724,383</b>	<b>1,588,719</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	32,139	90,061	90,757
Deferred tax liabilities	14,123	9,952	9,276
<b>Total non-current liabilities</b>	<b>46,262</b>	<b>100,013</b>	<b>100,033</b>
<b>Net assets</b>	<b>1,695,205</b>	<b>1,624,370</b>	<b>1,488,686</b>
<b>Equity and liabilities capital and reserves</b>			
Share capital	1,554,870	1,550,820	1,550,164
Reserves	140,335	73,550	(61,478)
<b>Total equity</b>	<b>1,695,205</b>	<b>1,624,370</b>	<b>1,488,686</b>

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

	For the Three Months Ended		
	31-Dec-2017 (Unaudited)	30-Sep-2017 (Unaudited)	31-Dec-2016 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before tax	48,534	49,070	44,793
Depreciation and amortization	28,217	27,717	23,512
Share of profit of an associate	(8,515)	(1,248)	(3,871)
Changes in working capital and others	20,046	(145)	19,885
<b>Net cash flows generated from operating activities</b>	<b>88,282</b>	<b>75,394</b>	<b>84,319</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	(17,780)	(33,757)	(24,243)
Other cash flow used in investing activities	56,433	(42,918)	1,183
<b>Net cash flows generated from / (used in) investing activities</b>	<b>38,653</b>	<b>(76,675)</b>	<b>(23,060)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares	2,759	-	-
Repayment of bank borrowings	(1,990)	-	(85,500)
Interest paid	(561)	(556)	(924)
<b>Net cash flows generated from / (used in) financing activities</b>	<b>208</b>	<b>(556)</b>	<b>(86,424)</b>
Net increase / (decrease) in cash and cash equivalents	127,143	(1,837)	(25,165)
Effects of exchange rate changes	3,894	4,253	(8,766)
Cash and cash equivalents, beginning of period	243,853	241,437	375,186
<b>Cash and cash equivalents, ending of period</b>	<b>374,890</b>	<b>243,853</b>	<b>341,255</b>

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

	For the Year Ended	
	31-Dec-2017 (Unaudited)	31-Dec-2016 (Audited)
<b>Cash flows from operating activities:</b>		
Profit before tax	172,487	153,480
Depreciation and amortization	104,628	85,078
Share of profit of an associate	(9,622)	(7,056)
Changes in working capital and others	(9,193)	(19,594)
<b>Net cash flows generated from operating activities</b>	<b>258,300</b>	<b>211,908</b>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment	(135,808)	(172,636)
Other cash flow used in investing activities	(61,195)	(60,762)
<b>Net cash flows used in investing activities</b>	<b>(197,003)</b>	<b>(233,398)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of shares	2,759	-
Dividends paid to shareholders	(39,693)	(35,922)
Increase in restricted and time deposits	(5)	(8)
Repayment of bank borrowings	(1,990)	(85,500)
Interest paid	(2,167)	(3,911)
<b>Net cash flows used in financing activities</b>	<b>(41,096)</b>	<b>(125,341)</b>
Net increase / (decrease) in cash and cash equivalents	20,201	(146,831)
Effects of exchange rate changes	13,434	(22,355)
Cash and cash equivalents, beginning of the year	341,255	510,441
<b>Cash and cash equivalents, ending of the year</b>	<b>374,890</b>	<b>341,255</b>

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

**Executive Directors**

Suxin Zhang (Chairman)  
Yu Wang (President)

**Non-Executive Directors**

Jianbo Chen  
Yuchuan Ma  
Takayuki Morita  
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  
February 8, 2018