



**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 limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 3355)**

**2007 First Quarter Results Announcement**

**QUARTERLY RESULTS**

The board of directors (the “Board”) of Advanced Semiconductor Manufacturing Corporation Limited (the “Company”) announces the unaudited results of the Company for the three months ended 31 March 2007 together with unaudited comparative figures for the corresponding period of last year as follows:

**CONDENSED INCOME STATEMENT**

		<b>For the three months ended 31 March</b>	
		<b>2007</b>	<b>2006</b>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	3	308,263	318,842
Cost of sales		<u>(312,054)</u>	<u>(270,674)</u>
<b>Gross (loss)/profit</b>		(3,791)	48,168
Operating expenses		<u>(29,426)</u>	<u>(28,036)</u>
<b>(Loss)/profit from operating activities</b>		(33,217)	20,132
Other income	3	7,532	7,930
Finance costs	4	<u>(13,568)</u>	<u>(14,973)</u>
<b>(Loss)/profit before income tax</b>	4	(39,253)	13,089
Income tax credit/(expense), net	5	<u>1,744</u>	<u>(982)</u>
<b>Net (loss)/profit attributable to ordinary equity holders of the Company</b>		<u><u>(37,509)</u></u>	<u><u>12,107</u></u>
<b>Dividends</b>	6	—	—
<b>(Loss)/earnings per share attributable to ordinary equity holders of the Company</b>			
-Basic	7	<u><u>(2.44) cents</u></u>	<u><u>1.09 cents</u></u>

## CONDENSED BALANCE SHEET

	<b>31 March</b>	<b>31 December</b>
	<b>2007</b>	<b>2006</b>
<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	1,842,885	1,941,434
Construction in progress	1,381	1,929
Other non-current assets	<u>62,614</u>	<u>61,208</u>
Total non-current assets	<u>1,906,880</u>	<u>2,004,571</u>
<b>Current assets</b>		
Inventories	242,809	261,829
Accounts and notes receivable	146,530	137,802
Other current assets	40,470	57,630
Cash and cash equivalents	<u>327,731</u>	<u>396,987</u>
Total current assets	<u>757,540</u>	<u>854,248</u>
Total assets	<u>2,664,420</u>	<u>2,858,819</u>
<b>Current liabilities</b>		
Accounts payable	133,901	194,344
Other current liabilities	91,879	107,925
Interest-bearing borrowings	8 <u>570,914</u>	<u>286,451</u>
Total current liabilities	<u>796,694</u>	<u>588,720</u>
<b>Net current (liabilities)/assets</b>	<u>(39,154)</u>	<u>265,528</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	8 <u>90,512</u>	<u>455,376</u>
<b>Net assets</b>	<u>1,777,214</u>	<u>1,814,723</u>
<b>Capital and reserves</b>		
Registered and paid-up capital	1,534,227	1,534,227
Reserves	<u>242,987</u>	<u>280,496</u>
<b>Shareholders' equity</b>	<u>1,777,214</u>	<u>1,814,723</u>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	<b>For the three months ended 31 March</b>	
	<b>2007</b>	<b>2006</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Registered and paid-up capital</b>		
At beginning and end of period	<u>1,534,227</u>	<u>1,109,080</u>
<b>Capital reserve</b>		
At beginning and end of period	<u>205,363</u>	<u>39</u>
<b>Statutory surplus reserve</b>		
At beginning and end of period	<u>19,353</u>	<u>12,902</u>
<b>Statutory public welfare fund</b>		
At beginning and end of period	—	6,451
<b>Retained earnings</b>		
At beginning of period	55,780	51,837
Net (loss)/profit for the period	<u>(37,509)</u>	<u>12,107</u>
At end of period	<u>18,271</u>	<u>63,944</u>
<b>Reserves</b>	<u>242,987</u>	<u>83,336</u>
<b>Shareholders' equity</b>	<u>1,777,214</u>	<u>1,192,416</u>

## CONDENSED CASH FLOW STATEMENT

	<b>For the three months ended 31 March</b>	
	<b>2007</b>	<b>2006</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	11,788	144,684
Net cash outflow from investing activities	(643)	(157,066)
Net cash outflow from financing activities	<u>(80,401)</u>	<u>(27,862)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(69,256)</b>	<b>(40,244)</b>
Cash and cash equivalents at beginning of period	<u>396,987</u>	<u>105,886</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>327,731</u></b>	<b><u>65,642</u></b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	80,800	65,642
Non-pledged time deposits	<u>246,931</u>	<u>—</u>
	<b><u>327,731</u></b>	<b><u>65,642</u></b>

### 1. BASIS OF PREPARATION

The unaudited balance sheet as at 31 March 2007 and the related unaudited income statement, cash flow statement and statement of changes in equity for the three months ended 31 March 2007 (the “period”) (collectively defined as “First Quarter Results”) of the Company are prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”.

The First Quarter Results should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2006 (“2006 financial statements”) dated 19 March 2007.

Except for those mentioned below, the accounting policies and method of computation used in the preparation of this First Quarter Results are consistent with those used in the 2006 financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, except as disclosed in summary of significant accounting policies in the 2006 financial statements.

In 2007, the Company adopted the following amended and newly released IFRS which are generally effective for accounting periods beginning on or after 1 January 2007 that are relevant to its operations.

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC-Int 10	Interim Financial Reporting and Impairment

The adoption of the above Standards has no material impact on the results and financial position of the First Quarter Results of the Company.

## 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, 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:

	For the three months ended 31 March	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
United States of America	138,132	195,634
Europe	70,996	77,900
Asia	<u>99,135</u>	<u>45,308</u>
	<u>308,263</u>	<u>318,842</u>

## 3. REVENUE AND OTHER INCOME

	For the three months ended 31 March	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
<b>Revenue</b>		
Sale of goods	308,249	318,812
Others	<u>14</u>	<u>30</u>
	<u>308,263</u>	<u>318,842</u>
<b>Other income</b>		
Interest income	5,424	224
Technology service income	220	289
Foreign exchange gains	2,414	7,209
Gain on disposal of property, plant and equipment	—	208
Fair value loss on interest rate swap	<u>(526)</u>	<u>—</u>
	<u>7,532</u>	<u>7,930</u>
	<u>315,795</u>	<u>326,772</u>

#### 4. (LOSS)/PROFIT BEFORE INCOME TAX

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

	For the three months ended 31 March	
	2007	2006
	(Unaudited) RMB'000	(Unaudited) RMB'000
Interest on bank loans	13,568	15,204
Less: Interest capitalised	<u>—</u>	<u>(231)</u>
Finance costs	<u>13,568</u>	<u>14,973</u>
Depreciation	98,235	90,207
Provision for inventories	4,611	651

#### 5. 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 months ended 31 March 2006 and 2007.

Major components of tax expense for the period are as follows:

	For the three months ended 31 March	
	2007	2006
	(Unaudited) RMB'000	(Unaudited) RMB'000
Provision for income tax in respect of (loss)/profit for the period:		
Current period	<u>—</u>	<u>—</u>
Deferred tax	<u>(1,744)</u>	<u>982</u>
Income tax (credit)/expense, net	<u><u>(1,744)</u></u>	<u><u>982</u></u>

#### 6. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary shareholders for the three months ended 31 March 2007 (31 March 2006: Nil).

**7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

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

	<b>For the three months ended 31 March</b>	
	<b>2007</b>	<b>2006</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Loss)/profit attributable to ordinary equity holders of the Company (RMB'000)	<u>(37,509)</u>	<u>12,107</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,534,227</u>	<u>1,109,080</u>

Diluted (loss)/earnings per share for the three months ended 31 March 2007 and 2006 have not been disclosed as there were no dilutive options or other potential dilutive ordinary shares in issue during the periods.

**8. INTEREST-BEARING BORROWINGS**

	<b>31 March 2007</b>	<b>31 December 2006</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans:		
- Unsecured	102,222	23,426
- Secured	<u>559,204</u>	<u>718,401</u>
	<u>661,426</u>	<u>741,827</u>
Bank loans repayable:		
- Within one year	570,914	286,451
- In the second year	90,512	234,702
- Between third and fifth years	<u>—</u>	<u>220,674</u>
	<u>661,426</u>	<u>741,827</u>
Bank loans:		
- Current portion	570,914	286,451
- Non-current portion	<u>90,512</u>	<u>455,376</u>
	<u>661,426</u>	<u>741,827</u>

## 9. 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 three months ended 31 March 2007:

		<b>For the three months ended 31 March</b>	
		<b>2007</b>	<b>2006</b>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>RMB'000</i>	<i>RMB'000</i>
Sales	(i)	29,108	55,950
Technology transfer fees	(ii)	7,661	2,840
Information technology ("IT") related service fees	(iii)	518	577

*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 based 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 Listing Rules.

## 10. COMMITMENTS

The Company had the following commitments as at 31 March 2007:

	<b>31 March 2007</b>	<b>31 December 2006</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Capital commitments</b>		
Capital commitments in respect of property, plant and equipment:		
- contracted, but not provided for	4,590	6,584
- authorised, but not contracted for	<u>46,277</u>	<u>46,182</u>
	<u>50,867</u>	<u>52,766</u>

## 11. CONTINGENT LIABILITIES

There is no further adverse development in respect of the litigation claims against the Company that have been disclosed in the Company's financial statements for the year ended 31 December 2006.

### Operating Results Review

<b>Summary:</b>					
<b>(Amount: RMB'000)</b>	<b>1Q07</b>	<b>4Q06</b>	<b>1Q06</b>	<b>QoQ % Change</b>	<b>YoY % Change</b>
Revenue	308,263	350,875	318,842	-12%	-3%
Gross profit	(3,791)	(5,143)	48,168	-26%	-18%
Operating expenses	(29,426)	(32,258)	(28,036)	-9%	5%
Other income and finance costs	(6,036)	6,190	(7,043)	—	—
Income tax (expense)	1,744	3,615	(982)	—	—
Net income/(loss)	(37,509)	(27,596)	12,107	36%	—
EPS	(0.02)	(0.02)	0.01	—	—

Sales decreased by 12% from RMB350.9 million for the three months ended 31 December 2006 to RMB308.3 million for the three months ended 31 March 2007. This was mainly due to continued industry-wide inventory correction and low seasonality.

Gross profit for the three months ended 31 March 2007 was negative RMB3.8 million, compared to negative RMB5.1 million for the three months ended 31 December 2006. Gross margin for the three months ended 31 March 2007 was negative 1.2%, compared to negative 1.5% for the three months ended 31 December 2006, which was mainly attributable to less favourable overhead absorption on lower sales, the change of product mix and continued ramp-up of 8-inch production.

Operating expenses amounted to RMB29.4 million for the three months ended 31 March 2007, a decrease of 9% compared to RMB32.3 million for the three months ended 31 December 2006. The decrease in operating expenses was mainly due to the decrease in general and administrative expenses, which was offset by the increase in both selling and marketing expenses and research & development costs.

For the three months ended 31 March 2007, other income and finance costs were negative RMB6.0 million, compared to positive RMB6.2 million for the three months ended 31 December 2006. The other income and finance costs in the fourth quarter of 2006 included about RMB 12.4 million from both sales of scraped materials and a compensation from a vendor.

As a result, the net income for the three months ended 31 March 2007 was negative RMB 37.5 million, compared to negative RMB27.6 million for the three months ended 31 December 2006. The Company's net margin in the current quarter was negative 12.2%, compared to negative 7.9% in the fourth quarter of 2006.

## I. Revenue Analysis

<b>By Application</b>	<b>1Q07</b>	<b>4Q06</b>	<b>1Q06</b>
Communication	32%	32%	33%
Computer	33%	33%	33%
Consumer	35%	35%	34%

For the three months ended 31 March 2007, sales from communication, computer and consumer products accounted for 32%, 33% and 35% of total revenue respectively, which were in line with last quarter's.

<b>By Geography</b>	<b>1Q07</b>	<b>4Q06</b>	<b>1Q06</b>
USA	45%	43%	62%
Europe	23%	27%	24%
Asia Pacific	32%	30%	14%

Sales to USA accounted for 45% of total revenue, when compared to 43% in the fourth quarter of 2006. The percentage of sales to Europe decreased from 27% in the previous quarter to 23% in the current quarter. Sales to Asia Pacific increased by two percentage points from previous quarter's to 32% for the three months ended 31 March 2007.

<b>By Customer Type</b>	<b>1Q07</b>	<b>4Q06</b>	<b>1Q06</b>
IDM	31%	37%	41%
Fabless	69%	63%	59%

For the three months ended 31 March 2007, sales contributed by IDM and Fabless customers accounted for 31% and 69% of total revenue respectively, compared to 37% and 63% in the fourth quarter of 2006.

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

	<b>1Q07</b>	<b>4Q06</b>	<b>1Q06</b>
Utilization	68%	77%	62%
capacity Kpcs	154	154	154

Overall capacity utilization declined by nine percentage points from the previous quarter's to 68% for the three months ended 31 March 2007 as a result of the continued inventory correction and weak market demand.

The capacity for the three months ended 31 March 2007 was 154,000 8-inch equivalent wafers, which was the same as that of both the first quarter and the fourth quarter of 2006.

*Note:*

1. The capacity utilization rate represents the percentage of the actual number of processing steps (measured by the number of mask 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.

2. The Company estimated the capacity 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-1. Gross Profit Analysis

	1Q07	4Q06	1Q06
(Amount: RMB'000)			
Cost of sales	312,054	356,018	270,674
Gross profit	(3,791)	(5,143)	48,168
Gross margin	-1.2%	-1.5%	15%

Gross profit for the three months ended 31 March 2007 was negative RMB3.8 million. Gross margin was negative 1.2%, compared to negative 1.5% in the fourth quarter of 2006. The negative gross margin was mainly attributable to less favourable overhead absorption on lower sales, the change of product mix and continued ramp-up of 8-inch production.

#### III-2. Operating Expense Analysis

	1Q07	4Q06	1Q06
Amount in (RMB'000)			
Selling and marketing expenses	1,972	1,901	2,193
General and administrative expenses	16,176	19,825	17,832
Research and development costs	11,278	10,532	8,011
Total	29,426	32,258	28,036

Operating expenses decreased by 9% from RMB 32.3 million in the fourth quarter of 2006 to RMB 29.4 million in the first quarter of 2007. Such decrease was primarily due to the decrease in general and administrative expenses, which was offset by the increase in both selling and marketing expenses and research & development costs.

#### III-3. Other Income and Finance Costs

	1Q07	4Q06	1Q06
(Amount: RMB'000)			
Other income	7,532	19,462	7,930
Finance costs	(13,568)	(13,272)	(14,973)
Total (expense)/income	(6,036)	6,190	(7,043)

For the three months ended 31 March 2007, Other income and finance costs were negative RMB6.0 million, compared to positive RMB6.2 million for the three months ended 31 December 2006. The other income and finance costs in the fourth quarter of 2006 included about RMB 12.4 million from sales of scraped materials and the compensation of a vendor.

## IV. Financial Condition Review

### IV-1. Liquidity Analysis

	1Q07	4Q06	1Q06
(Amount: RMB'000)			
Cash and cash equivalents	327,731	396,987	65,642
Trade and notes receivable	146,530	137,802	189,199
Inventories	242,809	261,829	198,267
Other current assets	40,470	57,630	22,290
<b>Total current assets</b>	<b>757,540</b>	<b>854,248</b>	<b>475,398</b>
Interest-bearing borrowings	570,914	286,451	531,527
Accounts payable	133,901	194,344	294,003
Other current liabilities	91,879	107,925	71,193
<b>Total current liabilities</b>	<b>796,694</b>	<b>588,720</b>	<b>906,042</b>
<b>Net current Assets</b>	<b>-39,154</b>	<b>265,528</b>	<b>-430,644</b>
<b>Current ratio (x)</b>	<b>0.95</b>	<b>1.45</b>	<b>0.52</b>

Total current assets decreased by RMB96.7 million or 11.3% from RMB854.2 million as at 31 December 2006 to RMB757.5 million as at 31 March 2007, due mainly to the decrease in cash & cash equivalents and inventories by RMB69.3 million and RMB19.0 million respectively, from balances as at 31 December 2006 to 31 March 2007. This was primarily due to lower net cash inflow from operations and repayment of more bank loan in the first quarter of 2007. Lower inventory primarily came from the decrease of work in progress in the first quarter of 2007. The total current liabilities increased from RMB588.7 million as at 31 December 2006 to RMB796.7 million as the Company decided to advance its repayment of total US\$33.0 million long-term loan in latter part of the second quarter of 2007.

The Term Loan Agreement has a number of covenants, some of which are related to an EBITDA test. Because of the cyclicity in the semiconductor business, those covenants may not be appropriate. Discussions with the commercial lenders about a possible release are ongoing.

### IV-2. Receivable/Inventory Turnover

	1Q07	4Q06	1Q06
Trade & Notes Receivables Turnover (days)	46	44	49
Inventory Turnover (days)	73	67	61

Receivable turnover for the three months ended 31 March 2007 was 46 days, compared to 44 days in the previous quarter.

Inventory turnover days increased to 73 days in the first quarter of 2007 from 67 days in the fourth quarter of 2006.

#### IV-3. Debt Service

	1Q07	4Q06	1Q06
(Amount: RMB'000)			
Cash and cash equivalents	327,731	396,987	65,642
Interest-bearing borrowings	(661,426)	(741,827)	(1,158,457)
Net cash reserves	(333,695)	(344,840)	(1,092,815)

Net cash reserve as at 31 March 2007 amounted to negative RMB333.7 million as compared to negative RMB344.8 million as at 31 December 2006, representing a sequential increase by RMB 11.1 million or 3.2%. This was mainly due to the decrease in interest bearing borrowings by RMB 80.4 million, set-off by the decrease in cash balance by RMB 69.3 million.

The financial covenants for the three months ended 31 March 2007 under the US\$100 million facility loan agreement have been fulfilled.

#### V. Capital Expenditure

	1Q07	4Q06	1Q06
(Amount: RMB'000)			
Capex	643	11,107	157,066

The amount of capital expenditure for the three months ended 31 March 2007 was RMB 0.6 million, which was largely used to improve the efficiency and flexibility of its related production facilities.

#### VI. Outlook for the second quarter of 2007

The market conditions for the Company's portfolios remains challenging for the second quarter of 2007. The Company's management expects mid single digit decrease of its sales on a sequential quarter to quarter basis.

By order of the Board  
**Advanced Semiconductor Manufacturing Corporation Limited**  
**Tony Yuhai Liu**  
*Executive Director & President*

Shanghai, PRC, 17 May 2007

As at the date of this announcement, the executive directors of the Company are Tony Yuhai Liu and Cheng Jianyu; the non-executive directors of the Company are Ruan Yanhua, Ajit Manocha, Zhu Peiyi, Zhu Jian, Xiao Yongji and Petrus Antonius Maria van Bommel; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.

Please also refer to the published version of this announcement in South China Morning Post.