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**asmc**

**ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED**

**上海先進半導體製造股份有限公司**

*(A foreign invested joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 03355)

**Announcement of Interim Results  
For the six months ended 30 June 2017**

**INTERIM RESULTS**

The board of directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2017 (the "reporting period") as follows:

**INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		3 months ended 30 June 2017 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2017 (Unaudited) <i>RMB'000</i>	3 months ended 30 June 2016 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2016 (Unaudited) <i>RMB'000</i>
	<i>Notes</i>				
<b>Revenue</b>	4	269,096	491,417	200,085	347,365
Cost of sales		(222,495)	(413,436)	(164,782)	(316,207)
<b>Gross profit</b>		46,601	77,981	35,303	31,158
<b>Other income and gains</b>	5	4,151	10,411	9,061	11,675
Selling and distribution expenses		(1,903)	(3,769)	(1,885)	(3,802)
General and administrative expenses		(17,479)	(35,379)	(15,617)	(30,392)
Research and development costs		(6,850)	(12,795)	(8,828)	(19,338)
Other expenses	5	(4,802)	(6,331)	—	—
<b>Profit/(loss) before tax</b>	6	19,718	30,118	18,034	(10,699)
Income tax	7	—	—	—	—
<b>Profit/(loss) for the period</b>		19,718	30,118	18,034	(10,699)
Other comprehensive income for the period		—	—	—	—
<b>Total comprehensive income/ (loss) for the period attributable to ordinary equity holders of the Company</b>		<u>19,718</u>	<u>30,118</u>	<u>18,034</u>	<u>(10,699)</u>
<b>Earnings/(loss) per share attributable to ordinary equity holders of the Company</b>					
– Basic and diluted	9	<u>1.29 cents</u>	<u>1.96 cents</u>	1.18 cents	<u>(0.70) cent</u>

No dividends are proposed for the period as disclosed in note 8 to the interim condensed financial statements.

## INTERIM STATEMENT OF FINANCIAL POSITION

		<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>323,132</b>	350,538
Construction in progress		<b>74,006</b>	41,118
Prepaid land lease payments		<b>27,770</b>	28,155
Intangible assets		<b>1,628</b>	2,473
Total non-current assets		<b>426,536</b>	422,284
<b>Current assets</b>			
Inventories		<b>132,890</b>	132,899
Accounts and note receivables	10	<b>118,697</b>	102,666
Prepayments, deposits and other receivables		<b>12,652</b>	16,693
Due from related companies		—	16,465
Cash and cash equivalents		<b>530,456</b>	509,355
Total current assets		<b>794,695</b>	778,078
Total assets		<b>1,221,231</b>	1,200,362
<b>Current liabilities</b>			
Accounts payable	11	<b>143,290</b>	132,921
Other payables and accruals		<b>53,511</b>	61,023
Due to related companies		—	733
Government grants		<b>1,776</b>	2,371
Interest-bearing bank borrowings	12	—	11,335
Total current liabilities		<b>198,577</b>	208,383
<b>Net current assets</b>		<b>596,118</b>	569,695
<b>Total assets less current liabilities</b>		<b>1,022,654</b>	991,979
<b>Non-current liabilities</b>			
Government grants		<b>14,855</b>	14,298
<b>Net assets</b>		<b>1,007,799</b>	977,681
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>1,534,227</b>	1,534,227
Reserves		<b>(526,428)</b>	(556,546)
<b>Total equity</b>		<b>1,007,799</b>	977,681

## INTERIM STATEMENT OF CHANGES IN EQUITY

	<b>For the Six months ended 30 June 2017 (Unaudited) RMB'000</b>	For the Six months ended 30 June 2016 (Unaudited) RMB'000
<b>Share capital</b>		
<i>Ordinary shares of RMB1.00 each:</i>		
At beginning and end of period	<u>1,534,227</u>	<u>1,534,227</u>
<b>Capital reserve</b>		
At beginning and end of period	<u>205,363</u>	<u>205,363</u>
<b>Statutory surplus reserve</b>		
At beginning and end of period	<u>19,353</u>	<u>19,353</u>
<b>Accumulated losses</b>		
At beginning of period	(781,262)	(813,672)
Total comprehensive income/(loss) for the period	<u>30,118</u>	<u>(10,699)</u>
At end of period	<u>(751,144)</u>	<u>(824,371)</u>
<b>Reserves</b>	<u>(526,428)</u>	<u>(599,655)</u>
<b>Total equity attributable to equity holders of the Company</b>	<u><u>1,007,799</u></u>	<u><u>934,572</u></u>

## INTERIM STATEMENT OF CASH FLOWS

	For the Six months ended 30 June 2017 (Unaudited) RMB'000	For the Six months ended 30 June 2016 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	30,118	(10,699)
Adjustments for:		
Depreciation	37,559	32,797
Amortisation of intangible assets	845	1,160
Amortisation of prepaid land lease payments	385	385
Loss/(gain) on disposal of property, plant and equipment	172	(1,069)
Impairment of doubtful debts	—	9
Reversal of write-down of inventories to net realisable value	1,841	(799)
Reversal of welfare payable	(731)	—
Exchange loss/(gain)	4,673	(3,681)
Government grants	(1,416)	(1,824)
Interest income	(3,779)	(4,244)
<b>Operating profit before working capital changes</b>	<b>69,667</b>	12,035
Increase in accounts and note receivables	(16,031)	(3,952)
Increase in inventories	(1,832)	(18,436)
Decrease/(increase) in prepayments, deposits and other receivables	3,263	(3,105)
Decrease/(increase) in balances with related companies	15,732	(3,391)
Increase/(decrease) in accounts payable	(4,185)	29,987
Decrease in other payables and accruals	(6,781)	(7,675)
<b>Cash generated from operations</b>	<b>59,833</b>	5,463
Interest received	4,557	5,789
Government grants received	1,378	321
<b>Net cash flows from operating activities</b>	<b>65,768</b>	11,573

	<b>For the Six months ended 30 June 2017 (Unaudited) RMB'000</b>	For the Six months ended 30 June 2016 (Unaudited) RMB'000
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	—	1,069
Purchases of items of property, plant and equipment, construction in progress and intangible assets	<b>(28,659)</b>	(30,312)
Decrease/(increase) in non-pledged time deposits with original maturity of over three months when acquired	<b>3,835</b>	(22,798)
<b>Net cash flows used in investing activities</b>	<b>(24,824)</b>	(52,041)
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	<b>(11,335)</b>	—
<b>Net cash flows used in investing activities</b>	<b>(11,335)</b>	—
<b>Net increase/(decrease) in cash and cash equivalents</b>		
	<b>29,609</b>	(40,468)
Cash and cash equivalents at beginning of period	<b>144,142</b>	201,249
Effect of exchange rate changes on cash and cash equivalents	<b>(4,673)</b>	3,681
Cash and cash equivalents at end of period	<b>169,078</b>	164,462
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the statement of cash flows	<b>169,078</b>	164,462
Cash and bank balances	<b>169,078</b>	164,462
Non-pledged time deposits with original maturity of over three months when acquired	<b>361,378</b>	356,396
Cash and cash equivalents as stated in the interim statement of financial position	<b>530,456</b>	520,858
<b>Investing activities affecting both cash and non-cash items</b>		
Addition of items of property, plant and equipment, construction in progress and intangible assets	<b>(43,213)</b>	(42,333)
Increase in the balance of payables for purchases of items of property, plant and equipment, construction in progress and intangible assets	<b>14,554</b>	12,021
Cash flows used in purchases of items of property, plant and equipment, construction in progress and intangible assets	<b>(28,659)</b>	(30,312)

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The interim condensed financial statements of the Company for the six months ended 30 June 2017 are prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2016 (“2016 financial statements”) dated 15 March 2017.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s 2016 financial statements, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the interim condensed financial statements of the Company.

### 3. SEGMENT INFORMATION

The Company’s revenue and profit were mainly derived from the sale of wafers. The Company has only one reportable operating segment.

The principal assets employed by the Company are located in Shanghai, the People’s Republic of China (the “PRC”). Therefore, no segment information based on the geographical location of the Company’s assets is presented.

The Company’s revenue attributed to geographical areas based on the location of customers is presented as follows:

	<b>3 months ended 30 June 2017 (Unaudited and unreviewed) RMB’000</b>	<b>6 months ended 30 June 2017 (Unaudited) RMB’000</b>	<b>3 months ended 30 June 2016 (Unaudited and unreviewed) RMB’000</b>	<b>6 months ended 30 June 2016 (Unaudited) RMB’000</b>
United States of America	<b>125,236</b>	<b>231,687</b>	108,223	180,902
Europe	<b>37,147</b>	<b>67,575</b>	23,128	45,504
Asia	<b>106,713</b>	<b>192,155</b>	68,734	120,959
	<b>269,096</b>	<b>491,417</b>	200,085	347,365

#### **Information about major customers**

Revenue of approximately RMB200,624,000 (30 June 2016: RMB183,462,000) was derived from sales to two customers (30 June 2016: three) which individually accounted for more than 10% of the Company’s total revenue during the six months ended 30 June 2017. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

#### 4. REVENUE

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the reporting period.

An analysis of revenue is as follows:

	<b>3 months ended 30 June 2017 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2017 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2016 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2016 (Unaudited) RMB'000</b>
Sale of goods	<u>269,096</u>	<u>491,417</u>	<u>200,085</u>	<u>347,365</u>

#### 5. OTHER INCOME AND GAINS AND OTHER EXPENSES

	<b>3 months ended 30 June 2017 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2017 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2016 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2016 (Unaudited) RMB'000</b>
<b>Other income and gains</b>				
Government grants	686	1,416	992	1,824
Interest income	1,896	3,779	2,001	4,244
Sale of scrap materials	1,310	1,728	283	597
Technology service income	253	3,442	63	105
Net foreign exchange gain	—	—	4,653	3,751
Gain on disposal of property, plant and equipment	—	—	1,069	1,069
Others	6	46	—	85
	<u>4,151</u>	<u>10,411</u>	<u>9,061</u>	<u>11,675</u>
<b>Other expenses</b>				
Net foreign exchange loss	(4,802)	(6,331)	—	—
	<u>(4,802)</u>	<u>(6,331)</u>	<u>—</u>	<u>—</u>

## 6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	<b>3 months ended</b> <b>30 June 2017</b> <b>(Unaudited and</b> <b>unreviewed)</b> <i>RMB'000</i>	<b>6 months ended</b> <b>30 June 2017</b> <b>(Unaudited)</b> <i>RMB'000</i>	3 months ended 30 June 2016 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2016 (Unaudited) <i>RMB'000</i>
Cost of inventories sold	222,495	413,436	164,782	316,207
Depreciation	18,874	37,559	17,065	32,797
Amortisation of intangible assets	397	845	572	1,160
Amortisation of prepaid land lease payments	192	385	192	385
Research and development costs	6,850	12,795	8,828	19,338
Auditors' remuneration	360	721	376	721
Employee benefits expense (including directors', supervisors' and senior executives' remuneration):				
Retirement benefits				
– defined contribution fund	6,002	11,330	5,314	10,446
Accommodation benefits				
– defined contribution fund	1,868	3,717	1,691	3,395
Early retirement and termination benefits	—	83	528	580
Salaries and other staff costs	49,801	97,263	41,438	80,343
Reversal of welfare payable	(731)	(731)	—	—
	<u>56,940</u>	<u>111,662</u>	<u>48,971</u>	<u>94,764</u>
Impairment/(reversal of impairment) of doubtful debts	—	—	(195)	9
Write down/(reversal of write-down) of inventories to net realisable value	<u>(1,146)</u>	<u>1,841</u>	<u>(2,531)</u>	<u>(799)</u>



## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong during the three months and the six months ended 30 June 2016 and 2017.

In accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, the provision for Mainland China current income tax has been based on a statutory rate of 25% of the assessable profits of the Company for the year. However, the Company obtained the renewal of “High and New Technology Enterprise”(HNTE) status with a valid period from 1 January 2014 to 31 December 2016 and was recognized by the in-charge tax authority to enjoy the preferential Corporate Income Tax rate at 15%, which shall also be subject to the fulfillment on conditions required for HNTE on yearly basis.

Major components of income tax are as follows:

	<b>3 months ended 30 June 2017 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2017 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2016 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2016 (Unaudited) RMB'000</b>
Provision for income tax in respect of profit for the period	—	—	—	—
Deferred tax credit	—	—	—	—
Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

No income tax is provided as the Company does not have taxable profits in the current reporting period.

Deferred tax assets have not been recognised in respect of the deductible temporary differences, including tax losses, as it is not considered probable that sufficient taxable profits will be available against which these deductible temporary differences can be utilised.

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings/(loss) per share amount is calculated by dividing the profit/(loss) for the reporting period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	<b>3 months ended 30 June 2017 (Unaudited and unreviewed)</b>	<b>6 months ended 30 June 2017 (Unaudited)</b>	<b>3 months ended 30 June 2016 (Unaudited and unreviewed)</b>	<b>(Unaudited) 6 months ended 30 June 2016 (Unaudited)</b>
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	<u>19,718</u>	<u>30,118</u>	<u>18,034</u>	<u>(10,699)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,534,227</u>	<u>1,534,227</u>	<u>1,534,227</u>	<u>1,534,227</u>

No adjustment has been made to the basic earnings per share amounts presented for the three months and the six months ended 30 June 2016 and 2017 as the Company had no potentially dilutive ordinary shares in issue during those periods.

## 10. ACCOUNTS AND NOTES RECEIVABLES

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Accounts receivable	99,833	80,102
Notes receivable	18,864	22,564
	<u>118,697</u>	<u>102,666</u>
Impairment	—	—
	<u><b>118,697</b></u>	<u><b>102,666</b></u>

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Credit terms granted by the Company to its customers generally range from 30 to 60 days. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management of the Company. Accounts and note receivables are non-interest-bearing.

An ageing analysis of the accounts and notes receivables at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	79,749	66,551
Between 31 days and 90 days	32,789	30,106
Between 91 days and 180 days	5,583	6,009
Between 181 days and 365 days	576	—
Over 365 days	—	—
	<u>118,697</u>	<u>102,666</u>

The movements in the impairment for accounts receivable are as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
At beginning of period/year	—	1
Charged for the period	—	204
Unutilised amount reversed	—	(205)
At end of period/year	<u>—</u>	<u>—</u>

The analysis of accounts and notes receivables that were past due but not impaired at the end of the reporting period is as follows:

	<b>Total RMB'000</b>	<b>Neither past due nor impaired RMB'000</b>	<b>Past due but not impaired</b>			
			<b>&lt;60 days RMB'000</b>	<b>60- 180 days RMB'000</b>	<b>181- 365 days RMB'000</b>	<b>&gt;365 days RMB'000</b>
<b>30 June 2017 (unaudited)</b>	<b>118,697</b>	<b>105,628</b>	<b>12,658</b>	<b>411</b>	<b>—</b>	<b>—</b>
31 December 2016 (audited)	102,666	91,979	10,324	363	—	—

## 10. ACCOUNTS AND NOTES RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of those customers and that the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

## 11. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable at the end of the reporting period is as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	<b>102,915</b>	69,104
Between 31 days and 90 days	<b>40,207</b>	55,611
Between 91 days and 180 days	<b>168</b>	7,272
Between 181 days and 365 days	—	829
Over 365 days	—	105
	<b>143,290</b>	132,921

## 12. INTEREST-BEARING BANK BORROWINGS

	<b>2017</b>	
	<b>Effective interest rate (%)</b>	<b>Maturity</b>
		<b>RMB'000</b>
<b>Discounted bank accepted notes</b>	—	—
		2016
	<b>Effective interest rate (%)</b>	<b>Maturity</b>
		<b>RMB'000</b>
Discounted bank accepted notes	3.7~4.65	2017
		11,335

The carrying amounts of the Company's current borrowings approximate to their fair values.

### 13. COMMITMENTS

The Company had the following capital commitments at the end of the reporting period:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	<b>38,005</b>	15,425
– authorised, but not contracted for	<b>119,143</b>	61,705
	<b>157,148</b>	77,130

### 14. RELATED PARTY TRANSACTIONS

Before 24 April 2017, the Company was under the significant influence of NXP B.V., which held 27.47% of the equity interest of the Company. The companies controlled by NXP B.V. were considered to be related to the Company.

On 24 April 2017, the Company was informed by NXP B.V., a substantial shareholder of Company, that it had disposed 408,806,888 H shares of the Company and 12,643,512 unlisted foreign shares of the Company to Pudong Science and Technology Investment (Cayman) Co., Ltd. on 19 April 2017. The total disposal shares represent approximately 27.47% of the total issued share capital of the Company as at the time of the disposal. Immediately after completion of disposal, NXP B.V. ceased to be a shareholder of the Company.

On 26 May 2017, the Company was informed by Pudong Science and Technology Investment (Cayman) Co., Ltd., a substantial shareholder of Company, that it had disposed 204,403,444 H shares of the Company and 6,321,756 unlisted foreign shares of the Company to Sino Xin Yuan Limited on 24 May 2017. The share disposal represent approximately 13.74% of the total issued share capital of the Company as at the time of the disposal.

The Company had the following material transactions with related parties during the reporting period:

		<b>3 months ended 30 June 2017 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2017 (Unaudited) RMB'000</b>	3 months ended 30 June 2016 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2016 (Unaudited) RMB'000
Sales	(i)	<b>5,780</b>	<b>26,706</b>	20,345	39,891
Compensation paid/payable to key management personnel (including directors, supervisors and senior executives)		<b>2,960</b>	<b>5,662</b>	1,025	1,726
Technology transfer fees	(ii)	<b>113</b>	<b>266</b>	2,925	3,109

Notes:

- (i) Sales to related companies were carried out on terms equivalent to those that prevail in arm's length transactions.
- (ii) Royalties in the form of technology transfer fees (including identification licensing fees) paid/payable to a related company were determined at 1% of the net sales of certain specified products sold by agreement of the parties.

In the opinion of the directors (including the independent non-executive directors), all of the above transactions were carried out in the ordinary course of business of the Company.

The related party transactions set out in Notes (i) and (ii) above constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**SIX MONTHS ENDED 30 JUNE 2017 COMPARED TO SIX MONTHS ENDED 30 JUNE 2016**

### **Sales**

Despite the adverse impact of fewer working days and the planned annual maintenance shutdown in the beginning of 2017, the Company still produced sound business operation and financial performance for the first half of 2017 with the support of orders from major customers both at home and abroad. The Company recorded its sales of RMB491.4 million for the six months ended 30 June 2017, up 41.5% from RMB347.4 million for the six months ended 30 June 2016. During the reporting period, wafer shipments increased by 47.8% to 296,026 units of 8-inch equivalent wafers from 200,308 units of 8-inch equivalent wafers for the six months ended 30 June 2016.

### **Gross profit**

Gross profit for the six months ended 30 June 2017 was RMB78.0 million, compared to RMB31.2 million for the six months ended 30 June 2016. Gross margin for the six months ended 30 June 2017 was 15.9%, compared to 9.0% over the same period of last year, mainly attributable to higher level of capacity utilization rate and the appreciation of the US dollar against the Renminbi (“RMB”), partially offset by increase in manufacturing costs (i.e. labour, raw materials and spare parts).

### **Other income and gains**

Other income and gains for the six months ended 30 June 2017 were RMB10.4 million, compared to RMB11.7 million for the six months ended 30 June 2016. Other income and gains in the first half of 2017 were primarily generated by government grants, interest income, sale of scrap materials, technology service income and others.

### **Selling and distribution expenses**

Selling and distribution expenses remained flat at RMB3.8 million for the six months ended 30 June 2017 compared to the corresponding period of last year.

### **General and administrative expenses**

General and administrative expenses amounted to RMB35.4 million for the six months ended 30 June 2017, up 16.4% from RMB30.4 million for the six months ended 30 June 2016, mainly attributable to the increase in payroll-related expenses and consulting fees.

### **Research and development costs**

Research and development costs for the six months ended 30 June 2017 were RMB12.8 million, reflecting a decrease of 33.7% from RMB19.3 million for the six months ended 30 June 2016, primarily associated with more sales of engineering lot.

### **Other expenses**

Other expenses for the six months ended 30 June 2017 recorded a net foreign exchange loss of RMB6.3 million. No other expenses were recorded for the six months ended 30 June 2016.

## **Net income**

As a result of the factors listed above, the Company recorded a net income of RMB30.1 million for the six months ended 30 June 2017, compared to a net loss of RMB10.7 million for the six months ended 30 June 2016.

## **Liquidity and capital resources**

Cash and cash equivalents as at 30 June 2017 amounted to RMB530.5 million compared to RMB509.4 million as at 31 December 2016. Net cash inflow from operating activities was RMB65.8 million for the six months ended 30 June 2017, compared to RMB11.6 million for the six months ended 30 June 2016.

Net cash outflow from investing activities was RMB24.8 million for the six months ended 30 June 2017, primarily for the purchase of items of property, plant and equipment, construction in progress and intangible assets and decrease in time deposit, compared to net cash outflow of RMB52.0 million from investing activities for the six months ended 30 June 2016. Total capital expenditures amounted to RMB43.2 million for the six months ended 30 June 2017, compared to RMB42.3 million for the six months ended 30 June 2016. The capital expenditures incurred in the first half of 2017 were mostly spent in debottlenecking the production capacity associated with 8-inch wafer line.

Net cash outflow from financing activities was RMB 11.3 million for the six months ended 30 June 2017, compared to no cash flows from financing activities for the six months ended 30 June 2016.

As at 30 June 2017, the Company's current ratio was 4.00, compared to 3.73 as at 31 December 2016. The Company's debt-to-equity ratio as at 30 June 2017 was 21.2%, compared to 22.8% as at 31 December 2016.

## **Employees**

As at 30 June 2017, the Company had 1,317 employees, an increase of 5.0% from 1,254 employees as at 31 December 2016. During the reporting period, remuneration and employment benefits were provided for and paid in accordance with PRC laws and regulations.

## **RMB fluctuation risks**

RMB is the Company's functional and reporting currency. A large amount of the Company's revenue and expenditures is now denominated in foreign currencies. In the event that the Company's RMB revenue is not sufficient to meet its RMB expenditure, the Company will be required to meet the difference by conversion of its foreign currencies deposits into RMB, which might result in a foreign exchange loss, ultimately leading to a negative impact on its cash flow.

## **Capital commitments**

As at 30 June 2017, the Company had capital commitments for property, plant and equipment amounting to RMB157.1 million, of which RMB38.0 million was contracted but not provided for, while the remaining RMB119.1 million was authorized but not contracted for.

## OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2017

Sales for the three months ended 30 June 2017 were RMB269.1 million, an increase of RMB46.8 million or 21.1% from RMB222.3 million for the three months ended 31 March 2017. Such increase was primarily due to substantial increases in the sales of both 6-inch and 8-inch wafers and, to a lesser extent, in the sales of 5-inch wafers.

Gross profit for the three months ended 30 June 2017 was RMB46.6 million, compared to RMB31.4 million for the three months ended 31 March 2017. Gross margin for the three months ended 30 June 2017 was 17.3% compared to 14.1% for the three months ended 31 March 2017, primarily attributable to a higher level of capacity utilization rate and, to a lesser extent, a favorable product mix, partially offset by increase in manufacturing costs (i.e. labour and raw materials).

Other income and gains for the three months ended 30 June 2017 were RMB4.2 million, compared to RMB6.3 million for the three months ended 31 March 2017. Other income and gains in the second quarter of 2017 primarily comprised government grants, interest income, sale of scrap materials, technology service income and others.

Operating expenses for the three months ended 30 June 2017 amounted to RMB26.2 million compared to RMB25.7 million for the three months ended 31 March 2017, mainly due to the increase in research and development costs, and to a lesser extent, in selling and distribution expenses, partially offset by a decrease in general and administrative expenses.

Other expenses for the three months ended 30 June 2017 amounted to RMB4.8 million, compared to RMB1.5 million for the three months ended 31 March 2017. Other expenses in the first and second quarters of 2017 comprised only net foreign exchange loss.

As a result, the Company achieved a net income of RMB19.7 million for the three months ended 30 June 2017, compared to a net income of RMB10.4 million for the three months ended 31 March 2017.

### 1. Revenue Analysis

#### By Application

Sales for the three months ended 30 June 2017 from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were basically in line with the previous quarter.

	2Q'17	1Q'17	2Q'16
Communication	33%	33%	34%
Computer	33%	34%	33%
Consumer	34%	33%	33%

#### By Geography

For the three months ended 30 June 2017 sales to the USA, Europe and Asia Pacific accounted for 46%, 14% and 40% of total revenue, respectively, compared to 48%, 14% and 38% in the previous quarter.

	2Q'17	1Q'17	2Q'16
USA	46%	48%	54%
Europe	14%	14%	12%
Asia Pacific	40%	38%	34%

## By Customer Type

For the three months ended 30 June 2017, sales to IDM and fabless customers accounted for 17% and 83% of total revenue, respectively, compared to 16% and 84% in the previous quarter.

	2Q'17	1Q'17	2Q'16
IDM	17%	16%	23%
Fabless	83%	84%	77%

## By Product

For the three months ended 30 June 2017 sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 3%, 42% and 55% respectively, compared to 2%, 39% and 58% in the previous quarter.

	2Q'17	1Q'17	2Q'16
5-inch wafers	3%	2%	7%
6-inch wafers	42%	39%	40%
8-inch wafers	55%	58%	52%
Others <sup>1</sup>	0%	1%	1%

Note 1: Consist of probing services and provision of masks

## 2. Utilization and Capacity (8" equivalent)

### 2.1 Utilization

Overall capacity utilization for the three months ended 30 June 2017 was 103%, compared to 85% for the three months ended 31 March 2017.

Fab	2Q'17	1Q'17	2Q'16
Fab 1/2			
5-inch wafers	35%	22%	86%
6-inch wafers	101%	76%	69%
Fab 3			
8-inch wafers	109%	96%	82%
Overall Capacity Utilization Rate	103%	85%	77%

Notes:

1. The capacity utilization rate represents the percentage of the actual number of processing steps (measured by the number of masks used) for the number of semiconductor wafers shipped in the reporting period divided by the total number of processing steps a fab is capable of producing during the corresponding period.
2. The capacity utilization rates stated in the table are calculated on the basis of the theoretical capacity of the Company's fabrication facilities, as discussed in Notes 2 to paragraph 2.2 below. In consequence, the utilization rates of actual operating capacity are higher than the figures stated in the table above.
3. The utilization rate of the Company's 8-inch wafers in Fab 3 was calculated on the basis of 325,000 marks per month which became effective on 1 July 2013.



4. The installed capacity of the Company's 5-inch wafers changed from 252,000 masks per month to 66,000 masks per month, which became effective on 1 January 2014.
5. The installed capacity of the Company's 6-inch wafers changed from 510,000 masks per month to 420,000 masks per month, which became effective on 1 January 2014.

## 2.2 Capacity (8" Equivalent)

The capacity for the three months ended 30 June 2017 was 150,000 8-inch equivalent wafers, which was the same as that of the previous quarter and that of the second quarter of 2016.

<b>Fab (wafers in thousands)</b>	<b>2Q'17</b>	<b>1Q'17</b>	<b>2Q'16</b>
Fab 1/2			
5-inch wafers	9	9	9
6-inch wafers	71	71	71
Fab 3			
8-inch wafers	70	70	70
Total Capacity	150	150	150

Notes:

1. The Company estimated the capacities of its 5-inch and 6-inch on the basis of 9 and 10 mask steps per wafer respectively and 5-inch and 6-inch wafers were converted to 8-inch equivalent wafers by dividing their wafer number by 2.56 and 1.78 respectively.
2. The installed capacity of the Company's fabrication facilities is calculated assuming continuous production of an optimum product mix, which in practice is unlikely ever to be achieved. In consequence, the actual operating capacity is less than the figures stated in the table.
3. The basis on which the capacity of the Company's 8-inch wafers was estimated changed from 22 mask steps per wafer to 14 mask steps per wafer, which became effective on 1 January 2014.

## 3. Receivables/Inventory Turnover

Receivables turnover for the three months ended 30 June 2017 was 38 days, compared to 47 days for the three months ended 31 March 2017.

Inventory turnover was 74 days for the three months ended 30 June 2017, compared to 85 days for the three months ended 31 March 2017.

	<b>2Q'17</b>	<b>1Q'17</b>	<b>2Q'16</b>
Trade and notes receivables turnover (days)	38	47	37
Inventory turnover (days)	74	85	84

## 4. Capital Expenditures

Capital expenditures for the three months ended 30 June 2017 amounted to RMB37.5 million, compared to RMB5.7 million for the three months ended 31 March 2017.

	<b>2Q'17</b>	<b>1Q'17</b>	<b>2Q'16</b>
(Amount: RMB'000)			
Capital expenditures	37,481	5,731	31,945

## **PROSPECTS AND FUTURE PLANS**

The positive outlook for the global semiconductor market is likely to remain unchanged in the rest of the year. Such favorable business environment in which the Company operates should help benefit its business operation and financial performance in the second half of the year. Although there will still be some uncertainties i.e. the year-end traditional slow season and limited visibility of order intake at the end of the year from its customers, the Company will maintain cautiously optimistic about its business operation and financial performance for the whole year.

For the six months ended 30 June 2017, the Company has successfully achieved sound operating results, which almost hit the highest level in all major operating and financial indicators in almost seven years including 8-inch equivalent wafer shipments, overall utilization rate, revenues, gross profit and operating profit, net profit and earnings per share, thanks to well implementation of its business growth strategic initiatives over the past years. During the first half of the year, the Company continuously benefited from better-than-expected order demand from its major customers both at home and abroad, starting in the latter part of 2016, the effective execution of its business growth initiatives i.e., improving operational and managerial efficiency, enhancing its partnership with its new players in the domestic supply chain while further seamless working with its existing major customers, optimizing its capacity resource allocation and differentiating itself from its major peers. Moreover, the Company also achieved a record high of utilization rate in both 6-inch and 8-inch wafers line in the first half of the year. As a result, the Company recorded revenue of RMB491.4 million for the six months ended 30 June 2017, an increase of 41.5% year-on-year, and net profit of RMB30.1 million compared to net loss of RMB10.7 million over the same period of last year. Furthermore, the Company's financial position further improved, reflecting the balance of cash and cash equivalents of RMB530.5 million as at 30 June 2017 compared to RMB509.4 million as at 31 December 2016.

Moving forward, the Company will continuously focus on de-bottlenecking its existing production facilities with the reasonable investment, and seeking its incremental capacity release to support customers' demand. Such initiatives will further help generate new revenue streams, improve product mix and sustain its growth momentum in the future. Apart from this, the Company, by taking full advantage of its leading edge in analog IC specialty processes and the designated market, and capitalizing on the growing opportunities driven by the encouragement policy of the national and local governments for the development of the semiconductor industry, will further better position itself for achieving high-level development within the domestic IC manufacturing industry.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2017, there was no purchase, sale or redemption by the Company of its listed securities.

## **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS**

As at 30 June 2017, none of the directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2017, the interests and short positions of the following persons (not being a director, supervisor or chief executive of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage in the relevant class of issued share capital	Percentage in the total issued share capital
SCIP (HK) Limited ("SCIP (HK)") (Note 1)	H-shares	222,574,584 (Long position)	Beneficial owner	19.67%	14.51%
Shanghai Chemical Industrial Park Investment Enterprise Company Limited ("SCIPI") (Note 1)	Domestic shares	122,220,616 (Long position)	Beneficial owner	31.32%	7.97%
Pudong Science and Technology Investment (Cayman) Co., Ltd. ("PDSTI Cayman") (Note 2 and 4)	H Shares	408,806,888 (Long position)	Beneficial owner	36.13%	26.65%
	H-shares	204,403,444 (Short position)	Beneficial owner	18.07%	13.32%
	Unlisted foreign shares	12,643,512 (Long position)	Beneficial owner	100.00%	0.82%
Sino Xin Yuan Limited (Note 3 and 4)	Unlisted foreign shares	6,321,756 (Short position)	Beneficial owner	50.00%	0.41%
	H-shares	204,403,444 (Long position)	Beneficial owner	18.07%	13.32%
Sino Xin Yuan Limited (Note 3 and 4)	Unlisted foreign shares	6,321,756 (Long position)	Beneficial owner	50.00%	0.41%
	H-shares	204,403,444 (Long position)	Beneficial owner	18.07%	13.32%
China Orient Asset Management Corporation Co., Ltd.	Domestic shares	179,303,000 (Long position)	Beneficial owner	45.95%	11.69%
Shanghai Belling Co., Limited	Domestic shares	88,726,400 (Long position)	Beneficial owner	22.74%	5.78%

### Notes:

- SCIP (HK) is a wholly-owned subsidiary of SCIPI which in turn is 100% controlled by Shanghai Chemical Industrial Park Development Co., Ltd. ("SCIPD"). Accordingly, SCIPI and SCIPD are taken as having interests in the 222,574,584 H-shares of the Company which are beneficially held by SCIP (HK), and SCIPD is taken as having interests in the 122,220,616 domestic shares of the Company which are beneficially held by SCIPI.
- PDSTI Cayman is a wholly-owned subsidiary of Shanghai Pudong Science and Technology Investment Co., Ltd. ("PDSTI"), which in turn is 51.00% controlled by 上海宏天元創業投資合夥企業 (limited partnership, "宏天元創業投資"). 上海宏天元投資管理有限公司 ("宏天元投資管理") in turns holds 24.59% interests in 宏天元創業投資. 上海宏天元投資有限公司 ("宏天元投資") in turns holds 57.14% interests in 宏天元投資管理 and 0.82% interests in 宏天元創業投資. Therefore, PDSTI, 宏天元創業投資, 宏天元投資管理 and 宏天元投資 are taken as having interests in the 204,403,444 H-shares and 6,321,756 unlisted foreign shares of the Company which are beneficially held by PDSTI Cayman.
- Sino Xin Yuan Limited is a wholly-owned subsidiary of Sino IC Leasing (Holdings) Limited ("SICLH"), and SICLH is a wholly-owned subsidiary of Sino IC Leasing Co., Ltd. ("Sino IC Leasing"). National Integrated Circuit Industry Investment Fund Co., Ltd. ("National Integrated Circuit Industry Investment Fund") in turns holds 35.20% interests in Sino IC Leasing. Therefore, SICLH, Sino IC Leasing and National Integrated Circuit Industry Investment Fund are taken as having interests in the 204,403,444 H-shares and 6,321,756 unlisted foreign shares of the Company which are beneficially held by Sino Xin Yuan Limited.
- Pursuant to the Company's announcement dated 26 May 2017, PDSTI Cayman had entered into with Sino Xin Yuan Limited (i) a share transfer agreement relating to the disposal of 6,321,756 unlisted foreign shares of the Company by PDSTI to Sino Xin Yuan Limited (the "Unlisted Foreign Share Disposal"), and (ii) a share transfer agreement relating to the disposal of 204,403,444 H shares of the Company by PDSTI to Sino Xin Yuan Limited (the "H Share Disposal") on 24 May 2017. Immediately after the completion of the Unlisted Foreign Share Disposal and the H Share Disposal, PDSTI holds 204,403,444 H shares of the Company and 6,321,756 unlisted foreign shares of the Company.

Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless a specific threshold is passed, therefore a substantial shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

As at 30 June 2017, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

## **CORPORATE GOVERNANCE**

### **Compliance with the Corporate Governance Code**

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. Save as disclosed below, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2017.

Following the resignation of Mr. Jesse Bright Riggs PARKER JR. as an Independent Non-executive Director, and the member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee for the fifth session of the Board of the Company with effect from 20 June 2017, the Company was unable to fulfill: (i) Rule 3.25 of the Listing Rules which requires the majority of the Remuneration Committee to be Independent Non-executive Directors; and (ii) Code Provision A.5.1 of Corporate Governance Code to the Listing Rules which requires the majority of the Nomination Committee to be Independent Non-executive Directors.

Following the appointment of Mr. JIANG Shoulei as an Independent Non-executive Director and the member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee with effect from 7 August 2017, the Company fully complies with the requirements under Listing Rules 3.25 and code provision A.5.1 of the Corporate Governance Code to the Listing Rules.

### **Model Code**

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by the directors and supervisors.

The Company, having made specific enquiry of all its directors and supervisors, confirms that its directors and supervisors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

### **Audit and Risk Management Committee Review**

The Audit and Risk Management Committee of the Company consists of three Independent Non-executive Directors, namely Dr. CHEN Enhua (Chairman), Mr. JIANG Shoulei and Dr. JIANG Qingtang, and two Non-executive Directors, namely Mr. YUAN Yipei and Ms. SHEN Qing. The interim results for the six months ended 30 June 2017 are unaudited, but have been reviewed by the Audit and Risk Management Committee and Ernst & Young, the Company's external auditor.

By order of the Board  
**Advanced Semiconductor Manufacturing  
Corporation Limited**  
**HONG Feng**  
*Executive Director & Chief Executive Officer*

Shanghai, the PRC, 9 August 2017

*As at the date of this announcement, the executive director of the Company is Hong Feng; the non-executive directors of the Company are Zhu Jian, David Damian French, Shen Qing, Kang Hui, Yuan Yipei and Lu Ning; and the independent non-executive directors of the Company are Chen Enhua, Jiang Shoulei, Jiang Qingtang and Pu Hanhu.*