

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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)

## 2018 FIRST QUARTER RESULTS ANNOUNCEMENT

### QUARTERLY RESULTS

The board (the "Board") of directors (the "Directors") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the unaudited results of the Company for the three months ended 31 March 2018 together with unaudited comparative figures for the corresponding period of last year as follows:

#### Condensed Statement of Profit or Loss and Other Comprehensive Income

		<b>For the three months ended 31 March</b>	
		<b>2018 (Unaudited) RMB'000</b>	2017 (Unaudited) RMB'000
	Notes		
<b>Revenue</b>	4	<b>240,762</b>	222,321
Cost of sales		<b>(218,226)</b>	(190,941)
<b>Gross profit</b>		<b>22,536</b>	31,380
Other income and gains	5	<b>4,892</b>	6,260
Operating expenses		<b>(24,431)</b>	(25,711)
Other expenses	5	<b>(7,233)</b>	(1,529)
<b>Profit/(loss) before income tax</b>	6	<b>(4,236)</b>	10,400
Income tax	7	—	—
<b>Net profit/(loss) for the period</b>		<b>(4,236)</b>	10,400
Other comprehensive income for the period		—	—
<b>Total comprehensive income/(loss) for the period attributable to ordinary equity holders of the Company</b>		<b>(4,236)</b>	10,400
<b>Earnings/(loss) per share attributable to ordinary equity holders of the Company</b>			
– Basic and diluted	9	<b>(0.28) cent</b>	0.68 cent

Details of the dividends proposed for the period are disclosed in note 8 to the condensed financial statements.

## Condensed Statement of Financial Position

	<b>31 March 2018 (Unaudited) RMB'000</b>	31 December 2017 (Audited) RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	350,954	348,140
Construction in progress	67,221	54,603
Prepaid land lease payments	27,192	27,385
Intangible assets	707	950
Deferred tax assets	3,600	3,600
Total non-current assets	<u>449,674</u>	<u>434,678</u>
<b>Current assets</b>		
Inventories	172,941	160,032
Accounts and notes receivables	121,988	124,672
Prepayments, deposits and other receivables	14,009	12,350
Due from a related company	4,462	—
Cash and cash equivalents	532,906	568,836
Total current assets	<u>846,306</u>	<u>865,890</u>
Total assets	<u>1,295,980</u>	<u>1,300,568</u>
<b>Current liabilities</b>		
Accounts payable	178,521	162,215
Other payables and accruals	65,988	82,261
Due to a related company	6	—
Government grants	973	1,240
Total current liabilities	<u>245,488</u>	<u>245,716</u>
<b>Net current assets</b>	<u>600,818</u>	<u>620,174</u>
<b>Total assets less current liabilities</b>	<u>1,050,492</u>	<u>1,054,852</u>
<b>Non-current liabilities</b>		
Government grants	20,074	20,198
<b>Net assets</b>	<u>1,030,418</u>	<u>1,034,654</u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,534,227	1,534,227
Reserves	(503,809)	(499,573)
<b>Total equity</b>	<u>1,030,418</u>	<u>1,034,654</u>

## Condensed Statement of Changes in Equity

	For the three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
<b>Share capital</b>		
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	(724,289)	(781,262)
Total comprehensive income/(loss) for the period	<u>(4,236)</u>	<u>10,400</u>
At end of period	<u>(728,525)</u>	<u>(770,862)</u>
<b>Reserves</b>	<u>(503,809)</u>	<u>(546,146)</u>
<b>Total equity attributable to equity holders of the Company</b>	<u>1,030,418</u>	<u>988,081</u>

## Condensed Statement of Cash Flows

	<b>For the three months ended 31 March</b>	
	<b>2018 (Unaudited) RMB'000</b>	2017 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	<b>(4,236)</b>	10,400
Adjustments for:		
Depreciation	<b>20,471</b>	18,685
Amortisation of intangible assets	<b>243</b>	448
Amortisation of prepaid land lease payments	<b>193</b>	193
Loss on disposal of property, plant and equipment	<b>227</b>	—
Write-down of inventories to net realisable value	<b>2,519</b>	2,987
Exchange loss	<b>7,444</b>	940
Government grants	<b>(402)</b>	(730)
Interest income	<b>(2,090)</b>	(1,883)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	<b>24,369</b>	31,040
Decrease/(increase) in accounts and notes receivables	<b>2,684</b>	(5,757)
Increase in inventories	<b>(15,428)</b>	(13,673)
Increase in prepayments, deposits and other receivables	<b>(758)</b>	(2,026)
Decrease/(increase) in balances with a related company	<b>(4,456)</b>	897
Increase/(decrease) in accounts payable	<b>19,202</b>	(1,082)
Decrease in other payables and accruals	<b>(16,273)</b>	(16,609)
	<hr/>	<hr/>
<b>Cash from/(used in) operations</b>	<b>9,340</b>	(7,210)
Interest received	<b>208</b>	115
Government grants received	<b>11</b>	8
	<hr/>	<hr/>
<b>Net cash flows from/(used in) operating activities</b>	<b>9,559</b>	(7,087)
	<hr/>	<hr/>

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Cash flows from investing activities</b>		
Purchases of items of property, plant and equipment, construction in progress and intangible assets	<b>(39,026)</b>	(12,273)
Decrease in non-pledged time deposits with original maturity of over three months when acquired	<b>816</b>	30,172
Interest received	<b>981</b>	1,363
	<hr/>	<hr/>
<b>Net cash flows from/(used in) investing activities</b>	<b>(37,229)</b>	19,262
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(27,670)</b>	12,175
Cash and cash equivalents at beginning of the period	<b>210,822</b>	144,142
Effect of exchange rate changes on cash and cash equivalents	<b>(7,444)</b>	(940)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>175,708</b>	155,377
	<hr/>	<hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the statement of cash flows	<b>175,708</b>	155,377
	<hr/>	<hr/>
Cash and bank balances	<b>175,708</b>	155,377
Non-pledged time deposits with original maturity of over three months when acquired	<b>357,198</b>	335,041
	<hr/>	<hr/>
<b>Cash and cash equivalents as stated in the statement of financial position</b>	<b>532,906</b>	490,418
	<hr/>	<hr/>
<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>(36,130)</b>	(5,736)
Decrease in the balance of payables for purchases of items of property, plant and equipment, construction in progress and intangible assets	<b>(2,896)</b>	(6,537)
	<hr/>	<hr/>
Cash flows used in purchases of items of property, plant and equipment, construction in progress and intangible assets	<b>(39,026)</b>	(12,273)
	<hr/>	<hr/>

## 1. BASIS OF PREPARATION

The unaudited condensed financial statements of the Company for the three months ended 31 March 2018 (the "First Quarter Results") are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

The First Quarter Results 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 2017 ("2017 financial statements").

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the First Quarter Results are consistent with those used in the 2017 financial statements, except for the adoption of new standards and interpretations as of 1 January 2018, which are set out below.

The Company has adopted the following new and revised IFRSs for the first time in the First Quarter condensed financial statements:

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 40 *Transfers of Investment Property*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to 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*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

The adoption of these new and revised IFRSs has had no significant financial effect on the First Quarter condensed financial statements and there have been no significant changes to the accounting policies applied in the First Quarter condensed financial statements.

### 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:

	For the three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
China	116,367	84,919
United States of America	84,938	106,540
Europe	38,421	30,428
Others	1,036	434
	<hr/>	<hr/>
	<b>240,762</b>	<b>222,321</b>

#### *Information about major customers*

Revenue from continuing operations of approximately RMB51,041,000 (Three months ended 31 March 2017: RMB93,430,000) was derived from sales to one customer (Three months ended 31 March 2017: two) which individually accounted for more than 10% of the Company's total revenue during the three months ended 31 March 2018. 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 represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the period.

An analysis of revenue is as follows:

	For the three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Sale of goods	240,762	222,321
Others	—	—
	<hr/>	<hr/>
	<b>240,762</b>	<b>222,321</b>

## 5. OTHER INCOME AND GAINS AND OTHER EXPENSES

	For the three months ended 31 March	
	2018	2017
	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Other income and gains</b>		
Interest income	2,090	1,883
Government grants	402	730
Technology service income	706	3,189
Sale of scrap materials	1,687	418
Others	7	40
	<u>4,892</u>	<u>6,260</u>
<b>Other expenses</b>		
Net foreign exchange loss	(7,233)	(1,529)
	<u>(7,233)</u>	<u>(1,529)</u>

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the three months ended 31 March	
	2018	2017
	(Unaudited) RMB'000	(Unaudited) RMB'000
Cost of inventories sold	218,226	190,941
Depreciation	20,471	18,685
Amortisation of intangible assets	243	448
Amortisation of prepaid land lease payments	193	193
Research and development costs	5,556	5,945
Auditors' remuneration	356	356
Employee benefits expense (including directors', supervisors' and senior executives' remuneration):		
Retirement benefits		
– defined contribution fund	6,000	5,328
Accommodation benefits		
– defined contribution fund	2,081	1,849
Early retirement and termination benefits	—	83
Salaries and other staff costs	47,657	47,462
	<u>55,738</u>	<u>54,722</u>
Write-down of inventories to net realisable value	2,519	2,987
	<u>2,519</u>	<u>2,987</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 for the three months ended 31 March 2017 and 2018.

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 period. 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 fulfillment on those conditions required for HNTE on yearly basis.

Major components of income tax are as follows:

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Provision for income tax in respect of profit for the period	—	—
Deferred tax	—	—
	<hr/>	<hr/>
Income tax expense	<b>—</b>	<b>—</b>

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

Deferred tax assets have not been fully 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 dividend to the ordinary equity holders of the Company for the three months ended 31 March 2018 (31 March 2017: Nil).

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

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

	For the three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	<u>(4,236)</u>	<u>10,400</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,534,227</u>	<u>1,534,227</u>

No adjustment has been made to the basic loss per share amounts presented for the three months ended 31 March 2017 and 2018 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

## 10. COMMITMENTS

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

	31 March 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	62,939	74,962
– authorised, but not contracted for	<u>76,609</u>	<u>100,734</u>
	<u>139,548</u>	<u>175,696</u>

## 11. RELATED PARTY TRANSACTIONS

On 8 March 2018, Shanghai Chemical Industry Park Investment Enterprise Co., Ltd. disposed 7.97% of the equity interest of the Company to Huada Semiconductor Co., Ltd. (“Huada Semiconductor”) (the “Disposal”). Immediately after completion of the Disposal, Huada Semiconductor and its subsidiary Shanghai Belling Co., Ltd. (“Shanghai Belling”) collectively held 25.44% of the equity interest of the Company. The shares in the Company held by Huada Semiconductor and Shanghai Belling are ultimately held by China Electronics Corporation (“CEC”). Consequently, the Company was considered to be under significant influence of CEC effective from 8 March 2018. The companies controlled by or under the significant influence of CEC are considered to be the Company’s related parties during the period after 8 March 2018.

The Company had the following material transactions with related parties during the period after 8 March 2018:

	Notes	For the three months ended 31 March	
		2018 (Unaudited) RMB’000	2017 (Unaudited) RMB’000
Sales	(i)	1,839	20,926
Technology transfer fees	(ii)	—	153
Rental of equipment	(iii)	3	—
Compensation paid/payable to key management personnel (including directors, supervisors and senior executives)		<u>2,638</u>	<u>2,702</u>

Notes:

- (i) Sales to the 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 according to the agreement signed by both parties.
- (iii) The rental paid to a related company was made at prices determined 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), (ii) and (iii) 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”).

## Operating Results Review

### Summary:

(Amount: RMB'000)	1Q2018	4Q2017	1Q2017	QoQ% Change	YoY% Change
Revenue	<b>240,762</b>	264,450	222,321	-9%	8%
Gross profit	<b>22,536</b>	37,293	31,380	-40%	-28%
Other income and gains	<b>4,892</b>	4,795	6,260	2%	-22%
Operating expenses	<b>(24,431)</b>	(30,208)	(25,711)	-19%	-5%
Other expenses	<b>(7,233)</b>	(2,661)	(1,529)	172%	373%
Finance costs	—	—	—	—	—
Income tax credit/(expense)	—	3,600	—	—	—
Net income/(loss)	<b>(4,236)</b>	12,819	10,400	—	—
EPS/(loss)	<b>(0.28) cent</b>	0.84 cent	0.68 cent	—	—

Sales declined by 9.0% from RMB264.5 million for the three months ended 31 December 2017 to RMB240.8 million for the three months ended 31 March 2018, which was primarily due to the decrease in sales of 6-inch and 8-inch wafers.

Gross profit for the three months ended 31 March 2018 was RMB22.5 million, compared to RMB37.3 million for the three months ended 31 December 2017. Gross margin for the three months ended 31 March 2018 was 9.4%, compared to 14.1% for the three months ended 31 December 2017, which was mainly attributable to lower utilization rate, depreciation of the US dollar against the Renminbi (“RMB”) and the increase in raw material costs.

Other income and gains for the three months ended 31 March 2018 were RMB4.9 million, compared to RMB4.8 million for the three months ended 31 December 2017. Other income and gains in the first quarter of 2018 primarily comprised government grants, interest income, technology service income, sale of scrap materials and others.

Operating expenses amounted to RMB24.4 million for the three months ended 31 March 2018, reflecting a decrease of 19.2% compared to RMB30.2 million for the three months ended 31 December 2017, which was due primarily to the decrease in general and administrative expenses as well as research and development costs.

Other expenses for the three months ended 31 March 2018 were RMB7.2 million, compared to RMB2.7 million for the three months ended 31 December 2017. Other expenses in the first quarter of 2018 primarily comprised net foreign exchange losses.

As a result, the Company recorded net loss of RMB4.2 million for the three months ended 31 March 2018, compared to net income of RMB12.8 million for the three months ended 31 December 2017.

## I. Revenue Analysis

### By Application

For the three months ended 31 March 2018, sales derived from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were basically in line with those in the fourth quarter of 2017.

	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Communication	<b>33%</b>	33%	33%
Computer	<b>33%</b>	33%	34%
Consumer	<b>34%</b>	34%	33%

### By Geography

For the three months ended 31 March 2018, sales to the USA, China and Europe accounted for 35%, 48% and 16% of total revenue respectively, compared to 35%, 51% and 14% in the fourth quarter of 2017.

	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
USA	<b>35%</b>	35%	48%
China	<b>48%</b>	51%	38%
Europe	<b>16%</b>	14%	14%
Others	<b>1%</b>	0%	0%

### By Customer Type

For the three months ended 31 March 2018, sales to IDM and fabless customers accounted for 13% and 87% of total revenue respectively, compared to 19% and 81% in the fourth quarter of 2017.

	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
IDM	<b>13%</b>	19%	16%
Fabless	<b>87%</b>	81%	84%

## By Product

For the three months ended 31 March 2018, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 2%, 44% and 53% respectively, compared to 2%, 46% and 51% in the fourth quarter of 2017.

	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
5-inch wafers	<b>2%</b>	2%	2%
6-inch wafers	<b>44%</b>	46%	39%
8-inch wafers	<b>53%</b>	51%	58%
Others <sup>1</sup>	<b>1%</b>	1%	1%

Note 1: Consist of probing services and provision of masks

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

### II-1. Utilization

Overall capacity utilization for the three months ended 31 March 2018 was 89%, compared to 96% for the three months ended 31 December 2017.

<b>Fab</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Fab 1/2			
5-inch wafers	<b>27%</b>	27%	22%
6-inch wafers	<b>95%</b>	107%	76%
Fab 3			
8-inch wafers	<b>89%</b>	95%	96%
Overall Capacity Utilization Rate	<b>89%</b>	96%	85%

- 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 II-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.

## II-2. Capacity (8" Equivalent)

The capacity for the three months ended 31 March 2018 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 first quarter of 2017.

<b>Fab (wafers in thousands)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Fab1/2			
5-inch wafers	<b>9</b>	9	9
6-inch wafers	<b>71</b>	71	71
Fab-3			
8-inch wafers	<b>77</b>	77	70
Total Capacity	<b>157</b>	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.

### III. Profit and Expense Analysis

#### III-1. Gross Profit Analysis

Gross profit for the three months ended 31 March 2018 was RMB22.5 million, compared to RMB37.3 million for the three months ended 31 December 2017. Gross margin for the three months ended 31 March 2018 was 9.4%, compared to 14.1% for the three months ended 31 December 2017, which was mainly attributable to lower utilization rate, depreciation of the US dollar against the Renminbi (“RMB”) and the increase in raw material costs.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Cost of sales	<b>(218,226)</b>	(227,157)	(190,941)
Gross profit	<b>22,536</b>	37,293	31,380
Gross margin	<b>9.4%</b>	14.1%	14.1%

#### III-2. Other Income and Gains

Other income and gains for the three months ended 31 March 2018 were RMB4.9 million, compared to RMB4.8 million for the three months ended 31 December 2017. Other income and gains in the first quarter of 2018 primarily comprised government grants, interest income, technology service income, sale of scrap materials and others.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Other income and gains	<b>4,892</b>	4,795	6,260

#### III-3. Operating Expenses Analysis

Operating expenses amounted to RMB24.4 million for the three months ended 31 March 2018, reflecting a decrease of 19.2% compared to RMB30.2 million for the three months ended 31 December 2017, which was due primarily to the decrease in general and administrative expenses as well as research and development costs.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Selling and distribution costs	<b>(1,649)</b>	(2,096)	(1,866)
General and administrative expenses	<b>(17,226)</b>	(20,597)	(17,900)
Research and development costs	<b>(5,556)</b>	(7,515)	(5,945)

#### III-4. Other Expenses

Other expenses for the three months ended 31 March 2018 were RMB7.2 million, compared to RMB2.7 million for the three months ended 31 December 2017. Other expenses in the first quarter of 2018 primarily comprised net foreign exchange losses.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Other expenses	<b>(7,233)</b>	(2,661)	(1,529)



## IV. Financial Condition Review

### IV-1. Liquidity Analysis

Total current assets as at 31 March 2018 were RMB846.3 million, a decrease of RMB19.6 million from RMB865.9 million as at 31 December 2017, due mainly to the decrease in cash and cash equivalents by RMB35.9 million, partially offset by the increase in inventories by RMB12.9 million from the balance as at 31 December 2017. Higher inventory was largely attributable to the increase in raw materials and work in progress, representing improved order demand in the reporting quarter. Total current liabilities as at 31 March 2018 amounted to RMB245.5 million, compared to RMB245.7 million as at 31 December 2017.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Cash and cash equivalents	<b>532,906</b>	568,836	490,418
Accounts and notes receivables	<b>121,988</b>	124,672	108,423
Inventories	<b>172,941</b>	160,032	143,585
Other current assets	<b>18,471</b>	12,350	34,879
<b>Total current assets</b>	<b>846,306</b>	865,890	777,305
Interest-bearing borrowings	—	—	11,335
Accounts payable	<b>178,521</b>	162,215	125,302
Other current liabilities	<b>66,967</b>	83,501	47,302
<b>Total current liabilities</b>	<b>245,488</b>	245,716	183,939
<b>Net current assets</b>	<b>600,818</b>	620,174	593,366
<b>Current ratio (x)</b>	<b>3.45</b>	3.52	4.23

### IV-2. Receivables/Inventory Turnover

Receivables turnover for the three months ended 31 March 2018 was 46 days, compared to 43 days for the three months ended 31 December 2017.

Inventory turnover days increased to 85 days for the three months ended 31 March 2018 from 78 days for the three months ended 31 December 2017.

	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Accounts and notes receivables turnover (days)	<b>46</b>	43	47
Inventory turnover (days)	<b>85</b>	78	85

### IV-3. Debt Service

Net cash reserve as at 31 March 2018 amounted to RMB532.9 million, compared to RMB568.8 million as at 31 December 2017, representing a sequential decrease of RMB35.9 million. This was due primarily to a decrease in cash and cash equivalents.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Cash and cash equivalents	<b>532,906</b>	568,836	490,418
Interest-bearing borrowings	—	—	11,335
Net cash reserves	<b>532,906</b>	568,836	479,083

### V. Capital Expenditures

Capital expenditures for the three months ended 31 March 2018 amounted to RMB36.1 million, compared to RMB14.6 million for the three months ended 31 December 2017.

<b>(Amount: RMB'000)</b>	<b>1Q2018</b>	<b>4Q2017</b>	<b>1Q2017</b>
Capex	<b>36,131</b>	14,635	5,731

### VI. Outlook for the Second Quarter of 2018

The Company experienced less working days caused by the planned annual maintenance shutdown in early February 2018 and the Chinese New Year holiday, which negatively impacted the Company's overall business and financial performance in the first quarter of 2018. However, with support of stable order intakes from its major customers located at home and abroad going forward, the Company expects its sales in the second quarter of 2018 to show positive growth on a sequential basis.

By order of the Board

**Advanced Semiconductor Manufacturing Corporation Limited**

**Hong Feng**

*Executive Director & Chief Executive Officer*

Shanghai, the PRC, 16 May 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 Dong Haoran, 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.*