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Stock Code (1347)

## News Release

### Hua Hong Semiconductor Limited Reports 2018 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 7, 2018.

Hua Hong Semiconductor Limited (SEHK: 1347) (the "Company"), a global, leading pure-play foundry, today announced its consolidated operational results for the quarter ending June 30, 2018.

#### Second Quarter 2018 Highlights (Unaudited)

- Revenue reached another new high of US\$230 million, a year-over-year increase of 16.1% from 2Q 2017 and 9.4% higher than 1Q 2018.
- Gross margin was 33.6%, representing an increase of 0.4 percentage point from 2Q 2017, and a quarterly increase of 1.5 percentage points over 1Q 2018.
- Profit was US\$45.9 million, an increase of 33.6% over 2Q 2017, and 14.1% over 1Q 2018.
- Earnings per share was US\$0.04, US\$0.01 above 2Q 2017, and flat to 1Q 2018.
- ROE (annualized) was 10.4%, up by 1.6 percentage points over the previous year 2Q 2017.

#### Third Quarter 2018 Guidance

- We expect revenue to grow in the range of 3% to 4% quarter over quarter, 13% to 14% compared to 3Q 2017.
- We expect gross margin to be between 32% and 33%.

## President's Message

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

"Performance in the second quarter was superior thanks to strong demand for our technologies and flawless execution by our team! I am very pleased to announce that revenue hit another all-time high and gross margin exceeded our target. Revenue reached US\$230 million for the second quarter, an increase of 16.1% over a year ago and 9.4% above the first quarter this year. Gross margin grew to 33.6%, 0.4 percentage point above a year ago and 1.5 percentage points over the prior quarter, driven largely by extremely high utilization and a well-tuned, precise product mix. Net profit margin rose to 20%. The strong outcome was attributable to multiple applications, in particular, bank cards, MCUs and power discrete devices."

Yu Wang continued: "Looking forward, we are very confident about the second half of 2018. Strong demand for our MCU, discrete, analog & power management and logic & RF products will continue to drive ongoing business. At the same time, the build-out of our Wuxi fab is moving smoothly according to plan. We are now in the process of securing equipment for the initial phase of the 40K wafer capacity."

## Webcast/Conference Call Announcement

**Date:** August 8, 2018

**Time:** 04:00 P.M. (Shanghai and Hong Kong)  
04:00 A.M. (New York, August 8, 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~2018\\_q2\\_earnings\\_call](https://engage.vevent.com/rt/huahongsemiconductor~2018_q2_earnings_call)

**Dial-in Details:**

International	+65 6713 5521
China	+86 800 870 0531/+86 400 624 0406
Hong Kong	+852 3018 6768
Taiwan	+886 277 031 751
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**Conference ID:** 6598664

**Passcode:** HUAHONG

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

## About the Company

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

The Company presently operates three 200mm wafer fabrication facilities within the Huahong Group (HH Fab1, HH Fab2 and HH Fab3) in Jingqiao and Zhangjiang, Shanghai, with a total monthly 200mm-wafer capacity of circa 172,000 wafers. There is also a new 300mm-wafer fabrication facility (HH Fab 7) being built in Wuxi’s National High-Tech Industrial Development Zone. When completed, the Wuxi fab will increase the Company’s monthly capacity by forty thousand 300mm wafers.

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

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

	2Q 2018 (Unaudited)	2Q 2017 (Unaudited)	1Q 2018 (Unaudited)	YoY Change	QoQ Change
Revenue	229,868	198,068	210,093	16.1 %	9.4 %
Cost of sales	(152,622)	(132,401)	(142,708)	15.3 %	6.9 %
<b>Gross profit</b>	<b>77,246</b>	<b>65,667</b>	<b>67,385</b>	<b>17.6 %</b>	<b>14.6 %</b>
<b>Gross margin</b>	<b>33.6 %</b>	<b>33.2 %</b>	<b>32.1 %</b>	<b>0.4</b>	<b>1.5</b>
Operating expenses	(34,030)	(27,371)	(25,447)	24.3 %	33.7 %
Other income / (loss) net	16,082	2,174	(2,025)	639.7 %	(894.2)%
<b>Profit before tax</b>	<b>59,298</b>	<b>40,470</b>	<b>39,913</b>	<b>46.5 %</b>	<b>48.6 %</b>
Income tax (expense) / benefit	(13,401)	(6,117)	318	119.1 %	(4,314.2)%
<b>Profit for the period</b>	<b>45,897</b>	<b>34,353</b>	<b>40,231</b>	<b>33.6 %</b>	<b>14.1 %</b>
<b>Net profit margin</b>	<b>20.0 %</b>	<b>17.3 %</b>	<b>19.1 %</b>	<b>2.7</b>	<b>0.9</b>
Attributable to:					
Owners of the parent	45,791	34,353	40,097	33.3 %	14.2 %
Non-controlling interests	106	-	134	-	(20.9)%
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	459	454	9.2 %	10.4 %
Capacity utilization <sup>1</sup>	101.5 %	99.4 %	97.3 %	2.1	4.2
ROE <sup>2</sup>	10.4 %	8.8 %	9.2 %	1.6	1.2

**Second Quarter 2018**

- Revenue reached another new high of US\$229.9 million, an increase of 16.1% over 2Q 2017, and a quarterly increase of 9.4% over 1Q 2018.
- Cost of sales was US\$152.6 million, 15.3% above 2Q 2017, primarily due to increased wafer shipments and depreciation expenses, and 6.9% higher than 1Q 2018, largely due to increased wafer shipments.
- Gross margin was 33.6%, 0.4 percentage point above 2Q 2017, mainly due to improved average selling price, partially offset by increased depreciation expenses, and 1.5 percentage points higher than 1Q 2018, primarily due to improved utilization.
- Operating expenses were US\$34.0 million, 24.3% above 2Q 2017 and 33.7% over 1Q 2018, chiefly due to an impairment provision, increased professional and labor expenses.
- Other income net was US\$16.1 million, 639.7% up from a year ago in 2Q 2017, compared with a quarterly *other loss net* of US\$2.0 million in 1Q 2018, primarily due to (i) foreign exchange gain after a loss in the previous periods, (ii) increased share of profits from an associate, (iii) increased general subsidies, and (iv) fair value gains on financial assets at fair value through profit or loss.
- Income tax expense was US\$13.4 million, 119.1% over 2Q 2017, due to increased taxable profit, compared with an income tax benefit of US\$0.3 million in 1Q 2018, primarily due to a reversal of dividend withholding tax in the previous period.
- Profit for the period was US\$45.9 million, 33.6% above 2Q 2017 and 14.1% over 1Q 2018.
- Net profit margin was 20.0%, being 2.7 percentage points higher year-over-year to 2Q 2017 and 0.9 percentage point over 1Q 2018.
- Earnings per share was US\$0.04, US\$0.01 above 2Q 2017, and flat to 1Q 2018.
- ROE (annualized) was 10.4%, a yearly improvement of 1.6 percentage points from 2Q 2017, and a quarterly improvement of 1.2 percentage points from 1Q 2018.

<sup>1</sup>The capacity utilization is calculated based on average monthly 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 2018 US\$000 (Unaudited)	2Q 2018 % (Unaudited)	2Q 2017 US\$000 (Unaudited)	2Q 2017 % (Unaudited)	YoY Change US\$000	YoY Change %
Wafers	225,196	98.0 %	194,502	98.2 %	30,694	15.8 %
Others	4,672	2.0 %	3,566	1.8 %	1,106	31.0 %
<b>Total revenue</b>	<b>229,868</b>	<b>100.0 %</b>	<b>198,068</b>	<b>100.0 %</b>	<b>31,800</b>	<b>16.1 %</b>

- 98.0% of our total revenue were derived from the sale of semiconductor wafers in 2Q 2018.

#### Analysis of Revenue

Revenue by geography	2Q 2018 US\$000 (Unaudited)	2Q 2018 % (Unaudited)	2Q 2017 US\$000 (Unaudited)	2Q 2017 % (Unaudited)	YoY Change US\$000	YoY Change %
China <sup>3</sup>	134,502	58.6 %	111,180	56.2 %	23,322	21.0 %
United States	39,805	17.3 %	31,351	15.8 %	8,454	27.0 %
Asia <sup>4</sup>	29,032	12.6 %	21,218	10.7 %	7,814	36.8 %
Europe	16,542	7.2 %	19,376	9.8 %	(2,834)	(14.6)%
Japan <sup>5</sup>	9,987	4.3 %	14,943	7.5 %	(4,956)	(33.2)%
<b>Total revenue</b>	<b>229,868</b>	<b>100.0 %</b>	<b>198,068</b>	<b>100.0 %</b>	<b>31,800</b>	<b>16.1 %</b>

- Revenue from China was US\$134.5 million, contributing 58.6% of our total revenue, and an increase of 21.0% compared to 2Q 2017, chiefly driven by increased demand for general MOSFET, smart card IC, IGBT, super junction, and other PMIC products.
- Revenue from the United States was US\$39.8 million, an increase of 27.0% compared to 2Q 2017, driven by increased demand for super junction, general MOSFET, MCU, logic, and flash products.
- Revenue from Asia was US\$29.0 million, an increase of 36.8% compared to 2Q 2017, mainly driven by increased demand for MCU, super junction and logic products.
- Revenue from Europe was US\$16.5 million, a decrease of 14.6% compared to 2Q 2017, primarily due to decreased demand for smart card ICs.
- Revenue from Japan was US\$10.0 million, a decrease of 33.2% compared to 2Q 2017, primarily due to decreased demand for MCU and 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	2Q 2018 US\$000 (Unaudited)	2Q 2018 % (Unaudited)	2Q 2017 US\$000 (Unaudited)	2Q 2017 % (Unaudited)	YoY Change US\$000	YoY Change %
eNVM	88,608	38.6 %	81,033	41.0 %	7,575	9.3 %
Discrete	75,988	33.1 %	52,391	26.5 %	23,597	45.0 %
Analog & PM	37,504	16.3 %	35,935	18.1 %	1,569	4.4 %
Logic & RF	21,646	9.4 %	22,187	11.2 %	(541)	(2.4)%
Standalone NVM	6,027	2.6 %	6,041	3.0 %	(14)	(0.2)%
Others	95	-	481	0.2 %	(386)	(80.2)%
<b>Total revenue</b>	<b>229,868</b>	<b>100.0 %</b>	<b>198,068</b>	<b>100.0 %</b>	<b>31,800</b>	<b>16.1 %</b>

- Revenue from eNVM was US\$88.6 million, an increase of 9.3% compared to 2Q 2017, mainly driven by an increased demand for MCU and smart card ICs.
- Revenue from discrete was US\$76.0 million, an increase of 45.0% compared to 2Q 2017, mainly driven by increased demand for general MOSFET, super junction, and IGBT products.
- Revenue from analog & power management was US\$37.5 million, an increase of 4.4% compared to 2Q 2017, mainly driven by increased demand for other PMIC and analog products, partially offset by decreased demand for LED lighting products.
- Revenue from logic & RF was US\$21.6 million, a decrease of 2.4% compared to 2Q 2017, primarily due to decreased demand for RF products.

### Analysis of Revenue

Revenue by Process technology node	2Q 2018 US\$000 (Unaudited)	2Q 2018 % (Unaudited)	2Q 2017 US\$000 (Unaudited)	2Q 2017 % (Unaudited)	YoY Change US\$000	YoY Change %
≤0.13μm	83,383	36.3 %	63,734	32.2 %	19,649	30.8 %
0.15μm & 0.18μm	31,108	13.5 %	34,502	17.4 %	(3,394)	(9.8)%
0.25μm	3,697	1.6 %	5,194	2.6 %	(1,497)	(28.8)%
≥0.35μm	111,680	48.6 %	94,638	47.8 %	17,042	18.0 %
<b>Total revenue</b>	<b>229,868</b>	<b>100.0 %</b>	<b>198,068</b>	<b>100.0 %</b>	<b>31,800</b>	<b>16.1 %</b>

- Revenue from 0.13μm and lower technology nodes was US\$83.4 million, an increase of 30.8% versus 2Q 2017, driven mainly by higher demand for smart card IC, MCU, and logic products.
- Revenue from the 0.15μm & 0.18μm technology nodes was US\$31.1 million, a decrease of 9.8% from 2Q 2017, primarily due to lower demand for smart card IC and analog products.
- Revenue from the 0.25μm technology node was US\$3.7 million, down by 28.8% compared to 2Q 2017, primarily due to decreased demand for logic products and smart card ICs.
- Revenue from the technology nodes at 0.35μm and above was US\$111.7 million, an increase of 18.0% compared to 2Q 2017, mainly driven by increased demand for general MOSFET and super junction products.

### Analysis of Revenue

Revenue by end market distribution	2Q 2018 US\$000 (Unaudited)	2Q 2018 % (Unaudited)	2Q 2017 US\$000 (Unaudited)	2Q 2017 % (Unaudited)	YoY Change US\$000	YoY Change %
Consumer	145,707	63.4 %	133,870	67.6 %	11,837	8.8 %
Industrial & automotive	47,323	20.6 %	26,145	13.2 %	21,178	81.0 %
Communications	25,741	11.2 %	28,994	14.6 %	(3,253)	(11.2)%
Computing	11,097	4.8 %	9,059	4.6 %	2,038	22.5 %
<b>Total revenue</b>	<b>229,868</b>	<b>100.0 %</b>	<b>198,068</b>	<b>100.0 %</b>	<b>31,800</b>	<b>16.1 %</b>

- Consumer electronics, with a revenue of US\$145.7 million, remained our largest end market segment, representing 63.4% of the total revenue, and an increase of 8.8% compared to 2Q 2017, mainly driven by increased demand for general MOSFET and super junction products.
- Revenue from industrial & automotive was US\$47.3 million, up by 81.0% over 2Q 2017, mainly driven by increased demand for smart card IC, MCU, IGBT and super junction products.
- Revenue from communications was US\$25.7 million, a decrease of 11.2% from 2Q 2017, primarily due to decreased demand for smart card IC and logic products.
- Revenue from computing was US\$11.1 million, an increase of 22.5% compared to 2Q 2017, mainly driven by increased demand for general MOSFET and MCU products.

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

Fab (in thousands of wafers per month)	2Q 2018 (Unaudited)	2Q 2017 (Unaudited)	1Q 2018 (Unaudited)
Fab 1	65	60	63
Fab 2	59	57	57
Fab 3	48	42	48
<b>Total</b>	<b>172</b>	<b>159</b>	<b>168</b>
<i>Capacity utilization</i>	<i>101.5%</i>	<i>99.4%</i>	<i>97.3%</i>

- Driven by increased demand, the overall capacity utilization was 101.5% in 2Q 2018. This is a year-over-year increase of 2.1 percentage points from 2Q 2017 and is 4.2 percentage points over 1Q 2018. The total monthly capacity reached 172,000 wafers.

<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	2Q 2018 (Unaudited)	2Q 2017 (Unaudited)	1Q 2018 (Unaudited)	YoY Change	QoQ Change
Wafer shipments	501	459	454	9.2 %	10.4 %

- Wafer shipments were 501,000, a yearly increase of 9.2% compared to 2Q 2017, predominantly due to increased demand.

### Operating Expenses Analysis

Amounts in US\$ thousands	2Q 2018 (Unaudited)	2Q 2017 (Unaudited)	1Q 2018 (Unaudited)	YoY Change	QoQ Change
Selling and distribution expenses	1,963	1,753	1,749	12.0 %	12.2 %
Administrative expenses <sup>7</sup>	32,067	25,618	23,698	25.2 %	35.3 %
<b>Operating expenses</b>	<b>34,030</b>	<b>27,371</b>	<b>25,447</b>	<b>24.3 %</b>	<b>33.7 %</b>

- Operating expenses were US\$34.0 million, 24.3% above 2Q 2017 and 33.7% over 1Q 2018, mainly due to an impairment provision, increased professional expenses and labor expenses.

### Other Income/ (Loss) Net Analysis

Amounts in US\$ thousands	2Q 2018 (Unaudited)	2Q 2017 (Unaudited)	1Q 2018 (Unaudited)	YoY Change	QoQ Change
Rental income	3,433	3,299	3,419	4.1 %	0.4 %
Interest income	2,057	1,533	2,720	34.2 %	(24.4)%
Fair value gains on financial assets at fair value through profit or loss	1,787	-	-	-	-
Foreign exchange gain / (loss)	1,731	(2,689)	(8,823)	(164.4)%	(119.6)%
Share of profit of an associate	4,708	157	453	2,898.7 %	939.3 %
Finance costs	(690)	(534)	(594)	29.2 %	16.2 %
Government subsidies	2,726	210	420	1,198.1 %	549.0 %
Others	330	198	380	66.7 %	(13.2)%
<b>Other income / (loss) net</b>	<b>16,082</b>	<b>2,174</b>	<b>(2,025)</b>	<b>639.7 %</b>	<b>(894.2)%</b>

- Other income net was US\$16.1 million, 639.7% over 2Q 2017 compared with other loss net of US\$2.0 million in 1Q 2018, primarily due to (i) foreign exchange gain versus a loss in the previous periods, (ii) increased share of profits from an associate, (iii) increased general subsidies, and (iv) fair value gains on financial assets at fair value through profit or loss.

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



### Cash Flow Analysis

Amounts in US\$ thousands	2Q 2018 (Unaudited)	2Q 2017 (Unaudited)	1Q 2018 (Unaudited)	YoY Change	QoQ Change
Net cash flows generated from operating activities	51,953	64,575	57,542	(19.5)%	(9.7) %
Net cash flows used in investing activities	(155,088)	(114,525)	(12,281)	35.4 %	1,162.8 %
Net cash flows generated from / (used in) financing activities	333,523	(40,236)	189,645	(928.9)%	75.9 %
Effect of exchange rate changes	(11,327)	3,835	7,865	(395.4)%	(244.0) %
<b>Net change in cash</b>	<b>219,061</b>	<b>(86,351)</b>	<b>242,771</b>	<b>(353.7)%</b>	<b>(9.8)%</b>

- Net cash flows generated from operating activities were US\$52.0 million, down by 19.5% year over year, primarily due to a receipt of rental payment from a related party in 2Q 2017.
- Net cash flows used in investing activities were US\$155.1 million, including (i) US\$197.8 million of investment in financial assets at fair value through profit or loss and (ii) US\$28.9 million of investment in fixed assets offset by (a) payout of US\$67.8 million from investment in time deposits and (b) US\$3.8 million of interest income.
- Net cash flows generated from financing activities were US\$333.5 million, including (i) US\$377.0 million of equity injection to Hua Hong Semiconductor (Wuxi) Limited, our JV subsidiary and (ii) US\$0.6 million proceeds from share option exercise; partially offset by (i) US\$41.1 million of dividend payment, (ii) US\$2.3 million repayment of bank borrowings and (iii) US\$0.7 million payment of interest expenses.

### Capital Structure

Amounts in US\$ thousands	30-Jun-2018 (Unaudited)	31-Mar-2018 (Unaudited)
Total assets	2,670,444	2,375,277
Total liabilities	389,174	381,954
Total equity	2,281,270	1,993,323
<i>Debt ratio</i> <sup>8</sup>	14.6%	16.1%

### Capital Expenditures

Amounts in US\$ thousands	2Q 2018 (Unaudited)	1Q 2018 (Unaudited)
HHGrace	25,768	36,894
HH-Wuxi	3,117	49,797
<b>Total</b>	<b>28,885</b>	<b>86,691</b>

- Capital expenditures of US\$28.9 million in 2Q 2018 include US\$3.1 million for Hua Hong Wuxi.

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

## Liquidity

Amounts in US\$ thousands	30-Jun-2018 (Unaudited)	31-Mar-2018 (Unaudited)
Inventories	127,997	128,255
Trade and notes receivables	121,528	125,639
Prepayments, deposits and other receivables	11,346	11,163
Due from related parties	51,496	52,052
Financial assets at fair value through profit or loss	190,134	-
Restricted and time deposits	64,069	125,236
Cash and cash equivalents	836,722	617,661
<b>Total current assets</b>	<b>1,403,292</b>	<b>1,060,006</b>
Trade payables	66,561	69,037
Other payables, advances from customers and accruals	143,445	110,505
Interest-bearing bank borrowings	60,694	60,931
Government grants	42,205	44,410
Due to related parties	19,055	22,143
Income tax payables	18,888	33,660
<b>Total current liabilities</b>	<b>350,848</b>	<b>340,686</b>
<b>Net working capital</b>	<b>1,052,444</b>	<b>719,320</b>
<i>Quick ratio</i>	3.6x	2.7x
<i>Current ratio</i>	4.0x	3.1x
Trade and notes receivables turnover days	54	57
Inventories turnover days	76	77

- Financial assets at fair value through profit or loss were US\$190.1 million on 30 June 2018, representing financial products purchased from banks.
- Restricted and time deposits decreased from US\$125.2 million on 31 March 2018 to US\$64.1 million on 30 Jun 2018, primarily due to payout from investment in time deposits.
- Other payables, advances from customers and accruals increased from US\$110.5 million on 31 March 2018 to US\$143.4 million on 30 June 2018, primarily due to (i) increased payables for capital expenditures, (ii) increased dividend payables and (iii) an accrual of half-year bonus.
- Due to related parties decreased from US\$22.1 million on 31 March 2018 to US\$19.1 million on 30 June 2018, primarily due to recognition of rental income from one of our related parties.
- Income tax payables went from US\$33.7 million on 31 March 2018 to US\$18.9 million on 30 June 2018, largely due to a payment of income tax for 2017, partially offset by an accrual of income tax for 2Q 2018.
- On 30 June 2018, net working capital was US\$1,052.4 million and the current ratio was 4.0.
- Trade and notes receivables turnover days were 54 days.
- Inventories turnover days were 76 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		
	30-Jun-2018 (Unaudited)	30-Jun-2017 (Unaudited)	31-Mar-2018 (Unaudited)
Revenue	229,868	198,068	210,093
Cost of sales	(152,622)	(132,401)	(142,708)
<b>Gross profit</b>	<b>77,246</b>	<b>65,667</b>	<b>67,385</b>
Other income and gains	12,530	5,240	6,647
Selling and distribution expenses	(1,963)	(1,753)	(1,749)
Administrative expenses	(32,067)	(25,618)	(23,698)
Other expenses	(466)	(2,689)	(8,531)
Finance costs	(690)	(534)	(594)
Share of profit of an associate	4,708	157	453
<b>Profit before tax</b>	<b>59,298</b>	<b>40,470</b>	<b>39,913</b>
Income tax (expense) / benefit	(13,401)	(6,117)	318
<b>Profit for the period</b>	<b>45,897</b>	<b>34,353</b>	<b>40,231</b>
Attributable to:			
Owners of the parent	45,791	34,353	40,097
Non-controlling interests	106	-	134
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>1,039,907,108</b>	<b>1,033,871,656</b>	<b>1,039,145,939</b>
<b>Shares used in calculating diluted earnings per share</b>	<b>1,052,787,108</b>	<b>1,043,950,656</b>	<b>1,051,206,939</b>

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

	As of		
	30-Jun-2018 (Unaudited)	31-Mar-2018 (Unaudited)	30-Jun-2017 (Unaudited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	727,636	752,938	714,933
Investment property	177,349	186,614	173,132
Prepaid land lease payments	61,521	21,267	20,228
Intangible assets	6,693	7,380	8,282
Investment in an associate	61,928	60,285	46,059
Equity instruments at fair value through other comprehensive income	216,177	224,313	208,210
Long term prepayment	8,016	55,005	5,434
Deferred tax assets	7,832	7,469	7,097
<b>Total non-current assets</b>	<b>1,267,152</b>	<b>1,315,271</b>	<b>1,183,375</b>
<b>CURRENT ASSETS</b>			
Inventories	127,997	128,255	100,875
Trade and notes receivables	121,528	125,639	107,565
Prepayments, deposits and other receivables	11,346	11,163	11,836
Due from related parties	51,496	52,052	53,013
Financial assets at fair value through profit or loss	190,134	-	-
Restricted and time deposits	64,069	125,236	202,834
Cash and cash equivalents	836,722	617,661	241,437
<b>Total current assets</b>	<b>1,403,292</b>	<b>1,060,006</b>	<b>717,560</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	66,561	69,037	60,999
Other payables, advanced from customers and accruals	143,445	110,505	116,474
Interest-bearing bank borrowings	60,694	60,931	4,133
Government grants	42,205	44,410	38,880
Due to related parties	19,055	22,143	16,223
Income tax payable	18,888	33,660	16,259
<b>Total current liabilities</b>	<b>350,848</b>	<b>340,686</b>	<b>252,968</b>
<b>NET CURRENT ASSETS</b>	<b>1,052,444</b>	<b>719,320</b>	<b>464,592</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,319,596</b>	<b>2,034,591</b>	<b>1,647,967</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	29,471	33,396	89,373
Deferred tax liabilities	8,855	7,872	3,331
<b>Total non-current liabilities</b>	<b>38,326</b>	<b>41,268</b>	<b>92,704</b>
<b>Net assets</b>	<b>2,281,270</b>	<b>1,993,323</b>	<b>1,555,263</b>
<b>Equity and liabilities capital and reserves</b>			
Share capital	1,558,999	1,557,264	1,550,164
Reserves	165,406	246,891	5,099
<b>Equity attributable to the owners of the company</b>	<b>1,724,405</b>	<b>1,804,155</b>	<b>1,555,263</b>
Non-controlling interests	556,865	189,168	-
<b>Total equity</b>	<b>2,281,270</b>	<b>1,993,323</b>	<b>1,555,263</b>

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

	For the Three Months Ended		
	30-Jun-2018 (Unaudited)	30-Jun-2017 (Unaudited)	31-Mar-2018 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before tax	59,298	40,470	39,913
Depreciation and amortization	29,436	25,153	30,178
Share of profit of an associate	(4,708)	(157)	(453)
Changes in working capital and others	(32,073)	(891)	(12,096)
<b>Net cash flows generate from operating activities</b>	<b>51,953</b>	<b>64,575</b>	<b>57,542</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	(28,885)	(43,329)	(86,691)
Other cash flow (used in)/generated from investing activities	(126,203)	(71,196)	74,410
<b>Net cash flows used in investing activities</b>	<b>(155,088)</b>	<b>(114,525)</b>	<b>(12,281)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from non-controlling interests	377,000	-	188,000
Proceeds from issue of shares	620	-	2,186
Dividends paid to shareholders	(27,221)	(39,673)	-
Increase in restricted and time deposits	(13,867)	(25)	-
Repayment of bank borrowings	(2,267)	-	-
Interest paid	(742)	(538)	(541)
<b>Net cash flows generated from / (used in) financing activities</b>	<b>333,523</b>	<b>(40,236)</b>	<b>189,645</b>
Net increase / (decrease) in cash and cash equivalents	230,388	(90,186)	234,906
Effects of exchange rate changes	(11,327)	3,835	7,865
Cash and cash equivalents, beginning of period	617,661	327,788	374,890
<b>Cash and cash equivalents, ending of period</b>	<b>836,722</b>	<b>241,437</b>	<b>617,661</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

August 7, 2018