



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)

2008 Third Quarter Results Announcement

QUARTERLY RESULTS

The board of directors (the “Board”) of Advanced Semiconductor Manufacturing Corporation Limited (the “Company”) announce the unaudited results of the Company for the three months and the nine months ended 30 September 2008 together with unaudited comparative figures for the corresponding periods of last year as follows:

CONDENSED INCOME STATEMENT

| | | 3 months ended 30 September 2008 (Unaudited) RMB'000 | 9 months ended 30 September 2008 (Unaudited) RMB'000 | 3 months ended 30 September 2007 (Unaudited) RMB'000 | 9 months ended 30 September 2007 (Unaudited) RMB'000 |
|--|--------------|---|---|---|---|
| | <i>Notes</i> | | | | |
| Revenue | 3 | 255,036 | 773,928 | 333,439 | 912,891 |
| Cost of sales | | <u>(235,755)</u> | <u>(738,595)</u> | <u>(325,373)</u> | <u>(928,479)</u> |
| Gross profit/(loss) | | 19,281 | 35,333 | 8,066 | (15,588) |
| Operating expenses | | <u>(34,437)</u> | <u>(84,509)</u> | <u>(29,386)</u> | <u>(90,175)</u> |
| Loss from operating activities | | (15,156) | (49,176) | (21,320) | (105,763) |
| Other income, net | 4 | 6,464 | 44,301 | 3,104 | 19,040 |
| Finance costs | 5 | <u>(3,468)</u> | <u>(13,859)</u> | <u>(6,967)</u> | <u>(31,128)</u> |
| Loss before income tax | 5 | (12,160) | (18,734) | (25,183) | (117,851) |
| Income tax credit, net | 6 | <u>—</u> | <u>—</u> | <u>2,278</u> | <u>21,991</u> |
| Net loss | | <u>(12,160)</u> | <u>(18,734)</u> | <u>(22,905)</u> | <u>(95,860)</u> |
| Dividends | 7 | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Loss per share attributable to ordinary equity holders of the Company (RMB) | | | | | |
| - Basic | 8 | <u>(0.79) cents</u> | <u>(1.22) cents</u> | <u>(1.49) cents</u> | <u>(6.25) cents</u> |

CONDENSED BALANCE SHEET

| | 30 September 2008 (Unaudited) RMB'000 | 31 December 2007 (Audited) RMB'000 |
|---|--|---|
| | <i>Notes</i> | |
| Non-current assets | | |
| Property, plant and equipment | 777,403 | 926,022 |
| Construction in progress | 418 | 3,101 |
| Other non-current assets | <u>46,153</u> | <u>49,615</u> |
| Total non-current assets | <u>823,974</u> | <u>978,738</u> |
| Current assets | | |
| Inventories | 185,721 | 234,507 |
| Accounts and notes receivables | 86,473 | 83,778 |
| Other current assets | 77,222 | 77,920 |
| Cash and cash equivalents | <u>215,962</u> | <u>206,995</u> |
| Total current assets | <u>565,378</u> | <u>603,200</u> |
| Total assets | <u>1,389,352</u> | <u>1,581,938</u> |
| Current liabilities | | |
| Accounts payable | 132,578 | 171,680 |
| Other current liabilities | 112,352 | 85,221 |
| Interest-bearing borrowings | 9 <u>188,410</u> | <u>350,291</u> |
| Total current liabilities | <u>433,340</u> | <u>607,192</u> |
| Net current assets/(liabilities) | <u>132,038</u> | <u>(3,992)</u> |
| Non-current liabilities | | |
| Deferred tax liability | <u>222</u> | <u>222</u> |
| Net assets | <u>955,790</u> | <u>974,524</u> |
| Capital and reserves | | |
| Registered and paid-up capital | 1,534,227 | 1,534,227 |
| Reserves | <u>(578,437)</u> | <u>(559,703)</u> |
| Shareholders' equity | <u>955,790</u> | <u>974,524</u> |

STATEMENT OF CHANGES IN EQUITY

| | For the nine months ended 30 September | |
|--|---|--------------------------------|
| | 2008 (Unaudited) RMB'000 | 2007 (Unaudited) RMB'000 |
| Registered and paid-up capital <i>Ordinary shares of RMB1.00 each:</i> | | |
| At beginning and end of period | <u>1,534,227</u> | <u>1,534,227</u> |
| Capital reserve | | |
| At beginning and end of period | <u>205,363</u> | <u>205,363</u> |
| Statutory surplus reserve | | |
| At beginning and end of period | <u>19,353</u> | <u>19,353</u> |
| (Accumulated losses)/retained earnings | | |
| At beginning of period | (784,419) | 55,780 |
| Net loss for the period | <u>(18,734)</u> | <u>(95,860)</u> |
| At end of period | <u>(803,153)</u> | <u>(40,080)</u> |
| Reserves | <u>(578,437)</u> | <u>184,636</u> |
| Shareholders' equity | <u>955,790</u> | <u>1,718,863</u> |

CONDENSED CASH FLOW STATEMENT

| | For the nine months ended 30 September | |
|---|---|----------------------|
| | 2008 | 2007 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net cash inflow from operating activities | 189,838 | 172,878 |
| Net cash outflow from investing activities | (18,990) | (20,554) |
| Net cash outflow from financing activities | <u>(161,881)</u> | <u>(463,906)</u> |
| Increase/(decrease) in cash and cash equivalents | 8,967 | (311,582) |
| Cash and cash equivalents at beginning of period | <u>206,995</u> | <u>396,987</u> |
| Cash and cash equivalents at end of period | <u><u>215,962</u></u> | <u><u>85,405</u></u> |

Analysis of balances of cash and cash equivalents

| | | |
|---------------------------|-----------------------|----------------------|
| Cash and bank balances | 55,510 | 52,106 |
| Non-pledged time deposits | <u>160,452</u> | <u>33,299</u> |
| | <u><u>215,962</u></u> | <u><u>85,405</u></u> |

1. BASIS OF PREPARATION

The unaudited condensed balance sheet as at 30 September 2008 and the related unaudited condensed income statement for the three months and the nine months ended 30 September 2008, condensed cash flow statement and statement of changes in equity for the nine months ended 30 September 2008 (collectively defined as “Third Quarter Results”) of the Company are prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”.

The financial statements of the Company for the three months and the nine months ended 30 September 2008 have been prepared on a going concern basis because the Company is of the opinion that the Company will receive continuing financial support from the bankers 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 date of 2008 Third Quarter Results announcement.

The Third Quarter Results should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2007 (“2007 financial statements”) dated 31 March 2008.

The accounting policies and method of computation used in the preparation of these Third Quarter Results are consistent with those used in the 2007 financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, except as disclosed in the summary of significant accounting policies in the 2007 financial statements.

Impact of issued but not yet effective IFRSs

The Company has not applied the following new and revised IFRSs applicable to the Company, that have been issued but are not yet effective, in these Third Quarter Results. The following IFRSs are effective for annual periods beginning on or after 1 January 2009:

| | |
|------------------|--------------------------------------|
| IAS 1 (revised) | Presentation of Financial Statements |
| IFRS 8 | Operating Segments |
| IAS 23 (revised) | Borrowing Costs |

IAS 1 (revised) separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

IFRS 8 will affect the disclosures about the Company’s operating segments, the Company’s products and services, the geographical areas in which it operates, and its major customers.

IAS 23 (revised) removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

IFRS 8 supersedes IAS 14, and is effective for periods beginning on or after 1 January 2009. IAS 1 (revised) and IAS 23 (revised) shall be applied for annual periods beginning on or after 1 January 2009.

Except as stated above, the Company expects that the adoption of the pronouncements listed above will not have any significant impact on the Company’s financial statements in the period of initial application.

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 People Republic of China. 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:

| | 3 months ended 30 September 2008 (Unaudited) RMB'000 | 9 months ended 30 September 2008 (Unaudited) RMB'000 | 3 months ended 30 September 2007 (Unaudited) RMB'000 | 9 months ended 30 September 2007 (Unaudited) RMB'000 |
|--------------------------|---|---|---|---|
| United States of America | 127,186 | 377,669 | 183,966 | 491,161 |
| Europe | 78,792 | 242,571 | 97,603 | 233,062 |
| Asia | <u>49,058</u> | <u>153,688</u> | <u>51,870</u> | <u>188,668</u> |
| | <u>255,036</u> | <u>773,928</u> | <u>333,439</u> | <u>912,891</u> |

3. REVENUE

| | 3 months ended 30 September 2008 (Unaudited) RMB'000 | 9 months ended 30 September 2008 (Unaudited) RMB'000 | 3 months ended 30 September 2007 (Unaudited) RMB'000 | 9 months ended 30 September 2007 (Unaudited) RMB'000 |
|----------------|---|---|---|---|
| Revenue | | | | |
| Sales of goods | 254,933 | 773,709 | 333,400 | 912,529 |
| Others | <u>103</u> | <u>219</u> | <u>39</u> | <u>362</u> |
| | <u>255,036</u> | <u>773,928</u> | <u>333,439</u> | <u>912,891</u> |

4. OTHER INCOME

| | 3 months ended 30 September 2008 (Unaudited) RMB'000 | 9 months ended 30 September 2008 (Unaudited) RMB'000 | 3 months ended 30 September 2007 (Unaudited) RMB'000 | 9 months ended 30 September 2007 (Unaudited) RMB'000 |
|---|---|---|---|---|
| Power outage compensation received | — | 43,500 | — | — |
| Replacement of the spare parts for the fixed assets damaged by the power outage in the fourth quarter of 2007 | — | (10,090) | — | — |
| Arbitration settlement received | 5,132 | 5,132 | — | — |
| Interest income | 1,122 | 3,319 | 1,208 | 9,812 |
| Net foreign exchange (loss)/gain | (511) | (127) | 1,805 | 7,600 |
| Fair value gain/(loss) on interest rate swap | 667 | 252 | (1,607) | (1,888) |
| Realised (loss)/gain on interest rate swap | (349) | (457) | 1,381 | 1,917 |
| Donation | — | (500) | — | — |
| Others | 403 | 3,272 | 317 | 1,599 |
| | <u>6,464</u> | <u>44,301</u> | <u>3,104</u> | <u>19,040</u> |

5. LOSS BEFORE INCOME TAX

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

| | 3 months ended 30 September 2008 (Unaudited) RMB'000 | 9 months ended 30 September 2008 (Unaudited) RMB'000 | 3 months ended 30 September 2007 (Unaudited) RMB'000 | 9 months ended 30 September 2007 (Unaudited) RMB'000 |
|---|---|---|---|---|
| Loss on disposal of property, plant and equipment | 786 | 1,703 | 11 | 708 |
| Less: Reversal of impairment loss | <u>(545)</u> | <u>(867)</u> | <u>—</u> | <u>—</u> |
| Net loss on disposal of property, plant and equipment | 241 | 836 | 11 | 708 |
| Interest on bank loans | 3,468 | 13,859 | 6,967 | 31,128 |
| Depreciation | 55,458 | 169,457 | 91,463 | 285,486 |
| (Reversal)/allowance for inventories | <u>(10,923)</u> | <u>(16,550)</u> | <u>2,610</u> | <u>15,335</u> |

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the three and nine months ended 30 September 2008 and 2007.

Major components of income tax credit are as follows:

| | 3 months ended 30 September 2008 (Unaudited) RMB'000 | 9 months ended 30 September 2008 (Unaudited) RMB'000 | 3 months ended 30 September 2007 (Unaudited) RMB'000 | 9 months ended 30 September 2007 (Unaudited) RMB'000 |
|---|---|---|---|---|
| Provision for income tax in respect of profit for the period: | | | | |
| - Current | — | — | — | — |
| - Deferred tax credit | <u>—</u> | <u>—</u> | <u>(2,278)</u> | <u>(21,991)</u> |
| Income tax credit | <u>—</u> | <u>—</u> | <u>(2,278)</u> | <u>(21,991)</u> |

7. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary shareholders for the nine months ended 30 September 2008 (30 September 2007: Nil).

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

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

| | 3 months ended 30 September 2008 (Unaudited) | 9 months ended 30 September 2008 (Unaudited) | 3 months ended 30 September 2007 (Unaudited) | 9 months ended 30 September 2007 (Unaudited) |
|---|---|---|---|---|
| Loss attributable to ordinary equity holders of the Company (RMB'000) | <u>(12,160)</u> | <u>(18,734)</u> | <u>(22,905)</u> | <u>(95,860)</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>1,534,227</u> | <u>1,534,227</u> | <u>1,534,227</u> | <u>1,534,227</u> |

Diluted loss per share has not been disclosed as there were no dilutive options and other potential dilutive ordinary shares in issue during the periods.

9. INTEREST-BEARING BORROWINGS

| | 30 September 2008 (Unaudited) RMB'000 | 31 December 2007 (Audited) RMB'000 |
|-----------------------|--|---|
| Bank loans: | | |
| - Unsecured | 188,410 | 164,003 |
| - Secured | <u>—</u> | <u>186,288</u> |
| | <u>188,410</u> | <u>350,291</u> |
| Bank loans repayable: | | |
| - Within one year | <u>188,410</u> | <u>350,291</u> |

10. RELATED PARTY TRANSACTIONS

The Company had the following material transactions with the companies controlled by or under the significant influence of NXP B.V. during the nine months ended 30 September 2008:

| | | For the nine months ended 30 September | |
|--|--------------|---|---|
| | | 2008 (Unaudited) RMB'000 | 2007 (Unaudited) RMB'000 |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Sales | (i) | 173,770 | 112,231 |
| Technology transfer fees | (ii) | 6,903 | 11,933 |
| Information technology ("IT") related service fees | (iii) | 1,783 | 1,513 |

Notes:

- (i) Sales to 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 fee paid/payable to a related company were determined at 3% or 10% of the net sales of certain specified products sold by agreements of the parties.
- (iii) IT related service fees were charged by the related companies based on 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 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.

11. COMMITMENTS

The Company had the following commitments as at 30 September 2008:

| | 30 September 2008 (Unaudited) RMB'000 | 31 December 2007 (Audited) RMB'000 |
|---|--|---|
| Capital commitments in respect of property, plant and equipment: | | |
| - contracted, but not provided for | 8,983 | 3,843 |
| - authorised, but not contracted for | <u>21,229</u> | <u>20,989</u> |
| | <u>30,212</u> | <u>24,832</u> |

12. Contingent liabilities

Reference is made to the disclosures in the financial statements of the Company for the year ended 31 December 2007 regarding the counter-claims for the alleged breaches of certain terms of a foundry agreement dated 22 October 2004.

On 2 July 2008, the Company and a customer (“the Customer”) came to an amicable settlement of all claims and disputes between them, and agreed to release each other from all present or future claims relating to the arbitration. On 8 August 2008, the Company received payment of the settlement from the Customer under the said settlement. On 28 August 2008, the proceedings were formally terminated by both parties. The settlement was recognised as other income disclosed in Note 4 to the financial statements.

Operating Results Review

Summary:

| <i>(Amount: RMB'000)</i> | 3Q08 | 2Q08 | 3Q07 | QoQ % Change | YoY % Change |
|-----------------------------------|-------------|-------------|-------------|-------------------------|-------------------------|
| Revenue | 255,036 | 260,584 | 333,439 | (2%) | (24%) |
| Gross profit | 19,281 | 4,887 | 8,066 | 295% | 139% |
| Operating expenses | (34,437) | (22,303) | (29,386) | 54% | 17% |
| Other income and finance costs | 2,996 | 40,803 | (3,863) | — | — |
| Other expenses | — | (3,497) | — | — | — |
| Income tax credit | — | — | 2,278 | — | — |
| Net income/(loss) | (12,160) | 19,890 | (22,905) | — | — |
| EPS | (0.79)cents | 1.30cents | (1.49)cents | — | — |

Sales decreased by 2.1% from RMB260.6 million for the three months ended 30 June 2008 to RMB 255.0 million for the three months ended 30 September 2008. This was mainly due to the decrease in sales relating to both 5-inch and 8-inch wafer, partially offset by higher sales of 6-inch wafer.

Gross profit for the three months ended 30 September 2008 was RMB19.3 million, compared to RMB4.9 million for the three months ended 30 June 2008. Gross margin for the three months ended 30 September 2008 was 7.6%, compared to 1.9% for the three months ended 30 June 2008, which was mainly attributable to significant improvement in costs associated with spare parts management and maintenance service operation.

Operating expenses amounted to RMB34.4 million for the three months ended 30 September 2008, an increase of 54.3% compared to RMB22.3 million for the three months ended 30 June 2008. The increase in operating expenses was mainly due to the substantial increase in research and development costs and to a lesser extent in general and administrative expenses, partially offset by the slight decrease in selling & distribution expenses. The increase in research and development costs was primarily due to higher development activities related to 8-inch wafer new products.

For the three months ended 30 September 2008, other income and finance costs were RMB3.0 million, compared to RMB40.8 million for the three months ended 30 June 2008, which was mainly attributable to lower other income. Other income for three months ended 30 June 2008 included RMB43.5 million for power outage compensation. The other income in the current quarter was mainly comprised of arbitration settlement received, interest income, net foreign exchange loss, fair value

gain on interest rate swap and realised loss on interest rate swap. The other income for the second quarter of 2008 was mainly comprised of power outage compensation received, interest income, net foreign exchange loss and fair value gain on interest rate swap.

No charges were recognised in other expenses for the three months ended 30 September 2008 due to the reclassification of fair value gain on interest rate swap into other income, compared to RMB3.5 million for the three months ended 30 June 2008. The other expenses in the second quarter of 2008 was mainly comprised of replacement of the spare parts for the fixed assets damaged by the power outage in the fourth quarter of 2007 and donation for Sichuan earthquake.

As a result, the net income for the three months ended 30 September 2008 was negative RMB12.2 million, compared to RMB19.9 million for the three months ended 30 June 2008. The Company's net margin in the current quarter was negative 4.8%, compared to 7.6% in the previous quarter.

I. Revenue Analysis

By Application

For the three months ended 30 September 2008, sales derived from communication, computer and consumer products accounted for 32%, 33% and 35% of total revenue respectively, which were mostly in line with those in the previous quarter.

| | 3Q08 | 2Q08 | 3Q07 |
|---------------|------|------|------|
| Communication | 32% | 32% | 33% |
| Computer | 33% | 32% | 33% |
| Consumer | 35% | 36% | 34% |

By Geography

For the three months ended 30 September 2008, sales to the USA accounted for 50% of total revenue, compared to 52% in the previous quarter. The percentage of sales to Europe increased from 27% in the previous quarter to 31% in the current quarter, while sales as a percentage of total revenue from Asia Pacific was 19% when compared to 21% in the second quarter of 2008.

| | 3Q08 | 2Q08 | 3Q07 |
|--------------|------|------|------|
| USA | 50% | 52% | 55% |
| Europe | 31% | 27% | 30% |
| Asia Pacific | 19% | 21% | 15% |

By Customer Type

For the three months ended 30 September 2008, sales to IDM and fabless customers accounted for 43% and 57% of the total revenue respectively, compared to 37% and 63% in the second quarter of 2008.

| | 3Q08 | 2Q08 | 3Q07 |
|---------|------|------|------|
| IDM | 43% | 37% | 38% |
| Fabless | 57% | 63% | 62% |

By Product

For the three months ended 30 September 2008, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafer was 16%, 54% and 29% respectively, compared to 18%, 50% and 31% in the previous quarter.

| | 3Q08 | 2Q08 | 3Q07 |
|---------------------|------|------|------|
| 5" wafers | 16% | 18% | 16% |
| 6" wafers | 54% | 50% | 51% |
| 8" wafers | 29% | 31% | 32% |
| Others ¹ | 1% | 1% | 1% |
| Total | 100% | 100% | 100% |

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

II. Utilization and Capacity (8" equivalent)

II-1 Utilization

Overall capacity utilization for the three months ended 30 September 2008 was 65%, compared to 66% in the second quarter of 2008.

| Fab | 3Q08 | 2Q08 | 3Q07 |
|-----------------------------------|------|------|------|
| Fab 1/2 | | | |
| 5-inch wafers | 59% | 64% | 72% |
| 6-inch wafers | 77% | 74% | 87% |
| Fab 3 | | | |
| 8-inch wafers | 54% | 57% | 65% |
| Overall Capacity Utilization Rate | 65% | 66% | 76% |

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 to produce during the corresponding period.

II-2 Capacity (8" Equivalent)

The capacity for the three months ended 30 September 2008 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and the third quarter of 2007.

| Fab (wafers in thousand) | 3Q08 | 2Q08 | 3Q07 |
|---------------------------------|-------------|-------------|-------------|
| Fab1/2 | | | |
| 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, 6-inch wafers were converted to 8-inch equivalent wafers by dividing their wafer number using 2.56 and 1.78 respectively.

III. Profit and Expense Analysis

III-1Gross Profit Analysis

Gross profit for the three months ended 30 September 2008 was RMB19.3 million, compared to RMB4.9 million for the three months ended 30 June 2008. Gross margin for the three months ended 30 September 2008 was 7.6%, compared to 1.9% for the three months ended 30 June 2008, which was mainly attributable to significant improvement in costs associated with spare parts management and maintenance service operation.

| (Amount: RMB'000) | 3Q08 | 2Q08 | 3Q07 |
|--------------------------|-------------|-------------|-------------|
| Cost of sales | 235,755 | 255,697 | 325,373 |
| Gross profit | 19,281 | 4,887 | 8,066 |
| Gross margin | 7.6% | 1.9% | 2.4% |

III-2. Operating Expenses Analysis

Operating expenses amounted to RMB34.4 million for the three months ended 30 September 2008, an increase of 54.3% compared to RMB22.3 million for the three months ended 30 June 2008. The increase in operating expenses was mainly due to the substantial increase in research and development costs and to a lesser extent in general and administrative expenses, partially offset by the slight decrease in selling & distribution expenses. The increase in research and development costs was primarily due to higher development activities related to 8-inch wafer new products.

| (Amount: RMB'000) | 3Q08 | 2Q08 | 3Q07 |
|-------------------------------------|---------------|---------------|---------------|
| Selling and distribution costs | 1,904 | 2,061 | 2,055 |
| General and administrative expenses | 20,232 | 18,221 | 20,454 |
| Research and development costs | <u>12,301</u> | <u>2,021</u> | <u>6,877</u> |
| Total | <u>34,437</u> | <u>22,303</u> | <u>29,386</u> |

III-3. Other Income and Finance Costs

For the three months ended 30 September 2008, other income and finance costs were RMB3.0 million, compared to RMB40.8 million for the three months ended 30 June 2008, which was mainly attributable to lower other income. Other income for three months ended 30 June 2008 included RMB43.5 million for power outage compensation. The other income in the current quarter was mainly comprised of arbitration settlement received, interest income, net foreign exchange loss, fair value gain on interest rate swap and realised loss on interest rate swap. The other income for the second quarter of 2008 was mainly comprised of power outage compensation received, interest income, net foreign exchange loss and fair value gain on interest rate swap.

| (Amount: RMB'000) | 3Q08 | 2Q08 | 3Q07 |
|------------------------|----------------|----------------|----------------|
| Other income | 6,464 | 45,325 | 3,104 |
| Finance costs | <u>(3,468)</u> | <u>(4,522)</u> | <u>(6,967)</u> |
| Total income/(expense) | <u>2,996</u> | <u>40,803</u> | <u>(3,863)</u> |

III-4. Other Expenses

No charges were recognised in other expenses for the three months ended 30 September 2008 due to the reclassification of fair value gain on interest rate swap into other income, compared to RMB3.5 million for the three months ended 30 June 2008. The other expenses in the second quarter of 2008 was mainly comprised of replacement of the spare parts for the fixed assets damaged by the power outage in the fourth quarter of 2007 and donation for Sichuan earthquake.

| (Amount: RMB'000) | 3Q08 | 2Q08 | 3Q07 |
|-------------------|------|-------|------|
| Other expenses | — | 3,497 | — |

IV. Financial Condition Review

IV-1. Liquidity Analysis

Total current assets as at 30 September 2008 was RMB565.4 million, an increase of RMB0.4 million from RMB565.0 million as at 30 June 2008, due mainly to the increase in inventories and other current assets by RMB9.8 million and RMB31.0 million respectively, which was also partially offset by the decrease in cash and cash equivalents and trade and notes receivable by RMB13.8 million and RMB26.6 million compared with the balances as at 30 June 2008 to 30 September 2008. The decrease in cash and cash equivalents was largely attributable to the repayment of the outstanding bank loan during the quarter. The increase in inventory for the third quarter of 2008 was primarily attributable to higher inventory level of raw materials to meet full-load production of 6-inch wafer PICS project planned in the latter half of the year. The total current liabilities decreased from RMB464.6 million as at 30 June 2008 to RMB433.3 million as at 30 September 2008, largely attributable to the decrease in interest-bearing borrowings by RMB80.7 million, which was partially offset by the increase of RMB17.4 million and RMB32.0 million in accounts payable and other current liabilities respectively.

| | 3Q08 | 2Q08 | 3Q07 |
|----------------------------------|----------------|----------------|-----------------|
| (Amount: RMB'000) | | | |
| Cash and cash equivalents | 215,962 | 229,797 | 85,405 |
| Trade and notes receivable | 86,473 | 113,079 | 125,063 |
| Inventories | 185,721 | 175,883 | 218,924 |
| Other current assets | 77,222 | 46,228 | 57,482 |
| Total current assets | 565,378 | 564,987 | 486,874 |
| Interest-bearing borrowings | 188,410 | 269,151 | 277,921 |
| Accounts payable | 132,578 | 115,135 | 152,749 |
| Other current liabilities | 112,352 | 80,304 | 91,248 |
| Total current liabilities | 433,340 | 464,590 | 521,918 |
| Net current assets | 132,038 | 100,397 | (35,044) |
| Current Ratio (x) | 1.30 | 1.22 | 0.93 |

IV-2.Receivable / Inventory Turnover

Receivable turnover for the three months ended 30 September 2008 was 46 days, compared to 43 days in the previous quarter.

Inventory turnover days increased to 84 days in the third quarter of 2008 from 67 days in the second quarter of 2008.

| | 3Q08 | 2Q08 | 3Q07 |
|---------------------------|-------------|-------------|-------------|
| Trade & Notes Receivables | | | |
| Turnover (days) | 46 | 43 | 45 |
| Inventory Turnover (days) | 84 | 67 | 63 |

IV-3.Debt Service

Net cash reserve as at 30 September 2008 amounted to RMB27.6 million as compared to negative RMB39.4 million as at 30 June 2008, representing a sequential increase by RMB66.9 million. This was mainly due to the decrease in interest bearing borrowings by RMB80.7 million, and decrease in cash balance by RMB13.8 million.

| | 3Q08 | 2Q08 | 3Q07 |
|-----------------------------|------------------|------------------|------------------|
| (Amount: RMB'000) | | | |
| Cash and cash equivalents | 215,962 | 229,797 | 85,405 |
| Interest-bearing borrowings | <u>(188,410)</u> | <u>(269,151)</u> | <u>(277,921)</u> |
| Net cash reserves | <u>27,552</u> | <u>(39,354)</u> | <u>(192,516)</u> |

V. Capital Expenditure

The amount of capital expenditure for the three months ended 30 September 2008 was RMB13.1 million, compared to RMB5.5 million in the second quarter of 2008.

| (Amount: RMB'000) | 3Q08 | 2Q08 | 3Q07 |
|-------------------|--------|-------|--------|
| Capex | 13,051 | 5,546 | 20,407 |

VI. Outlook for the fourth quarter of 2008

The effects of the global financial market volatility and credit crunch have been increasingly weakening the demand for semiconductor related products, resulting in the Company's slow progressing of new products qualification and mass production. Moreover, the Company's customers are expected to take an increasingly cautious approach in placing orders as a result of the deteriorating macro-environment and low visibility of end-market demand as well as tight inventory control by end-users. This will ultimately lead to an adverse impact on the Company's on-going business operations and financial performance. As such, the Company's management expects its fourth quarter sales to decrease significantly on a sequential quarter-to-quarter basis.

By Order of the Board
**ADVANCED SEMICONDUCTOR
MANUFACTURING CORPORATION LIMITED**
Zhou, Weiping

Executive Director, President & Chief Executive Officer

Shanghai, PRC, 26 November 2008

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, Sun Zhen, Ye Yi Liang and Chris Belden; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.