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上海先進半導體製造股份有限公司
Advanced Semiconductor Manufacturing Corporation Limited
(A foreign invested joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03355)

Announcement of Annual Results for the Year Ended 31 December 2017

ANNUAL RESULTS

The board of directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the audited results of the Company for the year ended 31 December 2017 (the"Reporting Period") as follows:

Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
Revenue	3	**1,013,296**	796,137
Cost of sales		**(855,705)**	(686,541)
Gross profit		**157,591**	109,596
Other income and gains	4	**19,062**	30,433
Selling and distribution expenses		**(7,732)**	(7,680)
General and administrative expenses		**(74,383)**	(63,180)
Research and development costs		**(27,057)**	(36,745)
Other expneses	4	**(14,108)**	—
Finance costs	5	**—**	(14)
Profit before tax	5	**53,373**	32,410
Income tax	6	**3,600**	—
Profit for the year		**56,973**	32,410
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year attributable to ordinary equity holders of the Company		**56,973**	32,410
Earnings per share attributable to ordinary equity holders of the Company – Basic and diluted	8	**3.71 cents**	2.11 cents

Details of the dividends proposed for the year are disclosed in note 7 to the financial statements.

Statement of Financial Position
31 December 2017

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment		**348,140**	350,538
Construction in progress		**54,603**	41,118
Prepaid land lease payments		**27,385**	28,155
Intangible assets		**950**	2,473
Deferred tax assets		**3,600**	—
Total non-current assets		**434,678**	422,284
Current assets			
Inventories		**160,032**	132,899
Accounts and note receivables	9	**124,672**	102,666
Prepayments, deposits and other receivables		**12,350**	16,693
Due from related companies		**—**	16,465
Cash and cash equivalents		**568,836**	509,355
Total current assets		**865,890**	778,078
Total assets		**1,300,568**	1,200,362
Current liabilities			
Accounts payable	10	**162,215**	132,921
Other payables and accruals		**82,261**	61,023
Due to related companies		**—**	733
Government grants		**1,240**	2,371
Interest-bearing bank borrowings	11	**—**	11,335
Total current liabilities		**245,716**	208,383
Net current assets		**620,174**	569,695
Total assets less current liabilities		**1,054,852**	991,979
Non-current liabilities			
Government grants		**20,198**	14,298
Net assets		**1,034,654**	977,681
Equity attributable to equity holders of the Company			
Share capital		**1,534,227**	1,534,227
Reserves		**(499,573)**	(556,546)
Total equity		**1,034,654**	977,681

Statement of Changes in Equity
Year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Share capital		
Ordinary shares of RMB1.00 each:		
At beginning and end of year	**1,534,227**	1,534,227
Capital reserve		
At beginning and end of year	**205,363**	205,363
Statutory surplus reserve		
At beginning and end of year	**19,353**	19,353
Accumulated losses		
At beginning of year	**(781,262)**	(813,672)
Total comprehensive income for the year	**56,973**	32,410
At end of year	**(724,289)**	(781,262)
Reserves	**(499,573)**	(556,546)
Total equity attributable to equity holders of the Company	**1,034,654**	977,681

Statement of Cash Flows
Year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Net cash flows from operating activities	**171,197**	43,522
Net cash flows used in investing activities	**(81,498)**	(124,811)
Net cash flows from/(used in) financing activities	**(11,335)**	11,335
Net increase/(decrease) in cash and cash equivalents	**78,364**	(69,954)
Cash and cash equivalents at beginning of year	**144,142**	201,249
Effect of exchange rate changes on cash and cash equivalents	**(11,684)**	12,847
Cash and cash equivalents at end of year	**210,822**	144,142
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the statement of cash flows	**210,822**	144,142
Cash and bank balances	**210,822**	144,142
Non-pledged time deposits with original maturity of over three months when acquired	**358,014**	365,213
Cash and cash equivalents as stated in the statement of financial position	**568,836**	509,355

NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Interpretations of the Standing Interpretation Committee approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. The financial statements are prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise stated.

Changes in accounting policies and disclosures

The Company has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

- 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*.

The principal effects of adopting these new and revised IFRSs are as follows:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Company applied amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements 2014-2016 Cycle

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017 the Company had no interest that was classified as held for sale, these amendments did not affect the Company's financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity.

a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Cash deposits, notes receivable and trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Company performed a detailed analysis of IFRS 15. Application of the standard is not expected to have any impact on the Company.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 *Insurance Contracts*

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. As the Company is not an insurer, this standard is not applicable to the Company.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. As the Company has no investment property, these amendments are not applicable to the Company.

Annual Improvements 2014-2016 Cycle

These improvements include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Company.

IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Company.

Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17. As the Company is not an insurer, this standard is not applicable to the Company.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation;

or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

2. SEGMENT INFORMATION

The Company's revenue and profit were mainly derived from the sale of silicon 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 locations of customers is presented as follows:

	2017	2016
	RMB'000	RMB'000
United States of America	**427,648**	395,706
Europe	**147,733**	108,591
China	**435,891**	287.620
Others	**2,024**	4,220
	1,013,296	796,137

Information about major customers

Revenue of approximately RMB475,895,000 (2016: RMB414,418,000) was derived from sales to three customers which individually accounted for more than 10% of the Company's total revenue during the year. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

3. REVENUE

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

An analysis of revenue is as follows:

	2017	2016
	RMB'000	RMB'000
Sale of goods	**1,013,296**	796,137
Others	**—**	—
	1,013,296	796,137

4. OTHER INCOME AND GAINS AND OTHER EXPENSES

	2017 **RMB'000**	2016 RMB'000
Other income and gains		
Interest income	**7,886**	8,198
Government grants	**2,505**	4,357
Net foreign exchange gain	**—**	12,984
Sale of scrap materials	**4,061**	2,462
Technology service income	**4,378**	1,265
Gain on disposal of property, plant and equipment	**—**	1,080
Others	**232**	87
	19,062	30,433
Other expenses		
Net foreign exchange loss	**(14,108)**	—
	(14,108)	—

5. PROFIT BEFORE TAX

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

	2017 **RMB'000**	2016 RMB'000
Cost of inventories sold	**855,705**	686,541
Depreciation	**77,861**	67,926
Amortisation of intangible assets	**1,523**	2,208
Amortisation of prepaid land lease payments	**770**	770
Research and development costs	**27,057**	36,745
Auditors' remuneration	**1,622**	1,422
Employee benefit expense (including directors', supervisors' and senior executives' remuneration):		
Retirement benefits:		
– defined contribution fund	**23,343**	20,762
Accommodation benefits:		
– defined contribution fund	**7,865**	7,050
Early retirement and termination benefits	**304**	1,296
Salaries and other staff costs	**204,288**	167,505
	235,800	196,613
Interest on bank borrowings	**—**	14
Reversal of impairment for doubtful debts	**—**	(1)
Reversal of write-down of inventories to net realisable value	**(3,214)**	(1,111)

6. 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 years ended 31 December 2017 and 2016.

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 2017 to 31 December 2019 and was recognized by the in-charge tax authority to apply the preferential Corporate Income Tax rate at 15%, which shall also be subject to the fulfillment on those conditions required for HNTE on a yearly basis.

Major components of income tax are as follows:

	2017 **RMB'000**	2016 RMB'000
Provision for income tax in respect of profit for the year	**—**	—
Deferred tax	**(3,600)**	—
Income tax	**(3,600)**	—

A numerical reconciliation between income tax and profit before tax multiplied by the applicable tax rate is as follows:

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**53,373**	32,410
Tax at the applicable tax rate of 15%	**8,006**	4,862
Tax effect of:		
– Expenses not deductible for tax purposes	**196**	193
– Temporary differences not recognised	**(2,282)**	(5,906)
– Tax loss not recognised	**—**	851
– Recognition of deferred tax assets related to previously unrecognised tax losses	**(3,600)**	—
– Tax loss utlised from prior years	**(5,920)**	—
Income tax	**(3,600)**	—

7. DIVIDENDS

The Board does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2017 (31 December 2016: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings per share amounts is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to ordinary equity holders of the Company (RMB'000)	**56,973**	32,410
Weighted average number of ordinary shares in issue ('000)	**1,534,227**	1,534,227

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

9. ACCOUNTS AND NOTES RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Accounts receivable	**99,674**	80,102
Notes receivable	**24,998**	22,564
	124,672	102,666
Impairment	**—**	—
	124,672	102,666

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. Accounts and notes receivables are non-interest-bearing.

An aging analysis of the accounts and notes receivables as at the end of the Reporting Period, based on the invoice date and net of impairment, was as follows:

	2017	2016
	RMB'000	RMB'000
Outstanding balances with ageing:		
Within 30 days	**87,171**	66,551
Between 31 and 90 days	**32,544**	30,106
Between 91 and 180 days	**4,957**	6,009
Between 181 and 365 days	**—**	—
Over 365 days	**—**	—
	124,672	102,666

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

	2017	2016
	RMB'000	RMB'000
At beginning of year	**—**	1
Charge for the year	**—**	204
Unutilised amount reversed	**—**	(205)
At end of year	**—**	—

The analysis of accounts and notes receivables that were not impaired at the end of the Reporting Period was as follows:

	Total RMB'000	Neither past due nor impaired RMB'000	Past due but not impaired <60 days RMB'000	61-180 days RMB'000	181-365 days RMB'000	>365 days RMB'000
31 December 2017	**124,672**	**109,192**	**15,480**	**—**	**—**	**—**
31 December 2016	102,666	91,979	10,324	363	—	—

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 (the "Directors") 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 the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

10. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable at the end of the Reporting Period, based on the invoice date, was as follows:

	2017 RMB'000	2016 RMB'000
Outstanding balances with aging:		
Within 30 days	**87,701**	69,104
Between 31 and 90 days	**66,496**	55,611
Between 91 and 180 days	**4,823**	7,272
Between 181 and 365 days	**2,912**	829
Over 365 days	**283**	105
	162,215	132,921

11. INTEREST-BEARING BANK BORROWINGS

	2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Discounted bank accepted notes	—	—	—

	2016		
	Effective interest rate (%)	Maturity	RMB'000
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.

12. COMMITMENTS

The Company had the following capital commitments at the end of the Reporting Period:

	2017 RMB'000	2016 RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	**74,962**	15,425
– authorised, but not contracted for	**100,734**	61,705
	175,696	77,130

13. RELATED PARTY TRANSACTIONS

At the beginning of the year, the Company was under the significant influence of NXP B.V., which holds 27.47% of the equity interest of the Company. Therefore, the companies controlled by NXP B.V. were considered to be the Company's related parties. On 19 April 2017, NXP B.V. disposed all 27.47% of the equity interest of the Company to Pudong Science and Technology Investment (Cayman) Co., Ltd. (the "Disposal"). Immediately after completion of Disposal, NXP B.V. and its subsidiaries ceased to be related parties of the Company.

The Company had the following material transactions with the companies controlled by NXP B.V. during the year before 19 April 2017:

	Notes	**2017 RMB'000**	2016 RMB'000
Sales	(i)	**26,706**	87,074
Technology transfer fees	(ii)	**266**	815

Notes:

(i) Sales to the related companies were carried out on terms equivalent to those that prevail in arm's length transaction.

(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 according to the agreement signed by both parties.

In the opinion of the Directors, all transactions above were carried out in the ordinary course of business of the Company.

The above related party transaction set out in Notes (i) and (ii) constitutes 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").

Pursuant to the Company announcement dated 29 January 2018, as Shanghai Belling Co., Ltd. is a subsidiary of Huada Semiconductor Co., Ltd. and Huada Semiconductor Co., Ltd. is a substantial shareholder of the Company, Shanghai Belling Co., Ltd. has become a connected person of the Company by virtue of Rule 14A.07 of the Listing Rules with effect from 28 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The global semiconductor market enjoyed a favourable growth in 2017, which is by far the largest growth year since 2010 primarily boosted by large growth from the memory market followed by the sensors market. In the improved market environment plus the ongoing support of the orders from its major customers located at home and abroad throughout the whole year, the Company successfully achieved a sound business operation and healthy financial performance in 2017 with its sales of RMB1,013.3 million and net profit of RMB57.0 million thanks to well execution of its major business strategic initiatives, eventually enabling the Company to achieve profitable results for the eighth consecutive year.

During the Reporting Period, the Company continuously benefited from business growth strategies involving promoting and deepening the existing strategic industrial cooperative projects continuously and effectively. As a result, the revenue contribution from China amounted to RMB435.9 million in 2017, up 51.6% on a yearly basis. The 6-inch wafer line recorded its highest yearly capacity utilization rate in 2017 and its yearly sales hit the highest level since 2009. The 8-inch wafer line achieved the record high of both sales and utilization rate in 2017. Furthermore, the Company continued to exercise a major de-bottlenecking its existing production facilities with the reasonable investment, particular for its 8-inch wafer line in order to seek its capacity release to satisfy the increasing demand for 8-inch wafer capacity from its major customers located at home and abroad. The implementation of those business strategic initiatives not only benefited the Company's business performance in 2017, but also should help enhance its overall competitiveness and consolidate its leading position in analog IC specialty process and designated markets.

COMPARISON BETWEEN 12 MONTHS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2017

Sales

Sales increased by 27.3% from RMB796.1 million in 2016 to RMB1,013.3 million in 2017, which also hit a record high of utilization rate of 95% in 2017. As such, the Company's throughput of 8-inch equivalent wafers increased by 36.4% from 459,139 units for the year ended 31 December 2016 to 626,294 units for the year ended 31 December 2017, while the Company's shipment of 8-inch equivalent wafers increased by 35.8% from 457,647 units for the year ended 31 December 2016 to 621,428 units for the year ended 31 December 2017.

Cost of sales and gross profit

The Company's cost of sales was RMB855.7 million in 2017, up 24.6% from RMB686.5 million in 2016. Gross profit was RMB157.6 million in 2017, an increase of 43.8% from RMB109.6 million in 2016. Its gross margin was 15.6% in 2017, compared to 13.8% in 2016, which was mainly attributable to higher utilization rate and more favourable product mix, partially offset by the increase in manufacturing costs (i.e. labour, raw materials and spare parts).

Other income and gains

Other income and gains were RMB19.1 million in 2017 compared to RMB30.4 million in 2016. The Company's other income and gains in 2017 primarily comprised interest income, government grants, sale of scrap materials, technology service income and others. The Company's other income and gains in 2016 primarily comprised interest income, government grants, net foreign exchange gain, sale of scrap materials, technology service income, gain on disposal of property, plant and equipment and others.

Selling and distribution costs

Selling and distribution costs remained almost flat at RMB7.7 million in 2017 compared to 2016.

General and administrative expenses

General and administrative expenses amounted to RMB74.4 million in 2017, up 17.7% from RMB63.2 million in 2016, which were mainly due to the increase in payroll related costs.

Research and development costs

Research and development costs were RMB27.1 million in 2017, down 26.2% from RMB36.7 million in 2016, which were primarily due to the increase in the sales of engineering wafer lots which resulted in higher absorption of its related research and development costs.

Other expenses

Other expenses were RMB14.1 million in 2017, compared to no other expenses recorded in 2016. Other expenses in 2017 were primarily due to net foreign exchange losses.

Finance costs

No finance costs were recorded in 2017, compared to finance costs of RMB14,000 in 2016.

Net income

As a result of the factors above, the Company recorded net income of RMB57.0 million for the year ended 31 December 2017 compared to net income of RMB32.4 million for the year ended 31 December 2016.

Liquidity and capital resources

The Company's cash and cash equivalents were RMB568.8 million as at 31 December 2017, compared to RMB509.4 million as at 31 December 2016. The Company's net cash inflow from operating activities showed an increase of 293.6% from RMB43.5 million for the year ended 31 December 2016 to RMB171.2 million for the year ended 31 December 2017.

The Company's net cash outflow from investing activities was RMB81.5 million as at 31 December 2017 for purchase of items of property, plant and equipment, and construction in progress and intangible assets and the decrease in time deposits, compared to net cash outflow of RMB124.8 million from investing activities as at 31 December 2016. Total capital expenditures amounted to RMB88.7 million for the year ended 31 December 2017, compared to RMB98.9 million for the year ended 31 December 2016. The capital expenditures incurred in 2017 were mostly spent in de-bottlenecking the production capacity associated with the 8-inch wafer line.

Net cash outflow of RMB11.3 million from financing activities were recorded as at 31 December 2017 compared to net cash inflow of RMB11.3 million from financing activities as at 31 December 2016.

No short-term interest-bearing borrowings were recorded as at 31 December 2017 compared to interest-bearing bank borrowings of RMB11.3 million as at 31 December 2016.

As at 31 December 2017, the Company's current ratio was 3.52 when compared to 3.73 as at 31 December 2016. The Company's debt to equity ratio as at 31 December 2017 was 25.7%, compared to 22.8% as at 31 December 2016. (Debt to equity ratio is calculated as the sum of total current liabilities and non-current liabilities divided by total shareholders' equity).

Employees

As at 31 December 2017, the Company had 1,372 employees (2016: 1,254 employees). The remuneration and employment benefits were provided for and paid in accordance with the PRC law and regulations.

RMB fluctuation risks

RMB is the Company's functional and reporting currency. A large amount of the Company's revenue and expenditures are now denominated in foreign currency. 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 deposit into RMB, which might result in exchange loss, ultimately leading to a negative impact on its cash flow.

Capital commitments

As at 31 December 2017, the Company had capital commitments for property, plant and equipment amounting to RMB175.7 million (2016: RMB77.1 million), of which RMB75.0 million (2016: RMB15.4 million) was contracted but not provided for, while the remaining balance of RMB100.7 million (2016: RMB61.7 million) was authorized but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

Sales for the three months ended 31 December 2017 were RMB264.5 million, up 2.8% from RMB257.4 million for the three months ended 30 September 2017, mainly due to the increase in sales of 6-inch wafers and 8-inch wafers in the domestic market.

Gross profit was RMB37.3 million for the three months ended 31 December 2017, a decrease of 11.8% from RMB42.3 million for the three months ended 30 September 2017. Gross margin in the fourth quarter of 2017 was 14.1% compared to 16.4% in the third quarter of 2017, primarily attributable to less favourable product mix and the increase in cost of raw materials.

Other income and gains for the three months ended 31 December 2017 were RMB4.8 million, compared to RMB3.9 million for the three months ended 30 September 2017. Other income and gains in the fourth quarter of 2017 primarily comprised government grants, interest income, sale of scrap materials, technology service income and others.

Selling and distribution costs for the three months ended 31 December 2017 amounted to RMB2.1 million compared to RMB1.9 million for the three months ended 30 September 2017.

General and administrative expenses for the three months ended 31 December 2017 were RMB20.6 million compared to RMB18.4 million for the three months ended 30 September 2017.

Research and development costs for the three months ended 31 December 2017 were RMB7.5 million compared to RMB6.7 million for the three months ended 30 September 2017.

Other expenses for the three months ended 31 December 2017 were RMB2.7 million, compared to RMB5.1 million for the three months ended 30 September 2017. Other expenses in the fourth quarter of 2017 were primarily due to net foreign exchange losses.

As a result of the foregoing factors, the Company recorded net profit of RMB12.8 million for the three months ended 31 December 2017 compared to net profit of RMB14.0 million for the three months ended 30 September 2017.

1. Revenue Analysis

For the three months ended 31 December 2017, sales from communication, computer and consumer products were basically in line with the prior quarter.

By Application	4Q17	3Q17	4Q16
Communication	33%	34%	34%
Computer	33%	33%	33%
Consumer	34%	33%	33%

For the three months ended 31 December 2017, sales to the USA, China and Europe accounted for 35%, 51% and 14% of total revenue respectively, compared to 41%, 43% and 16% in the previous quarter.

By Geography	4Q17	3Q17	4Q16
USA	35%	41%	46%
China	51%	43%	40%
Europe	14%	16%	14%
Others	0%	0%	0%

For the three months ended 31 December 2017, sales to IDM and fabless customers accounted for 19% and 81% of total revenue respectively, compared to 21% and 79% in the prior quarter.

By Customer Type	4Q17	3Q17	4Q16
IDM	19%	21%	38%
Fabless	81%	79%	62%

For the three months ended 31 December 2017, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 2%, 46% and 51% respectively, compared to 3%, 44% and 52% in the previous quarter.

By Product	4Q17	3Q17	4Q16
5″ wafers	2%	3%	5%
6″ wafers	46%	44%	37%
8″ wafers	51%	52%	57%
Others[1]	1%	1%	1%

Note 1: Consists of probing services and provision of masks.

2. Utilization and Capacity (8" equivalent)

2-1 Utilization

Overall capacity utilization was 96% for the three months ended 31 December 2017 compared to 94% for the three months ended 30 September 2017.

Fab	4Q17	3Q17	4Q16
Fab 1/2			
5-inch wafers	27%	42%	59%
6-inch wafers	107%	102%	76%
Fab 3			
8-inch wafers	95%	93%	92%
Overall Capacity Utilization Rate	96%	94%	84%

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 Note 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 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.

4. 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.

5. The utilization rate of the Company's 8-inch wafers in Fab 3 was calculated on the basis of 325,000 masks per month, which became effective during the period from 1 July 2013 to 30 June 2017.

6. The utilization rate of the Company's 8-inch wafers in Fab 3 was calculated on the basis of 360,000 masks per month, which became effective on 1 July 2017.

2-2 Capacity (8" Equivalent)

The capacity for the three months ended 31 December 2017 was 157,000 8-inch equivalent wafers, compared to 157,000 8-inch equivalent wafers in the previous quarter and 150,000 8-inch equivalent wafers in the fourth quarter of 2016.

Fab (wafers in thousand)	4Q17	3Q17	4Q16
Fab 1/2			
5-inch wafers	9	9	9
6-inch wafers	71	71	71
Fab 3			
8-inch wafers	77	77	70
Total Capacity	157	157	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 numbers using 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. Receivable/Inventory Turnover

Receivable turnover remained almost flat at 43 days for the three months ended 31 December 2017 compared to the third quarter of 2017.

Inventory turnover slightly increased from 77 days for the three months ended 30 September 2017 to 78 days for the three months ended 31 December 2017.

	4Q17	3Q17	4Q16
Trade & Notes Receivables Turnover (days)	43	43	38
Inventory Turnover (days)	78	77	83

4. Capital Expenditures

Capital expenditures for the three months ended 31 December 2017 amounted to RMB14.6 million, which were mainly spent in improving the capacity of 8-inch wafer line.

(Amount: RMB'000)	4Q17	3Q17	4Q16
Capex	14,635	31,289	37,739

PROSPECTS AND FUTURE PLANS

Looking ahead to 2018, the global economy will likely to carry forward its current momentum to generate steady growth in 2018 although various political and economic uncertainties still remain in various geographic regions. In view of the complicated and positive business environment, the global semiconductor sales growth is expected to be moderate as the demand-supply dynamics for memory products normalize. In addition, the analog IC market is very likely to show comparatively strong growth during the next few years driven by the expansion of power management, signal conversion and automotive-specific analog markets. Apart from this, the Company's business remains highly exposed to economic conditions, and the cyclical and seasonal nature of the semiconductor market. In this case, the Company maintains cautious stance on its business operation and financial performance in the coming year.

Based on its ongoing business growing strategies to enhance the competitive position and sustain its long-term growth and development, the Company has step by step addressed issues of further improving utilization of its existing production facilities including its 6-inch and 8-inch wafers to ensure the accomplishment of its business objectives, and will continuously implement the following major initiatives in the coming year:

- Further improve product mix by de-bottlenecking its existing 8-inch wafer line and continuously keeping full production loading of 6-inch wafer line, and ultimately sustain its profitability;
- Leveraging its leading edges in analog IC specialty process and designated markets, continuously seek cooperation with major IC producers in the supply chain for the establishment of strategic industrial alliances while further promoting the existing strategic industrial cooperative projects to generate new revenue streams;
- Focusing on its business growth strategy by seamlessly working with the existing domestic customers to generate incremental new revenue streams while further consolidating business cooperation with overseas customers;
- Further optimize internal organization and resources allocation, which should be fit for the effective execution of its major strategic initiatives to improve operating efficiency as well as sustain its ongoing growth and development; and
- Continuously dedicate itself to creating environmental and social benefits as well as creating economic benefits, which positively build its sustainable value for itself and its important interested parties.

Moving forward, the Company, by continuously executing its major business strategic initiatives and capitalizing on growth opportunities driven by the encouragement policy of the national and local governments for the development of semiconductor markets, will better position itself for a balanced and stable improvement in the Company's business and financial performance in 2018 and achieving positive development within the domestic IC manufacturing industry.

SUPPLEMENTARY INFORMATION

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption by the Company of its listed securities during the year ended 31 December 2017.

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 during the year ended 31 December 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.

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company.

The Company is pleased to confirm, after making specific enquiries with all Directors and Supervisors, that all Directors and Supervisors have fully complied with the standards required under the Model Code during the year ended 31 December 2017.

REVIEW AND AUDIT OF THE ANNUAL RESULTS

The Audit and Risk Management Committee of the Company consists of three Independent Non-executive Directors, namely Dr. CHEN Enhua (Chairman), Dr. JIANG Qingtang and Mr. JIANG Shoulei, and two Non-executive Directors namely Mr. XU Ding and Mr. YUAN Yipei. The annual results for the year ended 31 December 2017 have been reviewed by the Audit and Risk Management Committee and audited by Ernst & Young, the Company's external auditors.

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

Shanghai, the PRC, 14 March 2018

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, Xu Ding, 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.