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## 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 THIRD QUARTER RESULTS ANNOUNCEMENT

### Quarterly Results

The board of directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the unaudited results of the Company for the three months and the nine months ended 30 September 2018 together with unaudited comparative figures for the corresponding periods of last year as follows:

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

		3 months ended 30 September 2018 (Unaudited) RMB'000	9 months ended 30 September 2018 (Unaudited) RMB'000	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
	<i>Notes</i>				
<b>Revenue</b>	4	<b>304,271</b>	<b>830,903</b>	257,429	748,846
Cost of sales		<b>(239,535)</b>	<b>(690,510)</b>	(215,112)	(628,548)
<b>Gross profit</b>		<b>64,736</b>	<b>140,393</b>	42,317	120,298
Other income and gains	5	<b>12,004</b>	<b>23,861</b>	3,856	14,267
Operating expenses		<b>(30,360)</b>	<b>(81,479)</b>	(27,021)	(78,964)
Other expenses	5	—	—	(5,116)	(11,447)
<b>Profit before tax</b>	6	<b>46,380</b>	<b>82,775</b>	14,036	44,154
Income tax	7	<b>(4,270)</b>	<b>(4,460)</b>	—	—
<b>Profit for the period</b>		<b>42,110</b>	<b>78,315</b>	14,036	44,154
Other comprehensive income for the period		—	—	—	—

		<b>3 months ended</b>	<b>9 months ended</b>	3 months ended	9 months ended
		<b>30 September</b>	<b>30 September</b>	30 September	30 September
		<b>2018</b>	<b>2018</b>	2017	2017
		<b>(Unaudited)</b>	<b>(Unaudited)</b>	(Unaudited)	(Unaudited)
<i>Notes</i>		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Total comprehensive income for the period attributable to ordinary equity holders of the Company</b>		<b><u>42,110</u></b>	<b><u>78,315</u></b>	<u>14,036</u>	<u>44,154</u>
<b>Earnings per share attributable to ordinary equity holders of the Company</b>					
<b>– Basic and diluted</b>	9	<b><u>2.74 cents</u></b>	<b><u>5.10 cents</u></b>	<u>0.92 cent</u>	<u>2.88 cents</u>

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

## Condensed Statement of Financial Position

	30 September 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	390,822	348,140
Construction in progress	57,996	54,603
Prepaid land lease payments	26,808	27,385
Intangible assets	277	950
Deferred tax assets	3,600	3,600
	<hr/>	<hr/>
Total non-current assets	479,503	434,678
	<hr/>	<hr/>
<b>Current assets</b>		
Inventories	205,485	160,032
Accounts and notes receivables	135,451	124,672
Prepayments, deposits and other receivables	13,574	12,350
Due from a related company	6,539	—
Cash and cash equivalents	555,136	568,836
	<hr/>	<hr/>
Total current assets	916,185	865,890
	<hr/>	<hr/>
Total assets	1,395,688	1,300,568
	<hr/>	<hr/>
<b>Current liabilities</b>		
Accounts payable	178,906	162,215
Other payables and accruals	78,799	82,261
Due to related companies	288	—
Tax payable	4,271	—
Government grants	340	1,240
	<hr/>	<hr/>
Total current liabilities	262,604	245,716
	<hr/>	<hr/>
<b>Net current assets</b>	653,581	620,174
	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	1,133,084	1,054,852
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Government grants	20,115	20,198
	<hr/>	<hr/>
<b>Net assets</b>	1,112,969	1,034,654
	<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,534,227	1,534,227
Reserves	(421,258)	(499,573)
	<hr/>	<hr/>
<b>Total equity</b>	1,112,969	1,034,654
	<hr/>	<hr/>

## Statement of Changes in Equity

	<b>For the nine months ended 30 September 2018 (Unaudited) RMB'000</b>	For the nine months ended 30 September 2017 (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	<u>(724,289)</u>	<u>(781,262)</u>
Total comprehensive income for the period	<u>78,315</u>	<u>44,154</u>
At end of period	<u>(645,974)</u>	<u>(737,108)</u>
<b>Reserves</b>	<u>(421,258)</u>	<u>(512,392)</u>
<b>Total equity attributable to equity holders of the Company</b>	<u><b>1,112,969</b></u>	<u><b>1,021,835</b></u>

## Statement of Cash Flows

	<b>For the nine months ended 30 September 2018 (Unaudited) RMB'000</b>	For the nine months ended 30 September 2017 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>		
Profit before tax	<b>82,775</b>	44,154
Adjustments for:		
Depreciation	<b>60,971</b>	57,118
Amortisation of intangible assets	<b>673</b>	1,193
Amortisation of prepaid land lease payments	<b>577</b>	577
Loss on disposal of property, plant and equipment	<b>227</b>	172
Write-down of bad and doubtful debts to net realisable value	<b>140</b>	—
Reversal of write-down of inventories to net realisable value	<b>(4,585)</b>	(274)
Exchange loss/(gain)	<b>(9,356)</b>	8,786
Government grants	<b>(1,895)</b>	(2,012)
Interest income	<b>(6,283)</b>	(5,778)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	<b>123,244</b>	103,936
Increase in accounts and notes receivables	<b>(10,919)</b>	(22,908)
Increase in inventories	<b>(40,868)</b>	(19,350)
Decrease/(increase) in prepayments, deposits and other receivables	<b>(2,232)</b>	1,677
Decrease/(increase) in balances with related companies	<b>(6,251)</b>	15,732
Increase in accounts payable	<b>22,379</b>	23,045
Increase/(decrease) in other payables and accruals	<b>(3,462)</b>	19,805
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>81,891</b>	121,937
Government grants received	<b>912</b>	5,899
Income tax paid	<b>(189)</b>	—
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	<b>82,614</b>	127,836
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	<b>For the nine months ended 30 September 2018 (Unaudited) RMB'000</b>	For the nine months ended 30 September 2017 (Unaudited) RMB'000
<b>Cash flows from investing activities</b>		
Interest received	7,291	6,702
Purchases of items of property, plant and equipment and construction in progress	(112,961)	(71,927)
Decrease in non-pledged time deposits with original maturity of over three months when acquired	7,618	6,104
<b>Net cash flows used in investing activities</b>	<b>(98,052)</b>	<b>(59,121)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	—	(11,335)
<b>Net cash flows used in financing activities</b>	<b>—</b>	<b>(11,335)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(15,438)</b>	57,380
Cash and cash equivalents at beginning of period	210,822	144,142
Effect of exchange rate changes on cash and cash equivalents	9,356	(8,786)
<b>Cash and cash equivalents at end of period</b>	<b>204,740</b>	192,736
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the statement of cash flows	204,740	192,736
Cash and bank balances	204,740	192,736
Non-pledged time deposits with original maturity of over three months when acquired	350,396	359,109
Cash and cash equivalents as stated in the statement of financial position	555,136	551,845
<b>Investing activities affecting both cash and non-cash items</b>		
Addition of items of property, plant and equipment and construction in progress	(107,273)	(74,501)
Increase/(decrease) in the balance of payables for purchases of items of property, plant and equipment and construction in progress	(5,688)	2,574
Cash flows used in purchases of items of property, plant and equipment and construction in progress	(112,961)	(71,927)

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed financial statements of the Company for the three months and the nine months ended 30 September 2018 (the "Third Quarter Results") are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

The Third 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") dated 14 March 2018.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Third Quarter Results are consistent with those followed in the preparation of the Company's 2017 financial statements, except for the adoption of new standards and interpretations effective as of 1 January 2018. 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 2018:

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*
- 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 Company applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations; and
- As required for the condensed financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 4 would not include comparative information under IFRS 15.

#### *IFRS 9 Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for the nine months ended 30 September 2018.

#### *Changes to classification and measurement*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.



The IAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

As of 1 January 2018, the category of loans and receivables under IAS 39, including cash and cash equivalents, accounts and notes receivables, financial assets included in prepayments, deposits and other receivables and due from a related company, were transferred to debt instruments at amortised cost under IFRS 9.

#### *Changes to the impairment calculation*

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model. The Company applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts and notes receivables. The Company applies the general approach of financial assets included in prepayments, deposits and other receivables and due from a related company.

All the other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Third Quarter Results of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 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 September 2018 (Unaudited) RMB'000</b>	<b>9 months ended 30 September 2018 (Unaudited) RMB'000</b>	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
China	145,562	404,007	109,928	301,039
United States of America	107,663	290,095	104,943	336,630
Europe	50,201	133,690	42,111	109,686
Others	845	3,111	447	1,491
	<b>304,271</b>	<b>830,903</b>	<b>257,429</b>	<b>748,846</b>

#### *Information about major customers*

The Company's revenue of approximately RMB168,208,000 (30 September 2017: RMB371,752,000) was derived from sales to one customer (30 September 2017: three) which individually accounted for more than 10% of the Company's total revenue during the nine months ended 30 September 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

An analysis of revenue is as follows:

	<b>3 months ended 30 September 2018 (Unaudited) RMB'000</b>	<b>9 months ended 30 September 2018 (Unaudited) RMB'000</b>	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
Sale of goods	<b>304,271</b>	<b>830,903</b>	<b>257,429</b>	<b>748,846</b>

With the adoption of IFRS 15 from 1 January 2018, the disaggregation of the Company's revenue from contracts with customers, including sales of goods above is as follows:

	<b>3 months ended 30 September 2018 (Unaudited) RMB'000</b>	<b>9 months ended 30 September 2018 (Unaudited) RMB'000</b>
<u>Type of goods or service</u>		
Sale of wafers and total revenue from contracts with customers	<b>304,271</b>	<b>830,903</b>
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time and total revenue from contracts with customers	<b>304,271</b>	<b>830,903</b>

The disaggregation of the Company's revenue based on the geographical region for the nine months ended 30 September 2018 is included in note 3.

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

	<b>3 months ended 30 September 2018 (Unaudited) RMB'000</b>	<b>9 months ended 30 September 2018 (Unaudited) RMB'000</b>	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
Other income and gains				
Net foreign exchange gain	<b>8,585</b>	<b>10,543</b>	—	—
Interest income	<b>2,061</b>	<b>6,283</b>	1,999	5,778
Sale of scrap materials	<b>725</b>	<b>3,905</b>	874	2,621
Subsidy income	<b>335</b>	<b>1,895</b>	596	2,012
Technology service income	<b>298</b>	<b>1,082</b>	200	3,623
Others	—	<b>153</b>	187	233
	<b>12,004</b>	<b>23,861</b>	3,856	14,267
Other expenses				
Net foreign exchange loss	—	—	(5,116)	(11,447)
	—	—	(5,116)	(11,447)

## 6. PROFIT BEFORE TAX

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

	<b>3 months ended 30 September 2018 (Unaudited) RMB'000</b>	<b>9 months ended 30 September 2018 (Unaudited) RMB'000</b>	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
Cost of inventories sold	239,535	690,510	215,112	628,548
Depreciation	19,927	60,971	19,559	57,118
Amortisation of intangible assets	193	673	348	1,193
Amortisation of prepaid land lease payments	192	577	192	577
Research and development costs	8,690	21,576	6,747	19,542
Auditors' remuneration	356	1,067	356	1,067
Employee benefits expense (including directors', supervisors' and senior executives' remuneration):				
– Retirement benefits	6,981	19,952	5,992	17,322
– Accommodation benefits	2,406	6,571	2,064	5,781
– Salaries and other staff costs	56,996	158,378	52,249	148,864
	<b>66,383</b>	<b>184,901</b>	60,305	171,967
Write-down of bad and doubtful debts to net realisable value	140	140	—	—
Reversal of write-down of inventories to net realisable value	<b>(2,293)</b>	<b>(4,585)</b>	(2,115)	(274)

## 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 nine months ended 30 September 2018 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 qualifies as a “High and New Technology Enterprise” and thus was granted a preferential rate of 15% from 1 January 2017 to 31 December 2019. 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 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 September 2018 (Unaudited) RMB'000</b>	<b>9 months ended 30 September 2018 (Unaudited) RMB'000</b>	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
Provision for income tax in respect of profit for the period	<b>4,270</b>	<b>4,460</b>	—	—
Deferred tax	—	—	—	—
Income tax	<b>4,270</b>	<b>4,460</b>	—	—

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 nine months ended 30 September 2018 (for the nine months ended 30 September 2017: Nil).

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

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

	<b>3 months ended 30 September 2018 (Unaudited)</b>	<b>9 months ended 30 September 2018 (Unaudited)</b>	3 months ended 30 September 2017 (Unaudited)	9 months ended 30 September 2017 (Unaudited)
Profit attributable to ordinary equity holders of the Company (RMB'000)	<u>42,110</u>	<u>78,315</u>	14,036	<u>44,154</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,534,227</u>	<u>1,534,227</u>	1,534,227	<u>1,534,227</u>

No diluted earnings per share is presented for the three months and the nine months ended 30 September 2018 and 2017 as the Company had no potentially dilutive ordinary shares in issue during those periods.

## 10. COMMITMENTS

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

	<b>30 September 2018 (Unaudited) RMB'000</b>	31 December 2017 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	<b>43,022</b>	74,962
– authorised, but not contracted for	<b>42,755</b>	100,734
	<u><b>85,777</b></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:

		<b>3 months ended</b> <b>30 September</b> <b>2018</b> <b>(Unaudited)</b> <b>RMB'000</b>	<b>9 months ended</b> <b>30 September</b> <b>2018</b> <b>(Unaudited)</b> <b>RMB'000</b>	3 months ended 30 September 2017 (Unaudited) RMB'000	9 months ended 30 September 2017 (Unaudited) RMB'000
Sales	(i)	7,734	18,164	—	26,706
Purchase of raw materials	(ii)	261	711	—	—
Plant maintenance fee	(iii)	74	302	—	—
Rental of equipment	(iv)	6	18	—	—
Technology transfer fees	(v)	—	—	—	266
Compensation paid/payable to key management personnel (including directors, supervisors and senior executives)		<b>3,285</b>	<b>9,143</b>	5,060	10,722

Notes:

- (i) Sales to related companies were carried out on terms equivalent to those that prevail in arm's length transactions.
- (ii) Purchase of raw materials from related companies was made at prices determined according to the agreement signed by both parties.
- (iii) The maintenance fee paid to a related company was made at prices determined according to the agreement signed by both parties.
- (iv) The rental paid to a related company was made at prices determined according to the agreement signed by both parties.
- (v) 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 above related party transaction set out in Note (v) constitutes a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the transactions set out in Notes (i), (ii), (iii) and (iv) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 12. SUBSEQUENT EVENT

Pursuant to the Company announcement dated 30 October 2018, ASMC and GTA Semiconductor Co., Ltd. ("GTA") entered into the Merger Agreement, and the Company's Directors agreed to put forward to the ASMC Shareholders the Proposal, which involves the cancellation of all ASMC Shares. Pursuant to the Merger Agreement, subject to the terms and conditions of the Merger Agreement, (i) GTA will pay the Cancellation Price (in the amount of HK\$1.50 per ASMC H Share and per ASMC Unlisted Foreign Share or RMB1.33 per ASMC Domestic Share) for each ASMC H Share, ASMC Domestic Share and ASMC Unlisted Foreign Share to the holders of the ASMC H shares, ASMC Domestic Shares and ASMC Unlisted Foreign Shares, respectively; and (ii) ASMC will be merged and absorbed by GTA in accordance with the PRC Company Law, the other applicable PRC laws and the ASMC Articles. As at the date of this results announcement, conditions upon which the Merger Agreement shall become effective has not been fulfilled.

## Operating Results Review

### Summary:

(Amount: RMB'000)	3Q'18	2Q'18	3Q'17	QoQ% Change	YoY% Change
Revenue	<b>304,271</b>	285,870	257,429	6.4%	18.2%
Gross profit	<b>64,736</b>	53,121	42,317	21.9%	53.0%
Other income and gains	<b>12,004</b>	14,198	3,856	—	—
Operating expenses	<b>(30,360)</b>	(26,688)	(27,021)	13.8%	12.4%
Other expenses	—	—	(5,116)	—	—
Finance costs	—	—	—	—	—
Income tax	<b>(4,270)</b>	(190)	—	—	—
Net income	<b>42,110</b>	40,441	14,036	4.1%	200.0%
EPS	<b>2.74 cents</b>	2.64 cents	0.92 cent	—	—

Sales for the three months ended 30 September 2018 were RMB304.3 million, up 6.4% from RMB285.9 million for the three months ended 30 June 2018. This was primarily attributable to the large increase in the sales of 8-inch wafers and to a lesser extent, in the sales of 6-inch wafers.

Gross profit for the three months ended 30 September 2018 amounted to RMB64.7 million, increased by 21.9% from RMB53.1 million for the three months ended 30 June 2018, while gross margin for the three months ended 30 September 2018 was 21.3%, compared to 18.6% for the three months ended 30 June 2018, which was mainly attributable to the increase of sales volume and a favourable product mix as well as the appreciation of the US dollar against the Renminbi ("RMB"), partially offset by the increase in manufacturing costs (i.e. spare parts, labour and raw materials).

Other income and gains for the three months ended 30 September 2018 were RMB12.0 million, compared to RMB14.2 million for the three months ended 30 June 2018. Other income and gains in the third quarter and second quarter of 2018 mainly comprised net foreign exchange gain, interest income, sale of scrap materials, subsidy income and technology service income.

Operating expenses for the three months ended 30 September 2018 amounted to RMB30.4 million, compared to RMB26.7 million for the three months ended 30 June 2018, which was due mainly to the increase in general and administrative expenses and research and development costs.

As a result, the Company recorded net income of RMB42.1 million for the three months ended 30 September 2018, compared to RMB40.4 million for the three months ended 30 June 2018.



## I. Revenue Analysis

### By Application

For the three months ended 30 September 2018, sales from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were basically in line with the breakdown in the previous quarter.

	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Communication	<b>33%</b>	33%	34%
Computer	<b>33%</b>	33%	33%
Consumer	<b>34%</b>	34%	33%

### By Geography

For the three months ended 30 September 2018, sales to the USA, China and Europe accounted for 35%, 48% and 17% of total revenue respectively, compared to 34%, 50% and 16% for the three months ended 30 June 2018.

	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
USA	<b>35%</b>	34%	41%
China	<b>48%</b>	50%	43%
Europe	<b>17%</b>	16%	16%
Others	<b>0%</b>	0%	0%

### By Customer Type

For the three months ended 30 September 2018, sales to IDM and fabless customers accounted for 16% and 84% of total revenue respectively, compared to 15% and 85% in the second quarter of 2018.

	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
IDM	<b>16%</b>	15%	21%
Fabless	<b>84%</b>	85%	79%

### By Product

For the three months ended 30 September 2018, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 2%, 45% and 52% respectively, compared to 2%, 47% and 50% in the previous quarter.

	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
5-inch wafers	<b>2%</b>	2%	3%
6-inch wafers	<b>45%</b>	47%	44%
8-inch wafers	<b>52%</b>	50%	52%
Others <sup>1</sup>	<b>1%</b>	1%	1%

Note 1: Consists of probing services and provision of masks

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

### II-1 Utilization

Overall capacity utilization for the three months ended 30 September 2018 was 98%, compared to 101% for the three months ended 30 June 2018.

<b>Fab</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Fab 1/2			
5-inch wafers	<b>33%</b>	30%	42%
6-inch wafers	<b>112%</b>	115%	102%
Fab 3			
8-inch wafers	<b>94%</b>	97%	93%
Overall Capacity Utilization Rate	<b>98%</b>	101%	94%

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 during the period from 1 July 2017 to 31 July 2018.
7. The utilization rate of the Company's 8-inch wafers in Fab 3 was calculated on the basis of 400,000 masks per month, which became effective on 1 August 2018.

## II-2 Capacity (8" equivalent wafers)

The capacity for the three months ended 30 September 2018 was 163,000 8-inch equivalent wafers, compared to 157,000 8-inch equivalent wafers for the previous quarter and the third quarter of 2017.

<b>Fab (wafers in thousands)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</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>83</b>	77	77
Total Capacity	<b>163</b>	157	157

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.

## III. Profit and Expense Analysis

### III-1. Gross Profit Analysis

Gross profit for the three months ended 30 September 2018 amounted to RMB64.7 million, increased by 21.9% from RMB53.1 million for the three months ended 30 June 2018, while gross margin for the three months ended 30 September 2018 was 21.3%, compared to 18.6% for the three months ended 30 June 2018, which was mainly attributable to the increase of sales volume and a favourable product mix as well as the appreciation of the US dollar against the RMB, partially offset by the increase in manufacturing costs (i.e. spare parts, labour and raw materials).

<b>(Amount: RMB'000)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Cost of sales	<b>(239,535)</b>	(232,749)	(215,112)
Gross profit	<b>64,736</b>	53,121	42,317
Gross margin	<b>21.3%</b>	18.6%	16.4%

### III-2. Other Income and Gains

Other income and gains for the three months ended 30 September 2018 were RMB12.0 million, compared to RMB14.2 million for the three months ended 30 June 2018. Other income and gains in the third quarter and second quarter of 2018 mainly comprised net foreign exchange gain, interest income, sale of scrap materials, subsidy income and technology service income.

<b>(Amount: RMB'000)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Other income and gains	<b>12,004</b>	14,198	3,856

### III-3. Operating Expenses Analysis

Operating expenses for the three months ended 30 September 2018 amounted to RMB30.4 million, compared to RMB26.7 million for the three months ended 30 June 2018, which was due mainly to the increase in general and administrative expenses and research and development costs.

<b>(Amount: RMB'000)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Selling and distribution costs	<b>(1,812)</b>	(1,700)	(1,867)
General and administrative expenses	<b>(19,858)</b>	(17,658)	(18,407)
Research and development costs	<b>(8,690)</b>	(7,330)	(6,747)

## IV. Financial Condition Review

### IV-1. Liquidity Analysis

Total current assets as at 30 September 2018 were RMB916.2 million, compared to RMB876.1 million as at 30 June 2018, representing the increase in cash and cash equivalents and inventories of RMB8.7 million and RMB26.3 million. Higher inventory was largely attributable to the increase in raw materials and work in progress, representing ongoing strong order demand for 6-inch and 8-inch wafer products. Total current liabilities increased from RMB252.3 million as at 30 June 2018 to RMB262.6 million as at 30 September 2018, largely attributable to the increase of RMB8.8 million in other current liabilities and RMB1.4 million in accounts payable.

<b>(Amount: RMB'000)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Cash and cash equivalents	<b>555,136</b>	546,482	551,845
Accounts and notes receivables	<b>135,451</b>	129,772	125,574
Inventories	<b>205,485</b>	179,220	152,523
Other current assets	<b>20,113</b>	20,579	14,092
<b>Total current assets</b>	<b>916,185</b>	<b>876,053</b>	<b>844,034</b>
Interest-bearing borrowings	—	—	—
Accounts payable	<b>178,906</b>	177,462	158,540
Other current liabilities	<b>83,698</b>	74,881	82,304
<b>Total current liabilities</b>	<b>262,604</b>	<b>252,343</b>	<b>240,844</b>
<b>Net current assets</b>	<b>653,581</b>	<b>623,710</b>	<b>603,190</b>
<b>Current ratio (x)</b>	<b>3.49</b>	<b>3.47</b>	<b>3.50</b>

### IV-2. Receivable/Inventory Turnover

Receivable turnover for the three months ended 30 September 2018 was 40 days, compared to 41 days for the three months ended 30 June 2018.

Inventory turnover days increased to 85 days for the three months ended 30 September 2018 from 83 days for the three months ended 30 June 2018.

	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Accounts and notes receivable turnover (days)	<b>40</b>	41	43
Inventory turnover (days)	<b>85</b>	83	77

### IV-3. Debt Service

Net cash reserves as at 30 September 2018 amounted to RMB555.1 million compared to RMB546.5 million as at 30 June 2018, representing a sequential increase of 1.6%. This was mainly attributable to an increase of RMB8.7 million in cash and cash equivalents.

<b>(Amount: RMB'000)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Cash and cash equivalents	<b>555,136</b>	546,482	551,845
Interest-bearing borrowings	—	—	—
Net cash reserves	<b>555,136</b>	546,482	551,845

### V. Capital Expenditures

The amount of capital expenditures for the three months ended 30 September 2018 was RMB32.7 million, compared to RMB38.4 million for the three months ended 30 June 2018. The capital expenditures incurred in the reporting quarter were mostly spent in improving the capacity of 8-inch wafer line and the manufacturing efficiency associated with 6-inch wafer line.

<b>(Amount: RMB'000)</b>	<b>3Q'18</b>	<b>2Q'18</b>	<b>3Q'17</b>
Capex	<b>32,712</b>	38,431	31,289

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

The Company maintained steady growth momentum by further improving operating efficiency and enhancing productivities and achieved a quarterly record-high of the shipment of 8-inch equivalent wafers, ultimately generated one of the best operating performance for the third quarter of 2018.

With support of stable order intakes from its major customers located at home and abroad, the Company expects its revenue for the fourth quarter of 2018 to increase significantly on a yearly basis.

By order of the Board

**Advanced Semiconductor Manufacturing Corporation Limited**  
**HONG Feng**

*Executive Director & Chief Executive Officer*

Shanghai, the PRC, 6 November 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, Kang Hui, Xu Ding, Yuan Yipei and Lu Ning; and the independent non-executive directors of the Company are Chen Enhua, Jiang Shoulei, Jiang Qingtang and Pu Hanhu.*