INTERIM REPORT 2018

30 週年 Anniversary

Advanced Semiconductor Manufacturing Corporation Limited

asmc

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

(Stock Code: 03355)

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Director
Dr. HONG Feng

Non-executive Directors
Mr. DONG Haoran *(Chairman)*
Mr. David Damian FRENCH *(Vice Chairman)*
Mr. KANG Hui *(Vice Chairman)*
Mr. XU Ding
Mr. YUAN Yipei
Mr. LU Ning

Independent Non-executive Directors
Dr. CHEN Enhua
Mr. JIANG Shoulei
Dr. JIANG Qingtang
Mr. PU Hanhu

BOARD COMMITTEES

Audit and Risk Management Committee
Dr. CHEN Enhua *(Chairman)*
Mr. XU Ding
Mr. YUAN Yipei
Mr. JIANG Shoulei
Dr. JIANG Qingtang

Remuneration Committee
Mr. PU Hanhu *(Chairman)*
Mr. KANG Hui
Mr. JIANG Shoulei

Nomination Committee
Mr. DONG Haoran *(Chairman)*
Mr. YUAN Yipei
Dr. CHEN Enhua
Mr. JIANG Shoulei
Mr. PU Hanhu

Strategic Development Committee
Mr. LU Ning *(Chairman)*
Mr. David Damian FRENCH
Mr. KANG Hui
Mr. XU Ding
Dr. JIANG Qingtang

SUPERVISORS

Mr. ZHANG Yan *(Chairman)*
Mr. SUN Biyuan
Mr. KANG Jian
Ms. XU Yan
Mr. ZHOU Chengjie
Mr. QIN Shihui
Mr. MIAO Kang
Ms. WANG Haihong

COMPANY SECRETARY

Mr. XIAO Weiming

AUTHORIZED REPRESENTATIVES

Mr. XIAO Weiming
Mr. KANG Hui

EXTERNAL AUDITORS

Ernst & Young

INVESTORS AND MEDIA RELATIONS CONSULTANT

Hill+Knowlton Strategies

REGISTERED OFFICE

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1 Matheson Street
Causeway Bay, Hong Kong

SHAREHOLDERS' ENQUIRIES

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Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wan Chai, Hong Kong

SHARE INFORMATION

Listing Place
Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

Listing Date
7 April 2006

Stock Code
03355

Number of H-shares Issued
1,131,333,472 H-shares

Year-end Date
31 December

INDEPENDENT AUDITOR'S REVIEW REPORT

EY 安永

To the Board of Directors of
Advanced Semiconductor Manufacturing Corporation Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed financial statements of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") set out on pages 6 to 29, which comprise the interim statement of financial position as at 30 June 2018 and the interim statement of profit or loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements ("HKSRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our conclusion above, we draw attention to the fact that the unaudited interim statements of profit or loss and other comprehensive income of the Company for the three months ended 30 June 2017 and 30 June 2018 and the relevant notes were presented for management purpose. We have not audited or reviewed such financial information and accordingly express no assurance thereon.

Ernst & Young
Certified Public Accountants
Hong Kong

8 August 2018

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	Notes	**3 months ended 30 June 2018 (Unaudited and unreviewed) *RMB'000***	**6 months ended 30 June 2018 (Unaudited) *RMB'000***	3 months ended 30 June 2017 (Unaudited and unreviewed) *RMB'000*	6 months ended 30 June 2017 (Unaudited) *RMB'000*
Revenue	5	**285,870**	**526,632**	269,096	491,417
Cost of sales		**(232,749)**	**(450,975)**	(222,495)	(413,436)
Gross profit		**53,121**	**75,657**	46,601	77,981
Other income and gains	6	**14,198**	**11,857**	4,151	10,411
Selling and distribution expenses		**(1,700)**	**(3,349)**	(1,903)	(3,769)
General and administrative expenses		**(17,658)**	**(34,884)**	(17,479)	(35,379)
Research and development costs		**(7,330)**	**(12,886)**	(6,850)	(12,795)
Other expenses	6	**—**	**—**	(4,802)	(6,331)
Profit before tax	7	**40,631**	**36,395**	19,718	30,118
Income tax	8	**(190)**	**(190)**	—	—
Profit for the period		**40,441**	**36,205**	19,718	30,118
Other comprehensive income for the period		**—**	**—**	—	—
Total comprehensive income for the period attributable to ordinary equity holders of the Company		**40,441**	**36,205**	19,718	30,118
Earnings per share attributable to ordinary equity holders of the Company					
– Basic and diluted	10	**2.64 cents**	**2.36 cents**	1.29 cents	1.96 cents

No dividends are proposed for the six months ended 30 June 2018 (the "Reporting Period") as disclosed in note 9 to the interim condensed financial statements.

INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**359,330**	348,140
Construction in progress		**76,703**	54,603
Prepaid land lease payments		**27,000**	27,385
Intangible assets		**470**	950
Deferred tax assets		**3,600**	3,600
Total non-current assets		**467,103**	434,678
Current assets			
Inventories		**179,220**	160,032
Accounts and notes receivables	12	**129,772**	124,672
Prepayments, deposits and other receivables		**14,316**	12,350
Due from a related company		**6,263**	—
Cash and cash equivalents		**546,482**	568,836
Total current assets		**876,053**	865,890
Total assets		**1,343,156**	1,300,568
Current liabilities			
Accounts payable	13	**177,462**	162,215
Other payables and accruals		**73,604**	82,261
Due to related companies		**334**	—
Tax payable		**190**	—
Government grants		**753**	1,240
Total current liabilities		**252,343**	245,716

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Net current assets		**623,710**	620,174
Total assets less current liabilities		**1,090,813**	1,054,852
Non-current liabilities			
Government grants		**19,954**	20,198
Net assets		**1,070,859**	1,034,654
Equity attributable to equity holders of the Company			
Share capital		**1,534,227**	1,534,227
Reserves		**(463,368)**	(499,573)
Total equity		**1,070,859**	1,034,654

The interim condensed financial statements on pages 6 to 29 were approved and signed on behalf of the Board of Directors (the "Board") by:

Dong Haoran
Director

Chen Enhua
Director

INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

	For the Six months ended 30 June 2018 (Unaudited) ***RMB'000***	For the Six months ended 30 June 2017 (Unaudited) *RMB'000*
Share capital		
Ordinary shares of RMB1.00 each:		
At beginning and end of period	**1,534,227**	1,534,227
Capital reserve		
At beginning and end of period	**205,363**	205,363
Statutory surplus reserve		
At beginning and end of period	**19,353**	19,353
Accumulated losses		
At beginning of period	**(724,289)**	(781,262)
Total comprehensive income for the period	**36,205**	30,118
At end of period	**(688,084)**	(751,144)
Reserves	**(463,368)**	(526,428)
Total equity attributable to equity holders of the Company	**1,070,859**	1,007,799

INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

	For the Six months ended 30 June 2018 (Unaudited) *RMB'000*	For the Six months ended 30 June 2017 (Unaudited) *RMB'000*
Cash flows from operating activities		
Profit before tax	**36,395**	30,118
Adjustments for:		
Depreciation	**41,044**	37,559
Amortisation of intangible assets	**480**	845
Amortisation of prepaid land lease payments	**385**	385
Loss on disposal of property, plant and equipment	**227**	172
Write-down/(reversal of write-down) of inventories to net realisable value	**(2,292)**	1,841
Exchange loss/(gain)	**(2,492)**	4,673
Government grants	**(1,560)**	(1,416)
Interest income	**(4,222)**	(3,779)
Operating profit before working capital changes	**67,965**	70,398
Increase in accounts and notes receivables	**(5,100)**	(16,031)
Increase in inventories	**(16,896)**	(1,832)
Decrease/(increase) in prepayments, deposits and other receivables	**(2,461)**	3,263
Decrease/(increase) in balances with related companies	**(5,929)**	15,732
Increase/(decrease) in accounts payable	**18,740**	(4,185)
Decrease in other payables and accruals	**(8,657)**	(7,512)
Cash generated from operations	**47,662**	59,833
Government grants received	**829**	1,378
Net cash flows from operating activities	**48,491**	61,211

INTERIM STATEMENT OF CASH FLOWS (Continued)

for the six months ended 30 June 2018

	For the Six months ended 30 June 2018 (Unaudited) *RMB'000*	For the Six months ended 30 June 2017 (Unaudited) *RMB'000*
Cash flows from investing activities		
Interest received	**4,717**	4,557
Purchases of items of property, plant and equipment and construction in progress	**(78,054)**	(28,659)
Increase in non-pledged time deposits with original maturity of over three months when acquired	**35,848**	3,835
Net cash flows used in investing activities	**(37,489)**	(20,267)
Cash flows from financing activities		
Repayment of bank borrowings	**—**	(11,335)
Net cash flows used in investing activities	**—**	(11,335)
Net increase in cash and cash equivalents	**11,002**	29,609
Cash and cash equivalents at beginning of period	**210,822**	144,142
Effect of exchange rate changes on cash and cash equivalents	**2,492**	(4,673)
Cash and cash equivalents at end of period	**224,316**	169,078

INTERIM STATEMENT OF CASH FLOWS (Continued)

for the six months ended 30 June 2018

	For the Six months ended 30 June 2018 (Unaudited) *RMB'000*	For the Six months ended 30 June 2017 (Unaudited) *RMB'000*
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the statement of cash flows	**224,316**	169,078
Cash and bank balances	**224,316**	169,078
Non-pledged time deposits with original maturity of over three months when acquired	**322,166**	361,378
Cash and cash equivalents as stated in the interim statement of financial position	**546,482**	530,456
Investing activities affecting both cash and non-cash items		
Addition of items of property, plant and equipment and construction in progress	**(74,561)**	(43,213)
Increase/(decrease) in the balance of payables for purchases of items of property, plant and equipment and construction in progress	**(3,493)**	14,554
Cash flows used in purchases of items of property, plant and equipment and construction in progress	**(78,054)**	(28,659)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2018

1. CORPORATE INFORMATION

Advanced Semiconductor Manufacturing Corporation Limited (the "Company") was initially established in the People's Republic of China (the "PRC") on 4 October 1988 as a Sino-foreign joint venture company with limited liability under the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment with a tenure of operation of 30 years from 4 October 1988 to 3 October 2018.

On 2 March 2004, the Company was re-registered as a foreign invested joint stock company with limited liability. The tenure of operation of the Company was revised to infinite. On 7 April 2006, the Company's H shares were successfully listed on the Stock Exchange.

The registered office and principal place of business of the Company is located at 385 Hongcao Road, Shanghai 200233, the PRC.

The Company is principally engaged in the manufacture and sale of 5-inch, 6-inch and 8-inch wafers.

2. BASIS OF PREPARATION

The interim condensed financial statements of the Company for the six months ended 30 June 2018 are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017 ("2017 financial statements") dated 14 March 2018.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Company has adopted the following new and revised IFRSs for the first time in the Interim 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 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.

<u>IFRS 15 *Revenue from Contracts with Customers*</u>

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.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 interim condensed consolidated 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 5 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 5 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 six months ended 30 June 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.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 interim condensed consolidated financial statements of the Company.

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

4. 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:

	3 months ended 30 June 2018 (Unaudited and unreviewed) ***RMB'000***	**6 months ended 30 June 2018 (Unaudited)** ***RMB'000***	3 months ended 30 June 2017 (Unaudited and unreviewed) *RMB'000*	6 months ended 30 June 2017 (Unaudited) *RMB'000*
China	**142,078**	**258,445**	106,192	191,111
United States of America	**97,494**	**182,432**	125,147	231,687
Europe	**45,068**	**83,489**	37,147	67,575
Others	**1,230**	**2,266**	610	1,044
	285,870	**526,632**	269,096	491,417

Information about major customers

Revenue of approximately RMB109,745,000 (30 June 2017: RMB200,624,000) was derived from sales to one customer (30 June 2017: two) which individually accounted for more than 10% of the Company's total revenue during the six months ended 30 June 2018. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

5. REVENUE

An analysis of revenue is as follows:

	3 months ended 30 June 2018 (Unaudited and unreviewed)	**6 months ended 30 June 2018 (Unaudited)**	3 months ended 30 June 2017 (Unaudited and unreviewed)	6 months ended 30 June 2017 (Unaudited)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Sale of goods	**285,870**	**526,632**	269,096	491,417

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:

	3 months ended 30 June 2018 (Unaudited and unreviewed)	**6 months ended 30 June 2018 (Unaudited)**
	RMB'000	***RMB'000***
<u>Type of goods or service</u>		
Sale of wafers and total revenue from contracts with customers	**285,870**	**526,632**
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time and total revenue from contracts with customers	**285,870**	**526,632**

The disaggregation of the Company's revenue based on the geographical region for the six months ended 30 June 2018 is included in note 4.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	3 months ended 30 June 2018 (Unaudited and unreviewed)	**6 months ended 30 June 2018 (Unaudited)**	3 months ended 30 June 2017 (Unaudited and unreviewed)	6 months ended 30 June 2017 (Unaudited)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Other income and gains				
Government grants	**1,158**	**1,560**	686	1,416
Interest income	**2,132**	**4,222**	1,896	3,779
Sale of scrap materials	**1,493**	**3,180**	1,310	1,728
Technology service income	**78**	**784**	253	3,442
Net foreign exchange gain	**9,191**	**1,958**	—	—
Others	**146**	**153**	6	46
	14,198	**11,857**	4,151	10,411
Other expenses				
Net foreign exchange loss	**—**	**—**	(4,802)	(6,331)
	—	**—**	(4,802)	(6,331)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

7. PROFIT BEFORE TAX

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

	3 months ended 30 June 2018 (Unaudited and unreviewed) *RMB'000*	**6 months ended 30 June 2018 (Unaudited)** *RMB'000*	3 months ended 30 June 2017 (Unaudited and unreviewed) *RMB'000*	6 months ended 30 June 2017 (Unaudited) *RMB'000*
Cost of inventories sold	**232,749**	**450,975**	222,495	413,436
Depreciation	**20,573**	**41,044**	18,874	37,559
Amortisation of intangible assets	**237**	**480**	397	845
Amortisation of prepaid land lease payments	**192**	**385**	192	385
Research and development costs	**7,330**	**12,886**	6,850	12,795
Auditors' remuneration	**355**	**711**	355	711
Employee benefits expense (including directors', supervisors' and senior executives' remuneration):				
Retirement benefits – defined contribution fund	**6,971**	**12,971**	6,002	11,330
Accommodation benefits – defined contribution fund	**2,084**	**4,165**	1,868	3,717
Salaries and other staff costs	**53,725**	**101,382**	49,070	96,615
	62,780	**118,518**	56,940	111,662
Write-down/(reversal of write-down) of inventories to net realisable value	**(4,811)**	**(2,292)**	(1,146)	1,841

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong during the three months and the six months ended 30 June 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 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 enjoy the preferential Corporate Income Tax rate at 15%, which shall also be subject to the fulfillment on conditions required for HNTE on a yearly basis.

Major components of income tax are as follows:

	3 months ended 30 June 2018 (Unaudited and unreviewed) *RMB'000*	**6 months ended 30 June 2018 (Unaudited)** *RMB'000*	3 months ended 30 June 2017 (Unaudited and unreviewed) *RMB'000*	6 months ended 30 June 2017 (Unaudited) *RMB'000*
Provision for income tax in respect of profit for the period	**190**	**190**	—	—
Deferred tax	**—**	**—**	—	—
Income tax	**190**	**190**	—	—

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.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

10. 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 reporting period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	3 months ended 30 June 2018 (Unaudited and unreviewed)	**6 months ended 30 June 2018 (Unaudited)**	3 months ended 30 June 2017 (Unaudited and unreviewed)	6 months ended 30 June 2017 (Unaudited)
Profit attributable to ordinary equity holders of the Company *(RMB'000)*	**40,411**	**36,205**	19,718	30,118
Weighted average number of ordinary shares in issue *('000)*	**1,534,227**	**1,534,227**	1,534,227	1,534,227

No adjustment has been made to the basic earnings per share amounts presented for the three months and the six months ended 30 June 2017 and 2018 as the Company had no potentially dilutive ordinary shares in issue during those periods.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings (Unaudited) *RMB'000*	Plant and machinery (Unaudited) *RMB'000*	Office equipment (Unaudited) *RMB'000*	Motor vehicles (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Cost:					
At 1 January 2018	163,943	3,903,179	85,418	2,222	4,154,762
Transferred from construction in progress	—	50,097	2,364	—	52,461
Disposals	—	(24,941)	(2,327)	—	(27,268)
At 30 June 2018	163,943	3,928,335	85,455	2,222	4,179,955
Accumulated depreciation:					
At 1 January 2018	87,109	2,877,627	78,760	1,970	3,045,466
Charge for the period	2,729	36,946	1,296	73	41,044
Disposals	—	(23,584)	(2,327)	—	(25,911)
At 30 June 2018	89,838	2,890,989	77,729	2,043	3,060,599
Impairment losses:					
At 1 January 2018	—	761,156	—	—	761,156
Disposals	—	(1,130)	—	—	(1,130)
At 30 June 2018	—	760,026	—	—	760,026
Net book value:					
At 30 June 2018	74,105	277,320	7,726	179	359,330

As at 30 June 2018, the Company has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB13,884,000 (31 December 2017: RMB14,272,000). Until the receipt of the certificates, the Company has no right to assign or pledge these buildings. The Company believes that it is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matters did not have any significant impact on the Company's financial position as at 30 June 2018.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings (Audited) *RMB'000*	Plant and machinery (Audited) *RMB'000*	Office equipment (Audited) *RMB'000*	Motor vehicles (Audited) *RMB'000*	Total (Audited) *RMB'000*
Cost:					
At 1 January 2017	163,675	3,858,807	85,155	2,222	4,109,859
Transferred from construction in progress	268	74,054	1,329	—	75,651
Disposals	—	(29,682)	(1,066)	—	(30,748)
At 31 December 2017	163,943	3,903,179	85,418	2,222	4,154,762
Accumulated depreciation:					
At 1 January 2017	81,651	2,834,666	77,338	1,782	2,995,437
Charge for the period	5,458	69,727	2,488	188	77,861
Disposals	—	(26,766)	(1,066)	—	(27,832)
At 31 December 2017	87,109	2,877,627	78,760	1,970	3,045,466
Impairment losses:					
At 1 January 2017	—	763,884	—	—	763,884
Disposals	—	(2,728)	—	—	(2,728)
At 31 December 2017	—	761,156	—	—	761,156
Net book value:					
At 31 December 2017	76,834	264,396	6,658	252	348,140

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

12. ACCOUNTS AND NOTES RECEIVABLES

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Accounts receivable	**113,186**	99,674
Notes receivable	**16,586**	24,998
	129,772	124,672
Impairment	**—**	—
	129,772	124,672

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

An ageing 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:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Outstanding balances with ageing:		
Within 30 days	**88,046**	87,171
Between 31 days and 90 days	**37,376**	32,544
Between 91 days and 180 days	**4,338**	4,957
Between 181 days and 365 days	**12**	—
Over 365 days	**—**	—
	129,772	124,672

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

12. ACCOUNTS AND NOTES RECEIVABLES (Continued)

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

	Total	Neither past due nor impaired	Past due but not impaired			
			<60 days	60-180 days	181-365 days	>365 days
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2018 (unaudited)	**129,772**	**120,038**	**9,622**	**112**	**—**	**—**
31 December 2017 (audited)	124,672	109,192	15,480	—	—	—

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

13. ACCOUNTS PAYABLE

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Outstanding balances with ageing:		
Within 30 days	**169,265**	87,701
Between 31 days and 90 days	**8,123**	66,496
Between 91 days and 180 days	**33**	4,823
Between 181 days and 365 days	**20**	2,912
Over 365 days	**21**	283
	177,462	162,215

14. COMMITMENTS

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	**46,431**	74,962
– authorised, but not contracted for	**65,885**	100,734
	112,316	175,696

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

15. 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	**3 months ended 30 June 2018 (Unaudited and unreviewed)** ***RMB'000***	**6 months ended 30 June 2018 (Unaudited)** ***RMB'000***	3 months ended 30 June 2017 (Unaudited and unreviewed) *RMB'000*	6 months ended 30 June 2017 (Unaudited) *RMB'000*
Sales	(i)	**8,592**	**10,430**	5,780	26,706
Purchase of raw materials	(ii)	**450**	**450**	—	—
Plant maintenance fee	(iii)	**228**	**228**	—	—
Rental of equipment	(iv)	**9**	**12**	—	—
Technology transfer fees	(v)	**—**	**—**	113	266
Compensation paid/ payable to key management personnel (including directors, supervisors and senior executives)		**3,220**	**5,858**	2,960	5,662

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2018

15. RELATED PARTY TRANSACTIONS (Continued)

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 a related company 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 according to the agreement signed by both 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 Notes (i), (ii), (iii), (iv) and (v) 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").

16. FINANCIAL INSTRUMENTS

The Company has various financial assets and liabilities such as accounts and notes receivables, other receivables, current accounts with related companies, cash and cash equivalents, accounts payable and other payables. The fair values of the financial assets and liabilities of the Company at the end of the reporting period approximated to their carrying amounts.

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorised for issue by the Board on 8 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017

Sales

Despite the negative impact of less working days caused by the planned annual maintenance shutdown and the Chinese New Year holiday in the beginning of 2018, the Company still produced sound business operation and financial performance for the first half of 2018 with the support of stable order intakes from its major customers both at home and abroad. The Company recorded its sales of RMB526.6 million for the six months ended 30 June 2018, up 7.2% from RMB491.4 million for the six months ended 30 June 2017. During the reporting period, wafer shipments increased by 8.4% to 320,766 units of 8-inch equivalent wafers from 296,026 units of 8-inch equivalent wafers for the six months ended 30 June 2017.

Gross profit

Gross profit for the six months ended 30 June 2018 was RMB75.7 million, compared to RMB78.0 million for the six months ended 30 June 2017. Gross margin for the six months ended 30 June 2018 was 14.4%, compared to 15.9% over the same period of last year, mainly attributable to the increase in manufacturing costs (i.e. labour, raw materials and spare parts) and the depreciation of the US dollar against the Renminbi ("RMB"), partially offset by the increase of sales volume.

Other income and gains

Other income and gains for the six months ended 30 June 2018 were RMB11.9 million, compared to RMB10.4 million for the six months ended 30 June 2017. Other income and gains in the first half of 2018 were primarily generated by government grants, interest income, sale of scrap materials, technology service income, net foreign exchange gain and others.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2018 were RMB3.3 million, down 13.2% from RMB3.8 million for the six months ended 30 June 2017, primarily attributable to lower payroll expenses.

General and administrative expenses

General and administrative expenses amounted to RMB34.9 million for the six months ended 30 June 2018, down 1.4% from RMB35.4 million for the six months ended 30 June 2017.

Research and development costs

Research and development costs for the six months ended 30 June 2018 were RMB12.9 million, compared to RMB12.8 million for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

Other expenses

No other expenses were recorded for the six months ended 30 June 2018, compared to RMB6.3 million for the six months ended 30 June 2017 due to net foreign exchange losses.

Net income

As a result of the factors listed above, the Company recorded a net income of RMB36.2 million for the six months ended 30 June 2018, compared to a net income of RMB30.1 million for the six months ended 30 June 2017.

Liquidity and capital resources

Cash and cash equivalents as at 30 June 2018 amounted to RMB546.5 million compared to RMB568.8 million as at 31 December 2017. Net cash inflow from operating activities was RMB48.5 million for the six months ended 30 June 2018, compared to RMB61.2 million for the six months ended 30 June 2017.

Net cash outflow from investing activities was RMB37.5 million for the six months ended 30 June 2018, primarily for the purchase of items of property, plant and equipment and construction in progress and decrease in time deposit, compared to net cash outflow of RMB20.3 million from investing activities for the six months ended 30 June 2017. Total capital expenditures amounted to RMB74.6 million for the six months ended 30 June 2018, compared to RMB43.2 million for the six months ended 30 June 2017. The capital expenditures incurred in the first half of 2018 were mostly spent in de-bottlenecking the production capacity associated with 8-inch wafer line.

No net cash outflow from financing activities was recorded for the six months ended 30 June 2018, compared to net cash outflow from financing activities of RMB11.3 million for the six months ended 30 June 2017.

As at 30 June 2018, the Company's current ratio was 3.47, compared to 3.52 as at 31 December 2017. The Company's debt-to-equity ratio as at 30 June 2018 was 25.4%, compared to 25.7% as at 31 December 2017.

Employees

As at 30 June 2018, the Company had 1,360 employees, compared to 1,372 employees as at 31 December 2017. During the reporting period, remuneration and employment benefits were provided for and paid in accordance with PRC laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

RMB fluctuation risks

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

Capital commitments

As at 30 June 2018, the Company had capital commitments for property, plant and equipment amounting to RMB112.3 million, of which RMB46.4 million was contracted but not provided for, while the remaining RMB65.9 million was authorized but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2018

Sales for the three months ended 30 June 2018 were RMB285.9 million, an increase of RMB45.1 million or 18.7% from RMB240.8 million for the three months ended 31 March 2018. Such increase was primarily due to the increases in the sales of both 6-inch and 8-inch wafers.

Gross profit for the three months ended 30 June 2018 was RMB53.1 million, compared to RMB22.5 million for the three months ended 31 March 2018. Gross margin for the three months ended 30 June 2018 was 18.6% compared to 9.4% for the three months ended 31 March 2018, primarily attributable to higher capacity utilization rate and improvement in the average selling price, partially offset by the increase in manufacturing costs (i.e. labour and spare parts).

Other income and gains for the three months ended 30 June 2018 were RMB14.2 million, compared to RMB4.9 million for the three months ended 31 March 2018. Other income and gains in the second quarter of 2018 primarily comprised government grants, interest income, sale of scrap materials, technology service income, net foreign exchange gain and others.

Operating expenses for the three months ended 30 June 2018 amounted to RMB26.7 million compared to RMB24.4 million for the three months ended 31 March 2018, mainly attributable to the increase in research and development costs.

No other expenses were recorded for the three months ended 30 June 2018, compared to RMB7.2 million for the three months ended 30 March 2018 due to net foreign exchange losses.

As a result, the Company achieved a net income of RMB40.4 million for the three months ended 30 June 2018, compared to a net loss of RMB4.2 million for the three months ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

1. Revenue Analysis

By Application

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

	2Q'18	1Q'18	2Q'17
Communication	**33%**	33%	33%
Computer	**33%**	33%	33%
Consumer	**34%**	34%	34%

By Geography

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

	2Q'18	1Q'18	2Q'17
USA	**34%**	35%	47%
China	**50%**	48%	39%
Europe	**16%**	16%	14%
Others	**0%**	1%	0%

By Customer Type

For the three months ended 30 June 2018, sales to IDM and fabless customers accounted for 15% and 85% of total revenue, respectively, compared to 13% and 87% in the previous quarter.

	2Q'18	1Q'18	2Q'17
IDM	**15%**	13%	17%
Fabless	**85%**	87%	83%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

1. Revenue Analysis

By Product

For the three months ended 30 June 2018 sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 2%, 47% and 50% respectively, compared to 2%, 44% and 53% in the previous quarter.

	2Q'18	1Q'18	2Q'17
5-inch wafers	**2%**	2%	3%
6-inch wafers	**47%**	44%	42%
8-inch wafers	**50%**	53%	55%
Others[1]	**1%**	1%	0%

Note 1: Consist of probing services and provision of masks

2. Utilization and Capacity (8" equivalent)

2.1 Utilization

Overall capacity utilization for the three months ended 30 June 2018 was 101%, compared to 89% for the three months ended 31 March 2018.

Fab	**2Q'18**	1Q'18	2Q'17
Fab 1/2			
5-inch wafers	**30%**	27%	35%
6-inch wafers	**115%**	95%	101%
Fab 3			
8-inch wafers	**97%**	89%	109%
Overall Capacity Utilization Rate	**101%**	89%	103%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

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

2.1 Utilization (Continued)

Notes:

1. The capacity utilization rate represents the percentage of the actual number of processing steps (measured by the number of masks used) for the number of semiconductor wafers shipped in the reporting period divided by the total number of processing steps a fab is capable of producing during the corresponding period.

2. The capacity utilization rates stated in the table are calculated on the basis of the theoretical capacity of the Company's fabrication facilities, as discussed in Notes 2 to paragraph 2.2 below. In consequence, the utilization rates of actual operating capacity are higher than the figures stated in the table above.

3. The 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

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

2.2 Capacity (8" Equivalent)

The capacity for the three months ended 30 June 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 second quarter of 2017.

Fab (wafers in thousands)	2Q'18	1Q'18	2Q'17
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 number by 2.56 and 1.78 respectively.

2. The installed capacity of the Company's fabrication facilities is calculated assuming continuous production of an optimum product mix, which in practice is unlikely ever to be achieved. In consequence, the actual operating capacity is less than the figures stated in the table.

3. The basis on which the capacity of the Company's 8-inch wafers was estimated changed from 22 mask steps per wafer to 14 mask steps per wafer, which became effective on 1 January 2014.

3. Receivables/Inventory Turnover

Receivables turnover for the three months ended 30 June 2018 was 41 days, compared to 46 days for the three months ended 31 March 2018.

Inventory turnover was 83 days for the three months ended 30 June 2018, compared to 85 days for the three months ended 31 March 2018.

	2Q'18	1Q'18	2Q'17
Trade and notes receivables turnover (days)	**41**	46	38
Inventory turnover (days)	**83**	85	74

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2018 COMPARED TO SIX MONTHS ENDED 30 JUNE 2017 (Continued)

4. Capital Expenditures

Capital expenditures for the three months ended 30 June 2018 amounted to RMB38.4 million, compared to RMB36.1 million for the three months ended 31 March 2018.

	2Q'18	1Q'18	2Q'17
(Amount: RMB'000)			
Capital expenditures	**38,431**	36,131	37,481

PROSPECTS AND FUTURE PLANS

The global semiconductor market is very likely to enjoy double-digit growth in 2018, the Company believes that its business will continue to benefit from such growth momentum across global semiconductor industry in near term. On the other hand, the operating environment in which the Company operates is also full of uncertainties and challenges i.e. the ongoing trade frictions between the US and its many trading partners including China and the increasing manufacturing cost, which may negatively impact the Company's business operation and financial performance going forward. With that, the Company continues to be cautiously optimistic about its outlook for the second half of the year.

For the six months ended 30 June 2018, the Company, due to its well implementation of its major business growth strategies including working seamlessly with the domestic customers while consolidating business cooperation with overseas customers, successfully achieved sound operating results, reflecting a record high of utilization rate of 95% and an increase of 35.2% in terms of revenue contribution from China compared to the same period of last year. Moreover, the Company recorded an eleven-year best quarterly sales of RMB285.9 million while the overall utilization rate was near a record quarterly high of 101% in the second quarter of 2018. As a result, the Company generated revenue of RMB526.7 million for the six months ended 30 June 2018, an increase of 7.2% year-on-year, and net profit of RMB36.2 million, up 20.3% from RMB30.1 million for the same period of last year.

Moving forward, the project of a major de-bottlenecking its existing 8-inch wafer line is well under way, and is expected to release new capacity in the second half of the year, thus satisfying the increasing demand from its customers. Furthermore, to cope with the challenges in the operating environment and the pressure of the rising manufacturing costs, the Company will further improve operating efficiency and enhance productivities including better control on its manufacturing cost, improving the line yield and cycle time as well as continuously focusing on optimizing product mix, and ultimately sustain its growth and development in 2018 and beyond.

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

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company of its listed securities.

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

As at 30 June 2018, the interests and short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Class of shares	Number of shares	Capacity	Percentage in the relevant class of issued share capital	Percentage in the total issued share capital
XU Ding	H-shares	900,000 (Long position)	Beneficial owner	0.08%	0.06%

Save as disclosed above, as at 30 June 2018, none of the directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2018, the interests and short positions of the following persons (not being a director, supervisor or chief executive of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage in the relevant class of issued share capital	Percentage in the total issued share capital
SCIP (HK) Limited	H-shares	222,574,584 (Long position)	Beneficial owner	19.67%	14.51%
Pudong Science and Technology Investment (Cayman) Co., Ltd. ("PDSTI Cayman") *(Note 1)*	H-shares	204,403,444 (Long position)	Beneficial owner	18.07%	13.32%
	Unlisted foreign shares	6,321,756 (Long position)	Beneficial owner	50.00%	0.41%
Sino Xin Yuan Limited *(Note 2)*	H-shares	204,403,444 (Long position)	Beneficial owner	18.07%	13.32%
	Unlisted foreign shares	6,321,756 (Long position)	Beneficial owner	50.00%	0.41%
Huada Semiconductor Co., Ltd. ("Huada Semiconductor") *(Note 3)*	Domestic shares	390,250,016 (Long position)	Beneficial owner/ Interest of controlled corporation	100%	25.44%
Shanghai Belling Co., Limited ("Shanghai Belling") *(Note 3)*	Domestic shares	88,726,400 (Long position)	Beneficial owner	22.74%	5.78%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS (Continued)

Notes:

1. PDSTI Cayman is a wholly-owned subsidiary of Shanghai Pudong Science and Technology Investment Co., Ltd. ("PDSTI"), which in turn is 51.00% controlled by 上海宏天元創業投資合夥企業 (limited partnership, "宏天元創業投資"). 上海宏天元投資管理有限公司 ("宏天元投資管理") in turns holds 31.66% interests in 宏天元創業投資. 上海宏天元投資有限公司 ("宏天元投資") in turns holds 57.14% interests in 宏天元投資管理 and 0.64% interests in 宏天元創業投資. Therefore, PDSTI, 宏天元創業投資, 宏天元投資管理 and 宏天元投資 are taken as having interests in the 204,403,444 H-shares and 6,321,756 unlisted foreign shares of the Company which are beneficially held by PDSTI Cayman.

2. Sino Xin Yuan Limited is a wholly-owned subsidiary of SINO IC Holdings Limited ("SICH"), and SICH is a wholly-owned subsidiary of Sino IC Leasing Co., Ltd. ("Sino IC Leasing"). National Integrated Circuit Industry Investment Fund Co., Ltd. ("National Integrated Circuit Industry Investment Fund") in turns holds 32.30593% interests in Sino IC Leasing. Therefore, SICH, Sino IC Leasing and National Integrated Circuit Industry Investment Fund are taken as having interests in the 204,403,444 H-shares and 6,321,756 unlisted foreign shares of the Company which are beneficially held by Sino Xin Yuan Limited.

3. Huada Semiconductor is a wholly-owned subsidiary of China Electronics Corporation Limited ("CEC"). Therefore, CEC is taken as having interests in the 301,523,616 domestic shares of the Company which are beneficially held by Huada Semiconductor. In addition, as the date of this report, Huada Semiconductor has a 25.47% equity interest in Shanghai Belling, therefore, CEC and Huada Semiconductor are taken as having interests in the 88,726,400 domestic shares of the Company which are beneficially held by Shanghai Belling.

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

SHARE OPTION SCHEME

As at 30 June 2018, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

CORPORATE GOVERNANCE (Continued)

Compliance with the Corporate Governance Code (Continued)

Model Code

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

The Company, having made specific enquiry of all its directors and supervisors, confirms that its directors and supervisors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018.

Changes in Information of Directors and Supervisors

Pursuant to Rule 13.51B of the Listing Rules, the changes in the Company's directors' and supervisors' information are set out below.

Ms. SHEN Qing resigned as a Non-executive Director and members of the Audit and Risk Management Committee and the Strategic Development Committee and Vice Chairman for the fifth session of the Board of the Company with effect from 10 January 2018.

Mr. ZHU Jian resigned as a Non-executive Director, the Chairman of the Board and the Chairman of the Nomination Committee for the fifth session of the Board of the Company with effect from 15 May 2018.

Mr. XU Ding has been appointed as a Non-executive Director and members of the Audit and Risk Management Committee and the Strategic Development Committee for the fifth session of the Board of the Company with effect from 12 March 2018, and served as the Vice Chairman of the fifth session of the Board of the Company from 12 March 2018 to 31 May 2018. Mr. XU Ding resigned as the Vice Chairman of the fifth session of the Board of the Company with effect from 1 June 2018.

Mr. DONG Haoran has been appointed as a Non-executive Director, the Chairman of the Board and the Chairman of the Nomination Committee for the fifth session of the Board of the Company with effect from 15 May 2018.

Mr. KANG Hui has been appointed as the Vice Chairman of the fifth session of the Board of the Company with effect from 1 June 2018.

Mr. HE Yaojun resigned as an Employee Representative Supervisor for the fifth session of the Supervisory Committee of the Company with effect from 9 January 2018.

Ms. CHEN Yan resigned as a Shareholders Representative Supervisor for the fifth session of the Supervisory Committee of the Company with effect from 10 January 2018.

Mr. DAI Kun resigned as a Shareholders Representative Supervisor for the fifth session of the Supervisory Committee of the Company with effect from 15 May 2018.

CORPORATE GOVERNANCE (Continued)

Changes in Information of Directors and Supervisors (Continued)

Ms. XU Yan has been appointed as a Shareholders Representative Supervisor for the fifth session of the Supervisory Committee of the Company with effect from 12 March 2018.

Ms. WANG Haihong was democratically elected as an Employees Representative Supervisor for the fifth session of the Supervisory Committee at the staff representative meeting of the Company with effect from 12 March 2018.

Mr. KANG Jian has been appointed as a Shareholders Representative Supervisor for the fifth session of the Supervisory Committee of the Company with effect from 15 May 2018.

Save as disclosed above, as at the date of the interim report, there were no changes to information which are required to be disclosed and have been disclosed by the Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Audit and Risk Management Committee Review

The Audit and Risk Management Committee of the Company consists of three Independent Non-executive Directors, namely Dr. CHEN Enhua (Chairman), Mr. JIANG Shoulei and Dr. JIANG Qingtang, and two Non-executive Directors, namely Mr. XU Ding and Mr. YUAN Yipei. The interim results for the six months ended 30 June 2018 are unaudited, but have been reviewed by the Audit and Risk Management Committee and Ernst & Young, the Company's external auditor.

By Order of the Board
ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED
HONG Feng
Executive Director & Chief Executive Officer

Shanghai, the PRC, 8 August 2018

As at the date of this interim report, 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.