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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 2008

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 2008 as follows:-

INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	3	932,581	1,183,076
Cost of sales		(955,000)	(1,201,706)
Gross loss		(22,419)	(18,630)
Selling and distribution costs		(6,814)	(8,006)
General and administrative expenses		(60,979)	(80,786)
Research and development costs		(32,284)	(40,829)
Loss from operating activities		(122,496)	(148,251)
Other income	4	48,628	25,470
Other expenses	4	(146,393)	(674,181)
Finance costs	5	(16,952)	(35,220)
Loss before income tax	5	(237,213)	(832,182)
Income tax credit/(expense)	6	130	(8,017)
Net loss attributable to ordinary equity holders of the Company		(237,083)	(840,199)
Dividends	7	—	—
Loss per share attributable to ordinary equity holders of the Company			
-Basic	8	(15.45) cents	(54.76) cents

BALANCE SHEET
31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		579,405	926,022
Construction in progress		731	3,101
Land lease prepayments		34,316	35,085
Intangible assets		10,687	14,530
		<hr/>	<hr/>
Total non-current assets		625,139	978,738
		<hr/>	<hr/>
Current assets			
Inventories		156,220	234,507
Accounts and notes receivables	9	41,168	83,778
Prepayments, deposits and other receivables		16,358	42,108
Other financial asset		10,000	—
Due from related companies		28,442	35,812
Cash and cash equivalents		261,887	206,995
		<hr/>	<hr/>
Total current assets		514,075	603,200
		<hr/>	<hr/>
Total assets		1,139,214	1,581,938
		<hr/>	<hr/>
Current liabilities			
Accounts payable	10	122,108	171,680
Accrued liabilities and other payables		47,519	81,056
Due to related companies		43,456	4,165
Interest-bearing borrowings	11	188,598	350,291
		<hr/>	<hr/>
Total current liabilities		401,681	607,192
		<hr/>	<hr/>
Net current assets/(liabilities)		112,394	(3,992)
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liability		92	222
		<hr/>	<hr/>
Net assets		737,441	974,524
		<hr/>	<hr/>
Capital and reserves			
Registered and paid-up capital		1,534,227	1,534,227
Reserves		(796,786)	(559,703)
		<hr/>	<hr/>
Shareholders' equity		737,441	974,524
		<hr/>	<hr/>

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	2008	2007
	RMB'000	RMB'000
Registered and paid-up capital		
<i>Ordinary shares of RMB1.00 each:</i>		
At beginning and end of year	<u>1,534,227</u>	<u>1,534,227</u>
Capital reserve		
At beginning and end of year	<u>205,363</u>	<u>205,363</u>
Statutory surplus reserve		
At beginning and end of year	<u>19,353</u>	<u>19,353</u>
(Accumulated losses)/retained earnings		
At beginning of year	(784,419)	55,780
Net loss for the year	<u>(237,083)</u>	<u>(840,199)</u>
At end of year	<u>(1,021,502)</u>	<u>(784,419)</u>
Reserves	<u>(796,786)</u>	<u>(559,703)</u>
Shareholders' equity	<u>737,441</u>	<u>974,524</u>

CASH FLOW STATEMENT
Year ended 31 December 2008

	2008	2007
	RMB'000	RMB'000
Net cash inflow from operating activities	<u>246,549</u>	<u>226,381</u>
Net cash outflow from investing activities	<u>(29,964)</u>	<u>(24,141)</u>
Net cash outflow from financing activities	<u>(161,693)</u>	<u>(392,232)</u>
Net increase/(decrease) in cash and cash equivalents	54,892	(189,992)
Cash and cash equivalents at beginning of year	<u>206,995</u>	<u>396,987</u>
Cash and cash equivalents at end of year	<u>261,887</u>	<u>206,995</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>71,659</u>	<u>77,495</u>
Non-pledged time deposits	<u>190,228</u>	<u>129,500</u>
	<u>261,887</u>	<u>206,995</u>

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. They have been prepared under the historical cost convention, except as disclosed in the 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 2008 have been prepared on a going concern basis because the Company believes that the Company has sufficient cash flows from operations and 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 balance sheet date.

Impact of new and revised IFRSs

The Company has adopted the following new interpretations and amendments to IFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

IFRIC-Int 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC-Int 12	Service Concession Arrangements

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

(a) IFRIC-Int 11 IFRS 2 - Group and Treasury Share Transactions

IFRIC-Int 11 requires arrangements whereby an employee is granted rights to the Company's equity instruments to be accounted for as an equity-settled scheme, even if the Company buys the instruments from another party, or the shareholders provide the equity instruments needed. As the Company currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Company.

(b) IFRIC-Int 12 Service Concession Arrangements

IFRIC-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. The Company is not such an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Company.

Impact of 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.

IAS 1 (Revised) Presentation of Financial Statements¹

IAS 32 and IAS 1 Amendments Puttable Financial Instruments and Obligations Arising on Liquidation¹

IFRS 2 Amendment Share-based Payment-Vesting Conditions and Cancellations¹

IFRS 3 (Revised) Business Combinations¹

IAS 27 (Revised) Consolidated and Separate Financial Statements²

IFRS 8 Operating Segments¹

IAS 23 (Revised) Borrowing Costs¹

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures-Reclassification of Financial Assets (Amendments)³

IFRIC-Int 13 Customer Loyalty Programmes³

IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction³

IFRIC 15 Agreements for the Construction of Real Estate¹

IFRIC 16 Hedges of a Net Investment in a Foreign Operation⁴

IFRIC 17 Distributions of Non-cash Assets to Owners²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

The revised IAS 1 was issued in September 2007. The standard 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 recognized in profit or loss, together with all other items of recognized 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.

Amendments to IAS 32 and IAS 1 were issued in February 2008. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact the financial statements of the Company.

IFRS 2 Amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that such award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Company has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

The revised IFRS 3 and IAS 27 were issued in January 2008. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (Revised) and IAS 27 (Revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8, which will replace IAS 14 Segment reporting, specifies how an entity should report information about its operating segments, based on information about the components of the equity 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 operate, and revenue from the Company's major customers. The Company expects to adopt IFRS 8 from 1 January 2009. The revised standard will not have a material effect on the segment identification of the Company.

IAS 23 has been revised to require capitalization of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Company's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Company.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets (Amendments) has been issued to allow reclassifications of certain financial instruments from held for trading and available for sale categories. The Company expects to adopt this revised standard from 1 July 2008. The revised standard will not have a material financial effect on the Company.

IFRIC-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Company currently has no customer loyalty award credits, IFRIC-Int 13 is not applicable to the Company and therefore is unlikely to have any financial impact on the Company.

IFRIC 14 addresses the assessment of the limit, under IAS 19 Employee Benefits, on the amount of the surplus that can be recognised as an asset particularly when a minimum funding requirement exists. As the Company currently has no such employee benefit arrangement, IFRIC 14 is not applicable to the Company and therefore is unlikely to have any financial impact on the Company.

IFRIC 15 provides guidance to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. As the Company currently has no construction of real estate, IFRIC 15 is not applicable to the Company and therefore is unlikely to have any financial impact on the Company.

IFRIC 16 provides guidance in respect of hedges of foreign currency gains and losses on a net investment in a foreign operation. As the Company currently has no hedges of foreign currency gains and losses on a net investment in a foreign operation, IFRIC 16 is not applicable to the Company and therefore is unlikely to have any financial impact on the Company.

IFRIC 17 provides guidance on accounting for non-cash asset distributions to shareholders, including those distributions that provide shareholder with an option to receive non-cash assets or cash. The Interpretation provides guidance on when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability and the consequences of doing so. This interpretation is applied prospectively, and would therefore affect any future non-cash distributions to shareholders.

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:

	2008	2007
	RMB'000	RMB'000
United States of America	457,381	642,742
Europe	297,261	308,154
Asia	177,939	232,180
	932,581	1,183,076
3. REVENUE		
	2008	2007
	RMB'000	RMB'000
Sale of goods	932,340	1,182,667
Others	241	409
	932,581	1,183,076
4. OTHER INCOME AND OTHER EXPENSES		
	2008	2007
	RMB'000	RMB'000
Other income		
Power outage compensation received (1)	33,410	—
Compensation received for the settlement of arbitration (note 14(b))	5,132	—
Interest income	4,635	11,644
Scrap sales	2,750	562
Net foreign exchange gain and others	2,701	13,264
	48,628	25,470
	2008	2007
	RMB'000	RMB'000
Other expenses		
Loss arising from power failure (1)	—	(17,667)
Loss on interest rate swaps	(750)	(3,018)
Impairment loss on property, plant and equipment (2)	(145,143)	(653,496)
Donation	(500)	—
	(146,393)	(674,181)

Note:

(1) Power failure

The Company suffered a two-hour power outage on 27 October 2007 which caused serious damage to certain plant and equipment and to the wafers in the process of fabrication of the 5- and 6-inch fabs and, to a lesser extent, of the 8-inch fab.

After deducting initial compensation of RMB25,000,000 received/receivable from the insurance company, the loss resulting from the damage amounting to RMB17,667,000 was recognised as other expenses for the year ended 31 December 2007. During the year ended 31 December 2008, the Company received further compensation of RMB43,500,000 from the insurance company after rounds of negotiations. The compensation received after deducting further losses noted in the year ended 31 December 2008 was recognised as other income for the year ended 31 December 2008.

(2) Impairment loss on property, plant and equipment

The Company recognised an impairment loss of RMB145,143,000 (2007: RMB651,294,000) for the 8-inch plant and machinery during the year. The recognition of this loss was in accordance with principles of International Accounting Standards 36 Impairment of Assets based on the recoverable amounts of these assets which were determined by reference to the present value of estimated future cash flows expected to arise from the use of the plant and machinery.

During the year ended 31 December 2007, the Company also recognised an impairment loss of RMB2,202,000 for the idle tools included in the plant and machinery during the year as the Company considered it is unlikely to recover these idle tools at their present carrying amount. There was no further provision of impairment loss for the idle tools made during the year ended 31 December 2008.

All the above assets are located in Shanghai, the PRC.

5. LOSS BEFORE INCOME TAX

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

	2008	2007
	RMB'000	RMB'000
Staff costs (including directors', supervisors' and senior executives' emoluments):		
Retirement benefits		
- defined contribution fund	10,985	16,789
Accommodation benefits		
- defined contribution fund	4,009	4,327
Salaries and other staff costs	151,936	164,222
Reversal of retirement benefits payable (1)	(23,503)	—
	143,427	185,338
Interest on bank loans	16,952	35,220
Depreciation	222,973	384,153
Amortisation of intangible assets	3,843	3,837
Amortisation of land lease prepayments	769	769
Auditors' remuneration	1,700	1,550
Impairment loss on property, plant and equipment	145,143	653,496
Loss on disposal of property, plant and equipment	835	520
Allowance for doubtful debts	9,056	—
Allowance for inventories	16,609	7,523

Note:

(1) Reversal of retirement benefits payable

In previous years, the Company accrued the retirement benefits according to the then prevailing regulations but paid according to the amount verbally agreed with the Labour and Social Security Bureau ("the Bureau") on monthly basis. The balance accrued but unpaid remained in other payables and amounted to RMB23,503,000 as at 31 December 2008. On 10 February 2009, the Company obtained written confirmation from the Bureau confirming that the Company has fully paid the retirement benefits since 1993 when the Company first registered with the Bureau up to January 2009, on regular basis with no underpayment noted. As such, the Company has reversed the accrual of retirement benefits carried forward from previous years to general and administrative expenses for the year ended 31 December 2008.

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 2007 and 2008.

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 (2007: 7.5%). During the years ended 31 December 2007 and 2008, no provision for PRC corporate income tax has been made as the Company was still in a tax loss position.

Major components of income tax (credit)/expense are as follows:

	2008	2007
	RMB'000	RMB'000
Provision for income tax in respect of profit for the year	—	—
Deferred tax (credit)/expense	(130)	8,017
	<hr/>	<hr/>
Income tax (credit)/expense	(130)	8,017
	<hr/>	<hr/>

A reconciliation between income tax (credit)/expense and loss before income tax multiplied by the applicable tax rate is as follows:

	2008	2007
	RMB'000	RMB'000
Loss before income tax	(237,213)	(832,182)
	<hr/>	<hr/>
Tax at applicable tax rate of 15% (2007: 7.5%)	(35,582)	(62,414)
Tax effect of:		
- Expenses not deductible for tax purpose	34	1,802
- Temporary difference not recognised for the current period	3,970	49,014
- Taxable loss not recognised for the current period	31,448	11,820
- Reversal of previously recognised deferred tax assets	—	7,795
	<hr/>	<hr/>
Income tax (credit)/expense	(130)	8,017
	<hr/>	<hr/>

7. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2008 (31 December 2007: Nil).

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

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

	2008	2007
Loss attributable to ordinary equity holders of the Company (RMB'000)	<u>(237,083)</u>	<u>(840,199)</u>
Weighted average number of ordinary shares in issue ('000)	<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 years ended 31 December 2007 and 2008.

9. ACCOUNTS AND NOTES RECEIVABLES

	2008 RMB'000	2007 RMB'000
Accounts receivable	44,859	82,300
Notes receivables	5,365	1,478
	<u>50,224</u>	<u>83,778</u>
Allowance for accounts and notes receivables	<u>(9,056)</u>	<u>—</u>
	<u>41,168</u>	<u>83,778</u>

Credit terms granted by the Company to its customers generally range from 30 to 60 days.

An aged analysis of the accounts and notes receivable as at 31 December 2008 is as follows:

	2008 RMB'000	2007 RMB'000
Outstanding balances with ageing:		
Within 30 days	38,615	56,963
Between 31 and 90 days	408	16,947
Between 91 and 180 days	1,919	7,333
Between 181 and 365 days	226	2,535
	<u>41,168</u>	<u>83,778</u>

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

	2008 RMB'000	2007 RMB'000
At beginning of year	—	—
Impairment losses recognised	9,056	—
	<u>9,056</u>	<u>—</u>
At end of year	9,056	—

As at 31 December 2007 and 2008, the analysis of accounts and notes receivables that were past due but not impaired is as follows:

	Total RMB'000	Neither past due nor impaired RMB'000	Past due but not impaired		
			<60 days RMB'000	61-180 days RMB'000	181-365 days RMB'000
31 December 2008	41,168	35,216	3,699	2,253	—
31 December 2007	83,778	62,861	11,070	9,683	164

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

	2008 RMB'000	2007 RMB'000
Outstanding balances with ageing:		
Within 30 days	101,868	146,669
Between 31 and 90 days	13,245	12,978
Between 91 and 180 days	3,278	6,361
Between 181 and 365 days	1,302	1,147
Over 365 days	2,415	4,525
	122,108	171,680

11. INTEREST-BEARING BORROWINGS

	2008		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans repayable within one year:			
– Unsecured	4.78–6.78	2009	188,598
Total			188,598

	2007		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans repayable within one year:			
– Unsecured	5.02~6.90	2008	164,003
– Secured	6.14~6.58	2008	186,288
Total			<u>350,291</u>

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 land lease prepayments with a net book value of RMB561,445,000, RMB731,000 and RMB35,085,000, respectively, at 31 December 2008 (31 December 2007: RMB898,922,000, RMB3,101,000 and RMB35,854,000, respectively) were pledged to banks as security for the bank loans amounting to US\$25,502,800 (equivalent to approximately RMB186,288,000). The Company has repaid all the related bank loans during the year ended 31 December 2008, and after the balance sheet date the pledge of buildings, plant and machinery, construction in progress, and land lease prepayments was released by the banks.

12. 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 ended 31 December 2008:

	Notes	2008 RMB'000	2007 RMB'000
Sales	(i)	219,533	160,128
Technology transfer fees	(ii)	7,991	13,130
Information technology ("IT") related service fees	(iii)	2,520	2,058

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 parties 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").

13. COMMITMENTS

The Company had the following capital commitments as at 31 December 2007 and 2008:

	2008	2007
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	10,615	3,843
– authorised, but not contracted for	12,322	20,989
	<hr/> 22,937	<hr/> 24,832

14. CONTINGENT LIABILITIES

- (a) Reference is made to the disclosures in the financial statements of the Company for the year ended 31 December 2007 regarding the litigation Monolithic Power Systems, Inc. (“MPS”) v. O2 Micro International Limited (“O2 Micro”) where the Company was involved as one of the counter-defendants.

On 11 April 2008, O2 Micro filed its opening brief with the Federal Circuit. O2 Micro did not file an appeal with respect to the judgement as a matter of law granted to the Company. As a result, the district court judgement in favour of the Company is final and cannot be appealed. Based on the external legal advice obtained by the Company, the liability attributable to the United States Patent No. 6396722 to the Company is remote and therefore no provision was made in the financial statements.

- (b) 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 amounting to RMB 5,132,000 was recognised as other income disclosed in Note 4 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company experienced an unprecedented negative market environment including softening market demand and low seasonality in the first half 2008, and the sharp decline in semiconductor demand across all applications resulting from the global economic recession in the latter part of 2008, which eventually drove the Company's customers to cut their orders even more aggressively. In view of deteriorated end-market conditions, the Company also shut down its internal operations for a period at the end of year to conduct an annual major overhaul in advance. In addition, the Company was obliged to take a further impairment charges against its 8-inch fab plant based on ongoing negative market outlook. All these factors constituted a significant adverse impact on the Company's business performance and financial results in 2008.

In 2008, the Company appointed Mr. Zhou Weiping as the new President and the Chief Executive Officer and Dr. Wang Qingyu as Vice President of Operations to further enhance the Company's management team. As a result of ongoing worsening market situation and lack of visibility in the end markets, the Company, under the leadership of new management team, deliberately implemented a three-week shutdown of its internal operations, and reduced its workforce by 396 people at the end of the year to save operating expenses in 2008 and better meet more severe challenges in the coming year.

COMPARISON BETWEEN 2007 AND 2008 ENDING 31 DECEMBER

Sales

The sales of the Company decreased by 21.2% from RMB1,183.1 million in 2007 to RMB932.6 million in 2008, resulting in a lower overall utilization rate reduced from 66% in 2007 to 57% in 2008. the Company's throughput of 8-inch equivalent wafers decreased by 19.3%, from 474,686 pieces for the year ended 31 December 2007 to 383,301 pieces for the year ended 31 December 2008 and correspondingly the Company's shipment of 8-inch equivalent wafers decreased by 14.4%, from 467,754 pieces to 400,505 pieces.

Cost of sales and gross profit

The cost of sales decreased by 20.5% from RMB1,201.7 million in 2007 to RMB955.0 million in 2008. The gross profit was negative RMB22.4 million in 2008 compared to negative RMB18.6 million in 2007, while the Company's gross margin in 2008 was negative 2.4% compared to negative 1.6% in 2007. The decrease in gross profit and margin was mainly due to the significant decrease in sales of both 6-inch and 8-inch wafers resulting from the sharp decline in end-market demand throughout the year attributable to the adverse economic environment, which was partially offset by the reduction of RMB137.6 million in the cost of sales as a result of the decrease of RMB148.8 million in depreciation charges after the recognition of an 8-inch wafer asset impairment for the year ended 31 December 2007.

Operating expenses and operating income

Selling and marketing expenses decreased by 15.0% from RMB8.0 million in 2007 to RMB6.8 million in 2008, primarily due to lower payroll-related expenses and the decline of commission rate.

General and administrative expenses decreased by 24.5% from RMB80.8 million for the year ended 31 December 2007 to RMB61.0 million for the year ended 31 December 2008, primarily due to a reversal of accrued retirement benefits carried forward from previous years to general and administrative expenses for the year ended 31 December 2008.

Research and development costs were RMB32.3 million in 2008, down 20.8% from RMB40.8 million in 2007. This was primarily attributable to the reduction of research and development activities as a result of the declining sales.

The Company's operating expenses decreased by 22.8% from RMB129.6 million in 2007 to RMB100.1 million in 2008. As a result, it recorded an operating loss of RMB122.5 million in 2008, compared to an operating loss of RMB148.3 million in 2007.

Other income and finance Costs

The other income was RMB48.6 million in 2008, compared to RMB25.5 million in 2007. In 2008, the Company's other income mainly derived from power outage compensation received, and compensation received for the settlement of arbitration, interest income, scrap sales and net foreign exchange gain. In 2007, the Company's other income mainly comprised interest income, scrap sales and net foreign exchange gain and others.

The Company's finance costs decreased by 51.7% from RMB35.2 million in 2007 to RMB17.0 million in 2008. 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 after the advance payment of long-term bank loan.

Other Expenses

The other expenses amounted to RMB146.4 million in 2008, compared to RMB674.2 million in 2007, primarily due to the significant impairment charge against the Company's 8-inch fabrication facilities.

In accordance with International Accounting Standards ("IAS"), in preparing its final accounts for the year ended 31 December 2008, the Company reviewed the carrying value of its 8-inch wafer fabrication facilities ("the Assets") in order to determine whether there had been any impairment of value. The review was based on the Company's projections of forecast future cash flow generated by the Assets and its cash flow estimates were based on the historical results of the Assets adjusted to reflect the Company's best estimate of the future market and the effective operating conditions. The result of the Company's determinations was that the carrying amount of the Assets exceeded the recoverable amount of the Assets. Under such circumstances, the Company has been obliged to recognize an impairment charge of RMB145.1 million against the Assets to reflect the decline in economic value of the Assets, which has further reduced its net income in 2008.

Net income

As a result of the foregoing factors, the Company had a net loss of RMB237.1 million for the year ended 31 December 2008, compared to a net loss of RMB840.2 million for the year ended 31 December 2007.

Liquidity and capital resources

The Company's cash and cash equivalents were RMB261.9 million as at 31 December 2008, compared to RMB207.0 million as at 31 December 2007. The Company's net cash inflow from operating activities showed an increase of 8.9% from RMB226.4 million for the year ended 31 December 2007 to RMB246.5 million for the year ended 31 December 2008.

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 RMB20.0 million for the year ended 31 December 2008, compared to RMB27.9 million for the year ended 31 December 2007. The capital expenditure incurred in 2008 was mostly allocated to the production facilities and equipment associated with both 6-inch and 8-inch wafers.

The Company's net cash outflow from financing activities amounted to RMB161.7 million in 2008, compared to net cash outflow of RMB392.2 million in 2007. The net cash outflow of RMB161.7 million represented the net effect of RMB366.7 million for the repayment of bank loans and the new bank loans of RMB205.0 million in 2008.

As at 31 December 2008, the Company's short-term interest-bearing borrowings were RMB188.6 million, of which approximately 58% was denominated in Renminbi ("RMB"), and the remaining 42% was denominated in US dollars.

As at 31 December 2008, the Company's current ratio was 1.28 when compared to 0.99 as at 31 December 2007. The Company's debt to equity ratio as at 31 December 2008 improved to 54.5% from 62.3% as at 31 December 2007.

Employees

As at 31 December 2008, the Company had 1,269 employees. The remuneration and employment benefits were provided for and paid in accordance with PRC law and regulations.

Interest rate risk

The Company's interest-bearing loans and borrowings are subject to interest rate fluctuation of LIBOR plus margin. As nearly half 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\$10.0 million to hedge interest rate fluctuation.

Renminbi fluctuation risks

As Renminbi is the legal currency in 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 2008, the Company had capital commitments for property, plant and equipment amounting to RMB22.9 million, of which RMB10.6 million was contracted but not provided for, while the remaining balance of RMB12.3 million was authorised but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2008

Sales for the three months ended 31 December 2008 was RMB158.7 million, down 37.8% from RMB255.0 million for the three months ended 30 September 2008, due mainly to sharp decrease in sales of 5-inch, 6-inch and 8-inch wafer arising from the deteriorated end-market demand attributable to the global economic recession and a three-week shut-down of its operations at the end of year to conduct annual maintenance in advance.

Gross profit significantly decreased from RMB19.3 million for the three months ended 30 September 2008 to negative RMB57.8 million for the three months ended 31 December 2008. Gross margin for the three months ended 31 December 2008 was negative 36.4%, compared to 7.6% for the three months ended 30 September 2008. The decline in gross margin was attributable to the lower level of capacity utilization rate.

Operating expenses were recorded at RMB15.6 million for the three months ended 31 December 2008, a decrease of 54.7%, compared to RMB34.4 million for the third quarter of 2008. The decrease in operating expenses was mainly attributable to the substantial decrease in general and administrative expenses, and to a lesser extent, in research and development cost and selling and distribution expenses.

The other income for the three months ended 31 December 2008 was RMB4.3 million, compared to RMB6.5 million for the third quarter of 2008. The other income for the fourth quarter of 2008 was mainly generated from interest income and net foreign exchange gain, while the other income in the third quarter was mainly derived from arbitration settlement received, higher interest income and fair value gain on interest rate swap. The finance costs decreased by 11.4%, from RMB3.5 million for the three months ended 30 September 2008 to RMB3.1 million for the three months ended 31 December 2008, which was mainly attributable to lower interest expense as a result of the Company's repayment of long-term loan.

The other expenses for the three months ended 31 December 2008 amounted to RMB146.4 million, primarily due to the significant impairment charges against the Company's 8-inch fabrication facilities.

Collectively, the Company recorded a net loss of RMB218.3 million for the three months ended 31 December 2008, compared to net loss of RMB12.2 million for the three months ended 30 September 2008.

1. Revenue Analysis

For the three months ended 31 December 2008, sales from communication, computer and consumer products were basically in line with the prior quarter.

By Application	4Q08	3Q08	4Q07
Communication	32%	32%	32%
Computer	32%	33%	34%
Consumer	36%	35%	34%

For the three months ended 31 December 2008, sales to the USA, Europe and Asia Pacific accounted for 50%, 34% and 16% of total revenue respectively, compared to 50%, 31% and 19% in the previous quarter.

By Geography	4Q08	3Q08	4Q07
USA	50%	50%	56%
Europe	34%	31%	28%
Asia Pacific	16%	19%	16%

For the three months ended 31 December 2008, sales to IDM and fabless customers accounted for 46% and 54% of total revenue respectively, compared to 43% and 57% in the third quarter of 2008.

By Customer Type	4Q08	3Q08	4Q07
IDM	46%	43%	36%
Fabless	54%	57%	64%

For the three months ended 31 December 2008, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafer were 18%, 53% and 28% respectively, compared to 16%, 54% and 29% in the previous quarter.

By Product	4Q08	3Q08	4Q07
5" wafers	18%	16%	19%
6" wafers	53%	54%	49%
8" wafers	28%	29%	31%
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 twenty-five percentage points from 65% in the previous quarter to 40% for the three months ended 31 December 2008.

Fab	4Q08	3Q08	4Q07
Fab 1/2			
5-inch wafers	39%	59%	67%
6-inch wafers	46%	77%	67%
Fab 3			
8-inch wafers	34%	54%	49%
Overall Capacity Utilization Rate	40%	65%	60%

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 2008 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and that of the fourth quarter of 2007.

Fab (wafers in thousand)	4Q08	3Q08	4Q07
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	<u>154</u>	<u>154</u>	<u>154</u>

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 2008 was 51 days as compared to 46 days in the third quarter of 2008.

Inventory turnover increased from 84 days for the three months ended 30 September 2008 to 89 days for the three months ended 31 December 2008.

	4Q08	3Q08	4Q07
Trade & Notes Receivables Turnover (days)	51	46	42
Inventory Turnover (days)	89	84	75

4. Capital Expenditure

The amount of capital expenditure for the three months ended 31 December 2008 was RMB1.0 million, which was mainly spent in technical modifications and operational efficiency improvement associated with both 5-inch and 6-inch wafer production facilities.

	4Q08	3Q08	4Q07
(Amount: RMB'000)			
Capex	974	13,051	4,183

PROSPECTS AND FUTURE PLANS

The world economies have entered into a period of severe contraction in 2009, especially as the short-term economic outlook continues to deteriorate, which might result in the semiconductor industry likely set to post a negative growth, eventually leading to continuing weakening semiconductor end-market demand. Therefore, it is expected that the Company will face more serious challenges than ever before in the coming year.

In the face of the increasingly negative macro environment, the Company will strive to improve further its overall efficiency and competitiveness by implementing stringent cost control initiatives, and optimizing its production and operations activities. To this end, the Company will primarily focus on the following aspects going forward:

- Further reduce both production and human resources costs;
- Secure the Company's core and critical business by meeting customers' order demand;
- Jointly develop new business by deepening its strategic alliance with the existing customers to consolidate the Company's market position;
- Expand its market share in Greater China by proactively integrating itself into the fields of science and technology supported and advocated by the Chinese government;
- Improve the efficiency of capital utilization by effectively controlling materials procurement and inventory;
- Better prepare for technology transfer and products qualification by leveraging international IDMs' fab-lite strategy to explore new business opportunities;
- Optimize the human resources structure and improve incentive programs;

Moving forward, the Company will make great efforts to seize every growth opportunity, and strive to improve the operating performances and profitability by creating mutually beneficial partnerships with its customers and providing quality and customized manufacturing solutions. On the other hand, the Company, under leadership of its new management team, will map out its mid- and long-term development plans, thus enabling the Company to achieve its sustainable growth once the global economy emerges from the current recession.

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 2008.

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 2008, 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 (the "Model Code") for Securities Transactions by Directors of Listed Issuers 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 supervisor, that all directors and supervisors have fully complied with the standards required under the Model Code during the year ended 31 December 2008.

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. Christopher Paul Belden and Mr. Zhu Peiyi. The annual results for the year ended 31 December 2008 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, 25 March 2009

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, Yeh Yi Liang and Christopher Paul Belden; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.