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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)

Announcement of Annual Results for the Year Ended 31 December 2009

ANNUAL RESULTS

The board of directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the audited results of the Company for the year ended 31 December 2009 as follows:-

Statement of Comprehensive Income
Year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
Revenue	3	**645,638**	932,581
Cost of sales		**(630,097)**	(955,000)
Gross profit/(loss)		**15,541**	(22,419)
Selling and distribution costs		**(5,436)**	(6,814)
General and administrative expenses		**(51,071)**	(60,979)
Research and development costs		**(41,842)**	(32,284)
Other income and gains	4	**5,067**	48,628
Other expenses	4	**(15,913)**	(146,393)
Finance costs	5	**(9,253)**	(16,952)
Loss before income tax	5	**(102,907)**	(237,213)
Income tax	6	**92**	130
Net loss for the year		**(102,815)**	(237,083)
Other comprehensive income for the year		**—**	—
Total comprehensive loss for the year attributable to ordinary equity holders of the Company		**(102,815)**	(237,083)
Loss per share attributable to ordinary equity holders of the Company			
– Basic	8	**(6.70) cents**	(15.45) cents

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

Statement of Financial Position
31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**436,511**	579,405
Construction in progress		**646**	731
Prepaid land lease prepayments		**33,543**	34,316
Intangible assets		**10,017**	10,687
Total non-current assets		**480,717**	625,139
Current assets			
Inventories		**92,680**	156,220
Accounts and notes receivables	9	**63,444**	41,168
Prepayments, deposits and other receivables		**12,880**	16,358
Other financial asset		**—**	10,000
Due from related companies		**15,558**	28,442
Cash and cash equivalents		**317,996**	261,887
Total current assets		**502,558**	514,075
Total assets		**983,275**	1,139,214
Current liabilities			
Accounts payable	10	**86,329**	122,108
Other payables and accruals		**45,656**	47,519
Due to related companies		**25,282**	43,456
Government grants		**13,100**	—
Interest-bearing bank borrowings	11	**178,282**	188,598
Total current liabilities		**348,649**	401,681
Net current assets		**153,909**	112,394
Non-current liability			
Deferred tax liability		**—**	92
Net assets		**634,626**	737,441
Equity			
Share capital		**1,534,227**	1,534,227
Reserves		**(899,601)**	(796,786)
Shareholders' equity		**634,626**	737,441

Statement of Changes in Equity
Year ended 31 December 2009

	2009	2008
	RMB'000	RMB'000
Share capital		
Ordinary shares of RMB1.00 each:		
At beginning and end of year	**1,534,227**	1,534,227
Capital reserve		
At beginning and end of year	**205,363**	205,363
Statutory surplus reserve		
At beginning and end of year	**19,353**	19,353
Accumulated losses		
At beginning of year	**(1,021,502)**	(784,419)
Total comprehensive loss for the year	**(102,815)**	(237,083)
At end of year	**(1,124,317)**	(1,021,502)
Reserves	**(899,601)**	(796,786)
Shareholders' equity	**634,626**	737,441

Statement of Cash Flows
Year ended 31 December 2009

	2009	2008
	RMB'000	RMB'000
Net cash flows from operating activities	**61,108**	246,549
Net cash flows from/(used in) investing activities	**5,317**	(29,964)
Net cash flows used in financing activities	**(10,316)**	(161,693)
Net increase in cash and cash equivalents	**56,109**	54,892
Cash and cash equivalents at beginning of year	**261,887**	206,995
Cash and cash equivalents at end of year	**317,996**	261,887
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**59,460**	71,659
Non-pledged time deposits	**258,536**	190,228
	317,996	261,887

NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

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

The financial statements of the Company for the year ended 31 December 2009 have been prepared on a going concern basis because the Company believes that it has sufficient cash flows from operations and sufficient banking facilities to enable the Company to meet its financial obligations as and when they fall due for a period of not less than twelve months from the end of the reporting period.

Changes in accounting policy and disclosures

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

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs and* IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation and* IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

IFRIC-Int 9 and IAS 39 Amendments	Amendments to IFRIC-Int 9 *Reassessment of Embedded Derivatives and* IAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives*
IFRIC-Int 13	*Customer Loyalty Programmes*
IFRIC-Int 15	*Agreements for the Construction of Real Estate*
IFRIC-Int 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to IFRSs (issued in May 2008)*	Amendents to a number of IFRSs

* Except for the amendents to IFRS 5 which is effective for the annual periods on or after 1 July 2009, the Company has adopted other amendments included in Improvements to IFRSs issued in May 2008 in the current year's financial statements.

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

IFRS 8 Operating Segments

IFRS 8, which replaces IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Company operates, and revenue from the Company's major customers. The Company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. These revised disclosures, including the related revised comparative information, are shown in note 2 to the financial statements.

IAS 1 (Revised) Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one single statement.

Excepted as stated above, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

Issued but not yet effective IFRSs

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

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*[1]
IFRS 1 Amendments	Amendments to IFRS 1 *Additional Exemptions for First-time Adopters*[2]
IFRS 1 Amendment	Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[4]
IFRS 2 Amendments	Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*[2]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 9	*Financial Instruments*[6]
IAS 24 (Revised)	*Related Party Disclosures*[5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 32 Amendments	Amendments to IAS 32 *Classification of Rights Issues*[3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[1]
IFRIC-Int 14 Amendments	Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
IFRIC-Int 17	*Distributions of Non-cash Assets to Owners*[1]
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary* [1]

Apart from the above, IASB has issued *Improvements to IFRSs 2009** which sets out amendments to a number of IFRSs resulting from its annual improvements project published in April 2009. Improvements to IFRSs 2009 are effective for annual periods beginning on or after 1 January 2010, unless stated otherwise. There are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013
* Improvements to IFRSs 2009 contain amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Company considers that these new and revised IFRSs are unlikely to have a significant impact on the Company's results of operations and financial position.

2. SEGMENT INFORMATION

The Company's revenue and profit were mainly derived from the sale of wafers. The Company has only one business segment.

The principal assets employed by the Company are located in Shanghai, the PRC. Therefore, no segment information based on the geographical location of the Company's assets is presented.

The Company's revenue is attributed to geographical areas based on the location of customers. Revenue regarding geographical segments based on the location of customers is presented as follows:

	2009	2008
	RMB'000	RMB'000
United States of America	**368,545**	457,381
Europe	**148,162**	297,261
Asia	**128,931**	177,939
	645,638	932,581

Information about major customers

The Company's revenue of approximately RMB409,841,000 (2008: RMB502,735,000) was derived from sales to four customers (2008: three) which individually accounted for more than 10% of the Company's total revenue during the year. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

3. REVENUE

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

An analysis of revenue is as follows:

	2009	2008
	RMB'000	RMB'000
Sale of goods	**645,184**	932,340
Others	**454**	241
	645,638	932,581

4. OTHER INCOME AND GAINS AND OTHER EXPENSES

	2009 **RMB'000**	2008 RMB'000
Other income and gains		
Subsidy income	**3,930**	977
Interest income	**1,137**	4,635
Insurance compensation received for power failure	**—**	33,410
Arbitration settlement received	**—**	5,132
Net foreign exchange gain	**—**	681
Others	**—**	3,793
	5,067	48,628
Other expenses		
Loss arising from an incident [1]	**(13,445)**	—
Loss on interest rate swaps	**(250)**	(750)
Impairment loss on property, plant and equipment	**—**	(145,143)
Donation	**—**	(500)
Net foreign exchange loss	**(2,082)**	—
Others	**(136)**	—
	(15,913)	(146,393)

Note:

(1) As a result of the Company's liquid and gas supplier incorrectly replacing and re-connecting one drum of silicon tetrachloride ($SiCl_4$), some of this liquid was inadvertently released into the Company's production area at its 5-inch wafer fabrication facilities (the "Incident").

The loss resulting from wafer scraps, repair of tools and overhaul of the clean room facilities and other incidental costs as a result of the Incident amounting to RMB13,445,000 was recognised as other expenses for the year ended 31 December 2009.

The Company has notified the liquid and gas supplier that it reserves all its rights to claim compensation for all losses resulting from the Incident, which shall not be limited to the losses recognised. The compensation will not be recognised as income until it is received or otherwise there is reasonable assurance that it will be received.

5. LOSS BEFORE INCOME TAX

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

	2009 RMB'000	2008 RMB'000
Cost of inventories sold	**630,097**	955,000
Depreciation	**157,371**	222,973
Amortisation of intangible assets	**4,066**	3,843
Amortisation of prepaid land lease payments	**773**	769
Research and development costs	**41,842**	32,284
Auditors' remuneration	**1,600**	1,700
Employee benefits expense (including directors', supervisors' and senior executives' remuneration):		
Retirement benefits		
- defined contribution fund	**13,214**	10,985
Accommodation benefits		
- defined contribution fund	**4,780**	4,009
Salaries and other staff costs	**116,722**	151,936
Reversal of welfare payable [(1)]	**(7,831)**	—
Reversal of retirement benefits payable	**—**	(23,503)
	126,885	143,427
Interest on bank loans	**9,253**	16,952
Impairment loss on property, plant and equipment	**—**	145,143
(Gain)/loss on disposal of property, plant and equipment	**(5)**	835
(Reversal of allowance)/allowance for doubtful debts	**(1,789)**	9,056
(Reversal of allowance)/allowance for inventories	**(20,397)**	16,609

Note:

(1) Reversal of welfare payable

According to the relevant PRC regulations, the Company accrued employees' welfare benefits ("14% welfare") based on the prescribed rate of 14% on the employees' average monthly salary in previous years.

According to the circular Guoshuihan (1999) No. 709 on foreign-invested enterprise social welfare provision released in 1999, the Company is no longer required to make the accrual for the 14% welfare. However, the circular does not specify the usage of the remaining balance. The management of the Company decided to keep the 14% welfare balance accrued in previous years, with a plan to set up special assistance fund for employees.

In 2009, management decided to reverse the remaining welfare balance amounting to RMB7,831,000 to general and administrative expenses due to the cancellation of the plan according to the current economic condition.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong during the years ended 31 December 2008 and 2009.

In accordance with the PRC Corporate Income Tax Law (the "New CIT 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 "High and New Technology Enterprise" and thus was granted a preferential rate of 15% from 1 January 2008 to 31 December 2010.

Major components of income tax are as follows:

	2009	2008
	RMB'000	RMB'000
Provision for income tax in respect of profit for the year	**—**	—
Deferred tax credit	**(92)**	(130)
Income tax credit	**(92)**	(130)

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

	2009	2008
	RMB'000	RMB'000
Loss before income tax	**(102,907)**	(237,213)
Tax at the applicable tax rate of 15%	**(15,436)**	(35,582)
Tax effect of:		
- Expenses not deductible for tax purpose	**154**	34
- Temporary difference not recognised for the current period	**(27,073)**	3,970
- Taxable loss not recognised for the current period	**42,263**	31,448
Income tax credit	**(92)**	(130)

7. DIVIDENDS

The Board does not recommend the payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2009 (31 December 2008: Nil).

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

Basic loss per share is calculated by dividing the total comprehensive loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Total comprehensive loss attributable to ordinary equity holders of the Company (RMB'000)	**(102,815)**	(237,083)
Weighted average number of ordinary shares in issue ('000)	**1,534,227**	1,534,227

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

9. ACCOUNTS AND NOTES RECEIVABLES

	2009	2008
	RMB'000	RMB'000
Accounts receivable	**67,336**	44,859
Notes receivable	**3,375**	5,365
	70,711	50,224
Allowance for accounts and notes receivables	**(7,267)**	(9,056)
	63,444	41,168

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

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

	2009	2008
	RMB'000	RMB'000
Outstanding balances with ageing:		
Within 30 days	**52,165**	38,615
Between 31 and 90 days	**11,154**	408
Between 91 and 180 days	**29**	1,919
Between 181 and 365 days	**14**	226
Over 365 days	**82**	—
	63,444	41,168

The movements in the allowance for impairment of accounts and notes receivables were as follows:

	2009	2008
	RMB'000	RMB'000
At beginning of year	**9,056**	—
Impairment losses (reversed)/recognised	**(1,789)**	9,056
At end of year	**7,267**	9,056

As at 31 December 2008 and 2009, the analysis of accounts and notes receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	<60 days	61-180 days	181-365 days	>365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009	**63,444**	**53,981**	**9,341**	**26**	**14**	**82**
31 December 2008	41,168	35,216	3,699	2,253	—	—

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.

10. ACCOUNTS PAYABLE

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

	2009	2008
	RMB'000	RMB'000
Outstanding balances with ageing:		
Within 30 days	**76,007**	101,868
Between 31 and 90 days	**5,445**	13,245
Between 91 and 180 days	**1,415**	3,278
Between 181 and 365 days	**1,160**	1,302
Over 365 days	**2,302**	2,415
	86,329	122,108

11. INTEREST-BEARING BANK BORROWINGS

	2009		
	Effective interest rate (%)	Maturity	RMB'000
Unsecured bank loans repayable within one year	**3.66~5.31**	**2010**	**178,282**

	2008		
	Effective interest rate (%)	Maturity	RMB'000
Unsecured bank loans repayable within one year	4.78~6.78	2009	188,598

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

The Company's buildings, plant and machinery, construction in progress, and prepaid land lease payments with net book values of RMB561,445,000, RMB731,000 and RMB35,085,000, respectively, at 31 December 2008 were pledged to banks as security for the bank loans amounting to US$25,502,800. The Company has repaid such bank loans during the year ended 31 December 2008, and the pledge of buildings, plant and machinery, construction in progress, and prepaid land lease payments was released by the banks in 2009.

12. COMMITMENTS

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

	2009	2008
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	**9,810**	10,615
– authorised, but not contracted for	**97,291**	12,322
	107,101	22,937

13. RELATED PARTY TRANSACTIONS

The companies controlled by or under the significant influence of NXP B.V. are considered to be related to the Company.

The Company had the following material transactions with the companies controlled by or under the significant influence of NXP B.V. during the year:

		2009	2008
	Notes	**RMB'000**	RMB'000
Sales	(i)	**81,248**	219,533
Technology transfer fees	(ii)	**4,094**	7,991
Information technology ("IT") related service fees	(iii)	**2,098**	2,520

Notes:

(i) Sales to the related companies were carried out based on normal commercial terms and at market prices.

(ii) Royalties in the form of technology transfer fees and identification licensing fees paid/payable to a related company were determined at 3% or 10% of the net sales of certain specified products sold by agreement of the parties.

(iii) IT related service fees were charged by the related companies based on services rendered in accordance with the terms of agreements signed by the parties.

In the opinion of the directors, all transactions above were carried out in the ordinary course of business of the Company. Such transactions were conducted on an arm's length basis and on normal commercial terms, and will continue as such in the future.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company faced an extremely difficult year in 2009 as a result of the global economic crunch. The semiconductor market reached a cyclical bottom in the first quarter of 2009. With the benefit of various fiscal and monetary policies implemented by governments around the world, the Company has witnessed a slow recovery in its overall business since then, primarily driven by a flurry of inventory restocking and influx of rush orders. However, the Company's major customers located in U.S. and Europe remained relatively cautious about placing orders due to very limited visibility across many end-markets, which severely affected its business operation, ultimately leading to a substantial impact on the Company's financial results for the year 2009.

Despite the difficult market environment, the Company managed to reduce its costs during the year by streamlining production and operations, including optimizing internal resources and enhancing its cash management program. On the other hand, as part of its ongoing efforts to establish an automotive chip manufacturing platform, the Company has entered into a strategic cooperation agreement with leading players in the supplier chain. Moreover, the Company successfully exercised process auditing of its VDA6.3 quality system, and attained the score of 90, and has been qualified as an "A" rated supplier, thus enabling the Company to get access to the international automobile market, generating incremental revenue streams, which will ultimately help better sustain its long-term growth.

COMPARISON BETWEEN 2008 AND 2009 ENDED 31 DECEMBER

Sales

The sales of the Company decreased by 30.8% from RMB932.6 million in 2008 to RMB645.6 million in 2009, resulting in a lower overall utilization rate reduced from 57% in 2008 to 43% in 2009. The Company's throughput of 8-inch equivalent wafers decreased by 25.5%, from 383,301 pieces for the year ended 31 December 2008 to 285,499 pieces for the year ended 31 December 2009 and correspondingly the Company's shipment of 8-inch equivalent wafers decreased by 29.0%, from 400,505 pieces to 284,486 pieces.

Cost of sales and gross profit

The cost of sales decreased by 34.0% from RMB955.0 million in 2008 to RMB630.1 million in 2009. The gross profit was RMB15.5 million in 2009 compared to negative RMB22.4 million in 2008, while the Company's gross margin in 2009 was 2.4% compared to negative 2.4% in 2008. The improvement in gross profit and margin was mainly due to various cost-cutting measures and the reduction of RMB41.9 million in cost of sales as a result of the decrease of RMB43.1 million in depreciation charges after recognition of an 8-inch wafer asset impairment for the year ended 31 December 2008, partly offset by lower levels of capacity utilization rate.

Selling and distribution costs

Selling and distribution costs decreased by 20.6% from RMB6.8 million in 2008 to RMB5.4 million in 2009, primarily due to lower payroll-related expenses as a result of headcount reductions and the decrease in commission rate.

General and administrative expenses

General and administrative expenses decreased by 16.2% from RMB61.0 million for the year ended 31 December 2008 to RMB51.1 million for the year ended 31 December 2009, primarily due to the reduction in allowance for doubtful debts and cost-reduction initiatives.

Research and development costs

Research and development costs were RMB41.8 million in 2009, up 29.4% from RMB32.3 million in 2008. This was primarily attributable to the increase in research and development activities.

Other income and gains

Other income and gains were RMB5.1 million in 2009, compared to RMB48.6 million in 2008. In 2009, the Company's other income and gains mainly derived from interest income and subsidy income. In 2008, the Company's other income and gains mainly comprised power outage compensation received, and compensation received for the settlement of arbitration, interest income, scrap sales and net foreign exchange gain.

Other expenses

Other expenses amounted to RMB15.9 million in 2009, compared to RMB146.4 million in 2008. Other expenses in 2009 were primarily comprised of loss arising from the Incident, loss on interest rate swap, net foreign exchange loss and others, while in 2008, other expenses were mainly composed of loss on interest rate swap, impairment loss on property, plant and equipment and donation.

Finance costs

The Company's finance costs decreased by 45.3% from RMB17.0 million in 2008 to RMB9.3 million in 2009. The substantial decrease in finance costs was primarily attributable to lower interest expense as a result of a continued decrease in the Company's bank loan balance.

Net income

As a result of the foregoing factors, the Company had a net loss of RMB102.8 million for the year ended 31 December 2009, compared to a net loss of RMB237.1 million for the year ended 31 December 2008.

Liquidity and capital resources

The Company's cash and cash equivalents were RMB318.0 million as at 31 December 2009, compared to RMB261.9 million as at 31 December 2008. The Company's net cash inflow from operating activities showed a decrease of 75.2% from RMB246.5 million for the year ended 31 December 2008 to RMB61.1 million for the year ended 31 December 2009.

The Company's net cash outflow from investing activities was primarily attributable to the continuing investment in property, plant and equipment, and construction in progress. These expenditures amounted to RMB17.8 million for the year ended 31 December 2009, compared to RMB20.0 million for the year ended 31 December 2008. The capital expenditure incurred in 2009 was mostly allocated to the production facilities and equipment associated with both 5-inch and 6-inch wafers.

The Company's net cash outflow from financing activities amounted to RMB10.3 million in 2009, compared to net cash outflow of RMB161.7 million in 2008. The net cash outflow of RMB10.3 million represented the net effect of RMB188.6 million for the repayment of bank loans and the new bank loans of RMB178.3 million in 2009.

As at 31 December 2009, the Company's short-term interest-bearing borrowings were RMB178.3 million, of which approximately 62% was denominated in Renminbi ("RMB"), and the remaining 38% was denominated in US dollars.

As at 31 December 2009, the Company's current ratio was 1.44 when compared to 1.28 as at 31 December 2008. The Company's debt to equity ratio as at 31 December 2009 was 54.9%, compared to 54.5% as at 31 December 2008.

Employees

As at 31 December 2009, the Company had 1,231 employees. The remuneration and employment benefits were provided for and paid in accordance with the PRC laws and regulations.

Interest rate risk

The Company's interest-bearing loans and borrowings are subject to interest rate fluctuation of LIBOR plus margin. As approximately 38% of the Company's debts are denominated in US Dollars, its profitability is subject to interest rate exposure arising from fluctuations of US Dollar LIBOR. The Company adopted an interest rate swap for the interest payable on the principal amount of US$2.5 million to hedge interest rate fluctuation.

Renminbi fluctuation risks

As Renminbi is the legal currency in the PRC in which the Company conducts its business operation, therefore, Renminbi is adopted as the Company's functional and reporting currency. A large amount of the Company's revenue and expenditures is denominated in foreign currency. In the event that the Company's Renminbi revenue is not sufficient to meet its Renminbi expenditure, the Company will be required to meet the difference by conversion of its foreign currencies deposit into Renminbi, which might result in exchange loss, ultimately leading to a negative impact on its cash flow. No derivative instruments and hedging activities against Renminbi appreciation were adopted by the Company during the period under review.

Capital commitment

As at 31 December 2009, the Company had capital commitments for property, plant and equipment amounting to RMB107.1 million, of which RMB9.8 million was contracted but not provided for, while the remaining balance of RMB97.3 million was authorized but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2009

Sales for the three months ended 31 December 2009 were RMB171.0 million, down 4.4% from RMB178.9 million for the three months ended 30 September 2009, due mainly to the lower wafer shipments as a result of a one-week maintenance overhaul of its 5-inch fabrication line and, to a lesser extent, of its 6-inch fabrication line.

Gross profit decreased from RMB13.6 million for the three months ended 30 September 2009 to RMB9.9 million for the three months ended 31 December 2009. Gross margin for the three months ended 31 December 2009 was 5.8%, compared to 7.6% for the three months ended 30 September 2009. The decline in gross margin was primarily attributable to the lower level of capacity utilization rate.

Selling and distribution costs for the three months ended 31 December 2009 amounted to RMB1.4 million, almost the same as that of the third quarter of 2009.

General and administrative expenses for the three months ended 31 December 2009 were RMB15.2 million, compared to RMB15.3 million for the third quarter of 2009.

Research and development costs for the three months ended 31 December 2009 were RMB9.9 million, down 16.1% from RMB11.8 million for the third quarter of 2009. This was primarily attributable to the increase in the sales of engineering wafer lots during the period which resulted in higher absorption of its related research and development costs.

Other income for the three months ended 31 December 2009 was RMB0.2 million, compared to RMB2.4 million for the third quarter of 2009. Other income for both the third quarter and fourth quarter of 2009 was mainly generated from interest income and subsidy income.

Other expenses for the three months ended 31 December 2009 booked a net gain of RMB6.8 million, primarily due to a net write-back of RMB6.3 million against the provision of RMB19.7 million recognized as other expenses for the three months ended 30 September 2009 as a result of the actual loss from the Incident amounting to RMB13.4 million.

The finance costs was RMB2.2 million for the three months ended 31 December 2009, almost flat with the third quarter of 2009.

Collectively, the Company recorded a net loss of RMB11.6 million for the three months ended 31 December 2009, compared to the net loss of RMB35.1 million for the three months ended 30 September 2009.

1. Revenue Analysis

For the three months ended 31 December 2009, sales from communication, computer and consumer products were 32%, 33% and 35%, which was basically in line with the prior quarter.

By Application	4Q09	3Q09	4Q08
Communication	32%	33%	32%
Computer	33%	33%	32%
Consumer	35%	34%	36%

For the three months ended 31 December 2009, sales to the USA, Europe and Asia Pacific accounted for 58%, 24% and 18% of total revenue respectively, compared to 51%, 30% and 19% in the previous quarter.

By Geography	4Q09	3Q09	4Q08
USA	58%	51%	50%
Europe	24%	30%	34%
Asia Pacific	18%	19%	16%

For the three months ended 31 December 2009, sales to IDM and fabless customers accounted for 27% and 73% of total revenue respectively, compared to 35% and 65% in the third quarter of 2009.

By Customer Type	4Q09	3Q09	4Q08
IDM	27%	35%	46%
Fabless	73%	65%	54%

For the three months ended 31 December 2009, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafer were 22%, 46% and 31% respectively, compared to 19%, 45% and 35% in the previous quarter.

By Product	4Q09	3Q09	4Q08
5″ wafers	22%	19%	18%
6″ wafers	46%	45%	53%
8″ wafers	31%	35%	28%
Others[1]	1%	1%	1%
Total	100%	100%	100%

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

2. Utilization and Capacity (8" equivalent)

2-1 Utilization

Overall capacity utilization decreased by two percentage points from 46% in the previous quarter to 44% for the three months ended 31 December 2009.

Fab	4Q09	3Q09	4Q08
Fab 1/2			
5-inch wafers	47%	43%	39%
6-inch wafers	37%	42%	46%
Fab 3			
8-inch wafers	51%	52%	34%
Overall Capacity Utilization Rate	44%	46%	40%

Note: 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.

2-2 Capacity (8" Equivalent)

The capacity for the three months ended 31 December 2009 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and that of the fourth quarter of 2008.

Fab (wafers in thousand)	4Q09	3Q09	4Q08
Fab 1/2			
5-inch wafers	33	33	33
6-inch wafers	85	85	85
Fab 3			
8-inch wafers	36	36	36
Total Capacity	154	154	154

Note: The Company estimated the capacities of its 5-inch, 6-inch and 8-inch on the basis of 9, 10 and 22 mask steps per wafer respectively and 5-inch and 6-inch wafers were converted to 8-inch equivalent wafers by dividing their wafer numbers using 2.56 and 1.78 respectively.

3. Receivable/Inventory Turnover

Receivable turnover for the three months ended 31 December 2009 was 45 days as compared to 43 days in the third quarter of 2009.

Inventory turnover decreased from 77 days for the three months ended 30 September 2009 to 75 days for the three months ended 31 December 2009.

	4Q09	3Q09	4Q08
Trade & Notes Receivables Turnover (days)	45	43	51
Inventory Turnover (days)	75	77	89

4. Capital Expenditure

The amount of capital expenditure for the three months ended 31 December 2009 was RMB4.1 million, which was mainly spent in technical modifications and operational efficiency improvement associated with both 5-inch and 6-inch wafer production facilities.

(Amount: RMB'000)	**4Q09**	**3Q09**	**4Q08**
Capex	4,071	2,300	974

PROSPECTS AND FUTURE PLANS

The overall semiconductor industry is expected to witness modest growth as the global economic recovery will continue through 2010. Although the visibility into consumer spending, especially in the developed world, remains far from clear, the Company is still relatively optimistic about the prospects ahead in light of the continuing gradual improvement in business fundamentals.

In view of a picture of still volatile but improved conditions, the Company will address this with a focus on technology advancement, new product development and best-cost manufacturing solution to sustain its competitive advantage. By doing so, the Company will continue to improve its overall efficiency and profitability by means of the following initiatives:

- deepen its cooperation with leading players in the supply chain to establish an automotive chip manufacturing platform with its own intellectual property right;
- accelerate technology/process transfer from both its existing and new customers to improve its ability to drive automotive chip manufacturing business;
- capitalize on the growing domestic market by aggressively developing new business so as to enhance its presence in Greater China market;
- further streamline business operations and maximize its productivities through improving key operational indices, such as line yield and cycle time;
- continuously implement a stringent budget control internally; and
- execute effective human resources policy by further optimizing internal organization structure and resources.

Moving forward, the Company, utilising its ability to provide flexible, customized and quality services at competitive prices, combined with financial aid and supporting policy from local and national government to develop the automotive chip industry in the PRC, will continue to emphasize on ramping up automotive electronics business as the primary growth driver, and strive for good results in the coming year.

SUPPLEMENTARY INFORMATION

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption by the Company of its listed securities during the year ended 31 December 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests.

During the year ended 31 December 2009, the Company complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

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

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

The Board is pleased to confirm, after making specific enquiries with all directors and supervisors, that all directors and supervisors have fully complied with the standards required under the Model Code during the year ended 31 December 2009.

REVIEW AND AUDIT OF THE ANNUAL RESULTS

The Audit Committee of the Company consists of three independent non-executive directors, Mr. James Arthur Watkins (Chairman), Mr. Thaddeus Thomas Beczak and Dr. Shen Weijia, and two non-executive directors, Mr. Wilhelmus Jacobus Maria Joseph Josquin and Mr. Zhu Peiyi. The annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee and audited by Ernst & Young, the Company's external auditors.

By Order of the Board
Advanced Semiconductor Manufacturing Corporation Limited
Zhou Weiping
Executive Director, President & Chief Executive Officer

Shanghai, the PRC, 10 March 2010

As at the date of this announcement, the executive directors of the Company are Zhou Weiping and Cheng Jianyu; the non-executive directors of the Company are Chen Jianming, Zhu Peiyi, Zhu Jian, Li Zhi, Yeh Yi Liang and Wilhelmus Jacobus Maria Joseph Josquin; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.