



**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)**

**Preliminary Announcement of 2007 Interim Results**

**For the six months ended 30 June 2007**

**Interim Results**

The board of directors (the “Board”) of Advanced Semiconductor Manufacturing Corporation Limited (the “Company”) is pleased to announce the interim results of the Company for the six months ended 30 June 2007 as follows:

**INCOME STATEMENT**

**for the six months ended 30 June 2007**

		<b>3 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2006 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2006 (Audited) RMB'000</b>
	<i>Notes</i>				
<b>Revenue</b>	4	271,189	579,452	334,983	653,825
Cost of sales		<u>(291,052)</u>	<u>(603,106)</u>	<u>(276,627)</u>	<u>(547,301)</u>
Gross (loss)/profit		(19,863)	(23,654)	58,356	106,524
Selling and distribution expenses		(2,278)	(4,250)	(1,968)	(4,161)
General and administrative expenses		(20,069)	(36,245)	(19,121)	(36,953)
Research and development costs		<u>(9,016)</u>	<u>(20,294)</u>	<u>(12,005)</u>	<u>(20,016)</u>

		<b>3 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2006 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2006 (Audited) RMB'000</b>
	<i>Notes</i>				
<b>(Loss)/profit from operating activities</b>		(51,226)	(84,443)	25,262	45,394
Other income	4	8,404	15,936	3,084	11,014
Finance costs	5	<u>(10,593)</u>	<u>(24,161)</u>	<u>(17,425)</u>	<u>(32,398)</u>
<b>(Loss)/profit before income tax</b>	5	(53,415)	(92,668)	10,921	24,010
Income tax credit/ (expense)	6	<u>17,969</u>	<u>19,713</u>	<u>(897)</u>	<u>(1,879)</u>
<b>Net (loss)/profit attributable to ordinary equity holders of the Company</b>		<u>(35,446)</u>	<u>(72,955)</u>	<u>10,024</u>	<u>22,131</u>
<b>Dividends</b>	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>(Loss)/earnings per share attributable to ordinary equity holders of the Company (RMB) -Basic</b>	8	<u>(2.31) cents</u>	<u>(4.76) cents</u>	<u>0.67 cents</u>	<u>1.69 cents</u>

**BALANCE SHEET**  
**30 June 2007**

		<b>30 June 2007 (Unaudited) RMB'000</b>	<b>31 December 2006 (Audited) RMB'000</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		1,748,212	1,941,434
Construction in progress		1,709	1,929
Land lease prepayments		35,470	35,854
Intangible assets		16,452	17,559
Deferred tax assets		<u>27,508</u>	<u>7,795</u>
Total non-current assets		<u>1,829,351</u>	<u>2,004,571</u>
<b>Current assets</b>			
Inventories		235,706	261,829
Accounts and notes receivables	9	147,844	137,802
Prepayments, deposits and other receivables		20,023	21,736
Due from related companies		20,922	35,894
Cash and cash equivalents		<u>62,537</u>	<u>396,987</u>
Total current assets		<u>487,032</u>	<u>854,248</u>
Total assets		<u>2,316,383</u>	<u>2,858,819</u>
<b>Current liabilities</b>			
Accounts payable	10	124,569	194,344
Accrued liabilities and other payables		69,984	95,433
Due to related companies		9,674	12,492
Interest-bearing borrowings		<u>281,265</u>	<u>286,451</u>
Total current liabilities		<u>485,492</u>	<u>588,720</u>
<b>Net current assets</b>		<u>1,540</u>	<u>265,528</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		<u>89,123</u>	<u>455,376</u>
<b>Net assets</b>		<u>1,741,768</u>	<u>1,814,723</u>
<b>Capital and reserves</b>			
Registered and paid-up capital		1,534,227	1,534,227
Reserves		<u>207,541</u>	<u>280,496</u>
<b>Shareholders' equity</b>		<u>1,741,768</u>	<u>1,814,723</u>

**STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2007**

	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Registered and paid-up capital</b>		
<i>Ordinary shares of RMB1.00 each:</i>		
At beginning of period	1,534,227	1,109,080
Global offering of shares	<u>—</u>	<u>425,147</u>
At end of period	<u>1,534,227</u>	<u>1,534,227</u>
<b>Capital reserve</b>		
At beginning of period	205,363	39
Global offering of shares	<u>—</u>	<u>205,324</u>
At end of period	<u>205,363</u>	<u>205,363</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	<u>—</u>	<u>6,451</u>
<b>Retained earnings</b>		
At beginning of period	55,780	51,837
Net profit for the period	—	22,131
Net (loss) for the period (unaudited)	<u>(72,955)</u>	<u>—</u>
At end of period	<u>(17,175)</u>	<u>73,968</u>
<b>Reserves</b>	<u>207,541</u>	<u>298,684</u>
<b>Shareholders' equity</b>	<u>1,741,768</u>	<u>1,832,911</u>

**CASH FLOW STATEMENT**  
**for the six months ended 30 June 2007**

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax	(92,668)	24,010
Adjustments for:		
Depreciation	194,023	184,688
Amortisation of intangible assets	1,916	1,718
Amortisation of land lease prepayments	384	385
Loss on disposal of property, plant and equipment	698	1,545
Reversal of impairment loss on construction in progress	—	(1,299)
Allowance for inventories	12,725	9,389
Fair value loss/(gain) on interest rate swap	281	(2,083)
Interest expenses	24,161	32,398
Interest income	<u>(9,150)</u>	<u>(2,824)</u>
Operating profit before working capital changes	132,370	247,927
Increase in accounts and notes receivables	(10,042)	(11,627)
Decrease/(increase) in inventories	13,398	(62,072)
(Increase)/decrease in prepayments, deposits and other receivables	(6,535)	5,644
Decrease/(increase) in balances with related companies	12,154	(24,951)
(Decrease)/increase in accounts payable	(69,775)	63,252
(Decrease)/increase in accrued liabilities and other payables	<u>(25,449)</u>	<u>10,250</u>
Cash flows from operations	46,121	228,423
Interest paid	(24,161)	(32,398)
Interest received	<u>16,521</u>	<u>2,824</u>
Net cash inflow from operating activities	<u>38,481</u>	<u>198,849</u>

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment construction in progress and intangible assets	(3,343)	(189,786)
Interest capitalised attributable to construction of qualifying assets	<u>—</u>	<u>(231)</u>
Total additions of property, plant and equipment and construction in progress	(3,343)	(190,017)
Disposal of property, plant and equipment	<u>1,851</u>	<u>—</u>
Net cash outflow from investing activities	<u>(1,492)</u>	<u>(190,017)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of new shares	—	775,776
Share issue expenses	—	(70,967)
New bank loans	116,390	159,912
Repayment of bank loans	<u>(487,829)</u>	<u>(578,653)</u>
Net cash (outflow)/ inflow from financing activities	<u>(371,439)</u>	<u>286,068</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(334,450)	294,900
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>	<u><u>62,537</u></u>	<u><u>400,786</u></u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	62,537	74,265
Non-pledged time deposits	<u>—</u>	<u>326,521</u>
	<u><u>62,537</u></u>	<u><u>400,786</u></u>

## **NOTES TO CONDENSED FINANCIAL STATEMENTS**

**30 June 2007**

### **1. CORPORATE INFORMATION**

Advanced Semiconductor Manufacturing Corporation Limited (the “Company”) was initially established in the People’s Republic of China (the “PRC”) on 4 October 1988 as a Sino-foreign joint venture company with limited liability under the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment with a tenure of operation of 30 years from 4 October 1988 to 3 October 2019.

On 2 March 2004, the Company was re-registered as a foreign invested joint stock company with limited liability by the issuance of 1,109,080,000 fully paid shares with a nominal value of RMB1.00 each to the then shareholders. The tenure of operation of the Company was revised to infinite. On 7 April 2006, the Company’s H shares were successfully listed on the Hong Kong Stock Exchange.

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

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

### **2. BASIS OF PREPARATION**

The unaudited interim condensed financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board.

The unaudited interim condensed financial statements do not included all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2006 (“2006 financial statements”).

Except for those mentioned below, the accounting policies and method of computation used in the preparation of these unaudited interim condensed financial statements 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 and Interpretations has no material impact on the financial position or performance 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 unaudited interim condensed financial statements. The following IFRSs are effective for annual periods beginning on or after 1 January 2008:

IFRS 8	Operating Segments
IAS 23 (revised)	Borrowing Costs

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 IAS14, and is effective for periods beginning on or after 1 January 2009. 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 financial position or performance of the Company.

### **3. 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:

	<b>3 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2006 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2006 (Audited) RMB'000</b>
United States of America	169,063	307,195	178,351	373,985
Europe	64,463	135,459	77,327	155,227
Asia	<u>37,663</u>	<u>136,798</u>	<u>79,305</u>	<u>124,613</u>
	<u>271,189</u>	<u>579,452</u>	<u>334,983</u>	<u>653,825</u>

#### 4. REVENUE AND OTHER INCOME

	<b>3 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2006 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2006 (Audited) RMB'000</b>
<b>Revenue</b>				
Sales of goods	270,880	579,129	334,843	653,655
Others	<u>309</u>	<u>323</u>	<u>140</u>	<u>170</u>
	<u>271,189</u>	<u>579,452</u>	<u>334,983</u>	<u>653,825</u>
<b>Other income</b>				
Interest income (on a historical cost basis)	3,726	9,150	2,600	2,824
Subsidies income	12	12	—	—
Technology service income	—	220	—	266
Compensation received	742	742	—	—
Other service income	298	298	—	—
Net foreign exchange gain/(loss) and others	3,381	5,795	(1,599)	5,841
Fair value gain/(loss) on interest rate swap	<u>245</u>	<u>(281)</u>	<u>2,083</u>	<u>2,083</u>
	<u>8,404</u>	<u>15,936</u>	<u>3,084</u>	<u>11,014</u>
	<u>279,593</u>	<u>595,388</u>	<u>338,067</u>	<u>664,839</u>

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

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

	<b>3 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2006 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2006 (Audited) RMB'000</b>
Interest on bank loans	10,593	24,161	17,425	32,629
Less: Interest capitalised	<u>—</u>	<u>—</u>	<u>—</u>	<u>(231)</u>
Finance costs (on historical cost basis)	<u>10,593</u>	<u>24,161</u>	<u>17,425</u>	<u>32,398</u>
<i>Average interest capitalisation rate</i>	—	—	—	4.93%
Depreciation	95,788	194,023	95,340	184,688
Allowance for inventories	8,114	12,725	664	(13)

## 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 six months ended 30 June 2007 and 2006.

The Company is located at Caohejing High-Tech Park of Shanghai, the PRC, and its applicable corporate income tax rate is 15%. In accordance with the prevailing tax laws in the PRC, the Company is entitled to full exemption from corporate income tax for the first and second profitable years (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the succeeding three years.

As an integrated circuits manufacturer capable of manufacturing wafers with line widths equal to or below 0.25 micron, and pursuant to an approval document of the relevant tax authorities dated 17 June 2004, the Company is entitled to a 50% reduction in corporate income tax for an additional five years from 2004 to 2008. Accordingly, the Company was subject to PRC corporate income tax at an applicable income tax rate of 7.5% for the six months ended 30 June 2007 and 2006.

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

	<b>3 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2007 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2006 (Unaudited) RMB'000</b>	<b>6 months ended 30 June 2006 (Audited) RMB'000</b>
Provision for income tax in respect of profit for the period:				
— Current	—	—	—	—
Deferred tax (credit)/expense	<u>(17,969)</u>	<u>(19,713)</u>	<u>897</u>	<u>1,879</u>
Income tax (credit)/expense	<u>(17,969)</u>	<u>(19,713)</u>	<u>897</u>	<u>1,879</u>

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. High and new technology Enterprises that require government support are subject to the applicable corporate income tax rate of 15%.

As at the date that these interim condensed financial statements are approved for issue, detailed measures of the New Corporate Income Tax Law have yet to be issued. Subject to the detailed measures and other related regulations concerning computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions, the Company will further evaluate the impact to its operating results and financial positions of future periods as more detailed measures and other related regulations are announced.

According to IAS 12, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As at 30 June 2007, the Company assessed and measured deferred tax assets at the tax rate that are expected to apply to the period when the asset is realised, as a result, deferred tax credit for current period increased by approximately RMB6,569,000 attributed to the change in the corporate income tax rate.

## 7. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary equity holders of the Company for the three months and six months ended 30 June 2007 (30 June 2006: Nil).

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

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

	<b>3 months ended 30 June 2007 (Unaudited)</b>	<b>6 months ended 30 June 2007 (Unaudited)</b>	<b>3 months ended 30 June 2006 (Unaudited)</b>	<b>6 months ended 30 June 2006 (Audited)</b>
(Loss)/profit attributable to ordinary equity holders of the Company (RMB'000)	<u>(35,446)</u>	<u>(72,955)</u>	<u>10,024</u>	<u>22,131</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,534,227</u>	<u>1,534,227</u>	<u>1,503,758</u>	<u>1,307,509</u>

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

**9. ACCOUNTS AND NOTES RECEIVABLES**

	<b>30 June 2007 (Unaudited) RMB'000</b>	<b>31 December 2006 (Audited) RMB'000</b>
Accounts receivable	147,844	137,802
Notes receivable	<u>—</u>	<u>—</u>
	<u>147,844</u>	<u>137,802</u>

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

The carrying amount of the accounts and notes receivables of the Company approximated to their fair values.

An aging analysis of the accounts receivable as at 30 June 2007 is as follows:

	<b>30 June 2007 (Unaudited) RMB'000</b>	<b>31 December 2006 (Audited) RMB'000</b>
Outstanding balances with aging:		
Within 30 days	82,966	79,462
Between 31 days and 90 days	49,900	57,567
Between 91 days and 180 days	14,978	557
Between 181 days and 365 days	<u>—</u>	<u>216</u>
	147,844	137,802
Less: Provision for bad and doubtful debts	<u>—</u>	<u>—</u>
	<u>147,844</u>	<u>137,802</u>

As at 30 June 2007, the analysis of trade receivables that were past due but not impaired is as follows:

	<u>Past due but not impaired</u>				
	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>		
	<b>RMB'000</b>	<b>RMB'000</b>	<b>&lt;60 days</b>	<b>60-180</b>	<b>180-360</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>days</b>	<b>days</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
30 June 2007	147,844	96,732	36,436	14,676	—
31 December 2006	137,802	84,103	52,935	461	303

#### 10. ACCOUNTS PAYABLE

	<b>30 June 2007 (Unaudited) RMB'000</b>	<b>31 December 2006 (Audited) RMB'000</b>
Outstanding balances with ageing:		
Within 30 days	83,320	144,646
Between 31 days and 90 days	30,387	33,790
Between 91 days and 180 days	3,339	7,245
Between 181 days and 365 days	5,239	3,461
Over 365 days	<u>2,284</u>	<u>5,202</u>
	<u>124,569</u>	<u>194,344</u>

The carrying amount of the accounts payables of the Company approximated to their fair values.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Six months ended 30 June 2007 compared to six months ended 30 June 2006**

#### **Sales**

Owing to the weak business cycle, sales for the six months ended 30 June 2007 amounted to RMB 579.5 million, representing a decrease of 11.4% from RMB 653.8 million for the six months ended 30 June 2006. During the period, the wafer shipment slightly decreased to 221,514 pieces of 8-inch equivalent wafers for the six months ended 30 June 2007 from 223,982 pieces of 8-inch equivalent wafers for the six months ended 30 June 2006.

#### **Cost of Sales and Gross Profit**

The Company had a gross profit of negative RMB 23.7 million for the six months ended 30 June 2007 compared to the gross profit of RMB 106.5 million for the six months ended 30 June 2006. Gross margin was negative 4.1% for the six months ended 30 June 2007 compared to 16.3% for the same period last year, which was mainly attributable to an unsatisfactory product mix in both 5-inch and 6-inch wafer resulting from the industry-wide inventory correction and the increase in demand for 8-inch wafer.

#### **Operating Expenses and Operating Income**

Selling and distribution costs was RMB4.3 million for the six months ended 30 June 2007, which was almost the same as RMB4.2 million for the six months ended 30 June 2006.

General and administrative expenses amounted to RMB 36.2 million for the six months ended 30 June 2007, reflecting a slight decrease of 2.2% compared to RMB37.0 million for the six months ended 30 June 2006.

Research and development costs for the six months ended 30 June 2007 was RMB 20.3 million, essentially flat compared to RMB 20.0 million for the six months ended 30 June 2006.

As a result, the Company's operating loss was RMB 84.4 million for the six months ended 30 June 2007 compared to the operating income of RMB45.4 million for the six months ended 30 June 2006. The Company's operating margin was negative 14.6% for the six months ended 30 June 2007 and 6.9% for the six months ended 30 June 2006.

## **Other Income and Finance Cost**

The Company's other income for the six months ended 30 June 2007 was RMB 15.9 million, an increase of 45.0% from RMB11.0 million for the six months ended 30 June 2006, mainly due to the increase in interest income, which was partially offset by the decrease in fair value on interest rate swap during the period.

The Company's finance cost decreased by 25.3%, from RMB 32.4 million for the six months ended 30 June 2006 to RMB 24.2 million for the six months ended 30 June 2007, primarily due to lower interest expenses as a result of a continued decrease in the Company's bank loan balance.

## **Net Income**

Due to the factors mentioned above, the Company had a net loss of RMB 73.0 million for the six months ended 30 June 2007 compared to a net income of RMB22.1 million for the six months ended 30 June 2006

## **Liquidity and Capital Resources**

The Company had cash and cash equivalents of RMB62.5 million as at 30 June 2007 compared to RMB397.0 million as at 31 December 2006. The Company's net cash inflow from operating activities amounted to RMB 38.5 million for the six months ended 30 June 2007, compared to RMB198.8 million for the six months ended 30 June 2006.

The Company's net cash outflow from investing activities was primarily allocated to the continuing investment on property, plant and equipment and construction in progress. Net expenditures were RMB 3.3 million for the six months ended 30 June 2007 compared to RMB190.0 million for the six months ended 30 June 2006.

The Company's net cash outflow from financing activities was RMB 371.4 million for the six months ended 30 June 2007 compared to net cash inflow of RMB286.1 million for the six months ended 30 June 2006. The net cash outflow of RMB 371.4 million represented the net effect of RMB 487.8 million for the repayment of bank loans and the new bank loans of RMB 116.4 million during the period. The Company financed its business activities by bank loans during the reporting period, while in the first half of 2006, the Company used both bank loans and fund raising from its IPO to finance its business activities.

As at 30 June 2007, the Company's short-term interest-bearing borrowings were RMB281.3 million, and its long-term liabilities were RMB 89.1 million. Of these amounts, a total of RMB 299.3 million was outstanding under the US\$100 million club term loan facility, is payable in installments, and will be fully repaid by 30 September 2008 based on supplement loan agreement ("the Agreement") entered into between the Company and a group of banks ("Lenders") in June 2007. Amounts outstanding under the US\$100 million club term loan facility dated 31 March 2005 are secured by a pledge on the Company's property, plant and equipment, construction in progress and land lease prepayments.

Given the inappropriateness of some of the covenants under the existing US\$100 million term loan agreement owing to the cyclical downturn in the semiconductor industry, as part of the Agreement, two financial covenants comprising Net Debt to EBITDA ratio and Debt Service Coverage were removed while Net Debt to Tangible Net Worth ratio remains effective as the financial covenant until 30 September 2008. In addition, the amount of the Company's capital expenditure will be limited to US\$5.6 million and US\$10.0 million in 2007 and 2008 respectively. During the reporting period, the Company was in compliance with the financial covenants stipulated in the terms of the US\$100 million club term loan facility.

As at 30 June 2007, the Company's current ratio was 1.00 compared to 1.45 as at 31 December 2006. The Company's debt to equity ratio improved from 19.0% as at 31 December 2006 to 17.7% as at 30 June 2007.

## **Employees**

The Company had 1,810 employees as at 30 June, 2007, a decrease of 2.5% from 1,856 employees as at 31 December 2007. The Company maintained a sound working relationship with its staff over the period, and the remuneration and benefits provided and paid to them were in accordance with PRC law and regulations.

## **Interest rate risks**

The Company's interest-bearing loans and borrowings are subject to interest rate fluctuation of LIBOR plus margin. As the majority 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. Out of the outstanding US\$39.3 million under the US\$100 million club term loan facility, the Company adopted an interest rate swap for the interest payable on the principal amount of US\$21.3 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 financial and reporting 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 to 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 currently were adopted by the Company during the period under review.

## **Capital Commitment**

As at 30 June 2007, the Company had capital commitments for property, plant and equipment amounting to RMB 49.5 million, of which RMB 19.6 million was contracted but not provided for while the remaining of RMB 29.9 million was authorized but not contracted for.

## **Operating Results for the three months ended 30 June 2007**

Sales for the three months ended 30 June 2007 amounted to RMB271.2 million, representing a decrease of 12.0% from RMB308.3 million for three months ended 31 March 2007, primarily due to the correction of a high-level inventory position by one of the Company's major customers.

Gross profit for the three months ended 30 June 2007 was negative RMB 19.9 million, compared to negative RMB 3.8 million for three months ended 31 March 2007. Gross margin was negative 7.3% for the three months ended 30 June 2007 compared to negative 1.2% for the three months ended 31 March 2007, mainly due to a lower level of capacity utilization. Operating expenses for the three months ended 30 June 2007 amounted to RMB 31.4 million, representing an increase of 6.8% from RMB 29.4 million for the three months ended 31 March 2007, largely attributable to the increase in selling and distribution costs as well as general and administrative expenses, which was partially offset by the decrease in research and development.

The other income and finance cost for the three months ended 30 June 2007 were negative 2.2 million, compared to negative RMB 6.0 million for the three months ended 31 March 2007, largely attributable to higher other income and lower finance cost. Other income for the three months ended 30 June 2007 increased by 12%

sequentially to RMB 8.4 million, primarily attributable to the increase in both foreign exchange gain resulting from RMB appreciation and fair value gain on interest rate swap as a result of both RMB appreciation and projected higher LIBOR, partially offset by lower interest income. Finance costs for the three months ended 30 June 2007 decreased sequentially due mainly to the repayment of US\$19.7 million under the US\$100 million club term loan facility during the first quarter of 2007.

As a result, the Company had a net loss of RMB 35.4 million for the three months ended 30 June 2007, compared to a net loss of RMB 37.5 million for the three months ended 31 March 2007.

### 1. Revenue Analysis

<b>By Application</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
Communication	33%	32%	32%
Computer	33%	33%	34%
Consumer	34%	35%	34%

For the three months ended 30 June 2007, sales derived from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were mostly in line with the last quarter.

<b>By Geography</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
USA	62%	45%	53%
Europe	24%	23%	23%
Asia Pacific	14%	32%	24%

For the three months ended 30 June 2007, sales to the USA accounted for 62% of total revenue, compared to 45% in the previous quarter. The percentage of sales to Asia Pacific decreased from 32% in the previous quarter to 14% in the current quarter, mainly due to the correction of a high-level inventory position by one of its major customers.

<b>By Customer Type</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
IDM	34%	31%	42%
Fabless	66%	69%	58%

For the three months ended 30 June 2007, sales to IDM and fabless customers accounted for 34% and 66% of the total revenue respectively.

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

	2Q07	1Q07	2Q06
Utilization	62%	68%	69%
Capacity (wafers in thousand)	154	154	154

### Notes:

1. The capacity utilization rate represents the percentage of the actual number of processing steps (measured by the number of masks used) for the number of semiconductor wafers shipped in the reporting period divided by the total number of processing steps a fab is capable to produce during the corresponding period.
2. 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.

Overall capacity utilization decreased by 6 percentage points from the previous quarter to 62% for the three months ended 30 June 2007.

The capacity for the three months ended 30 June 2007 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and the second quarter of 2006.

## 3. Receivable/Inventory Turnover

	2Q07	1Q07	2Q06
Trade & Notes Receivables Turnover (days)	54	46	46
Inventory Turnover (days)	73	73	69

Receivable turnover for the three months ended 30 June 2007 was 54 days, compared to 46 days from the last quarter, due primarily to lower sales in the second quarter of 2007.

Inventory turnover was 73 days for three months ended 30 June 2007, which was the same as that of last quarter's.

## 4. Capital Expenditure

	2Q07	1Q07	2Q06
	<i>(Amount: RMB'000)</i>		
Capex	1,445	1,898	32,951

The amount of capital expenditure for the three months ended 30 June 2007 was RMB 1.4 million, compared to RMB1.9 million in the first quarter of 2007.

### **Shares Transfer**

Pursuant to an approval of the PRC Ministry of Commerce dated 19 July 2007, the total number of 408,806,888 H shares or 26.65% of the Company's total issued share capital originally held by Royal Philips through Philips Electronics China B.V. was approved to be transferred to NXP B.V..

### **Prospects and Future Plans**

The Board has been disappointed with the results of the Company in the first six months of the fiscal year. With the appointment of Mr. Hsueh Cheng Lu, the Company has new management leadership.

Over the next three months, the Company's management will be reviewing all aspects of the existing business. These reviews will look at the Company's client relationships, its technical capabilities and plans including cash flow projection and assets valuations.

In the near future, the semiconductor industry is at best expected to show a moderate growth. In addition, some of the regional foundries have indicated their intention to migrate to analog production in near future. These factors will lead to a continuation of a challenging market environment and increasing competition.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2007, there was no purchase, sale or redemption by the Company of its listed securities.

### **Compliance With Code on Corporate Governance Practices (the "Governance Code")**

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has fully complied with the code provisions of the Governance Code in Appendix 14 of the Listing Rules for the six months ended 30 June 2007.

## **Review by Audit Committee**

The Audit Committee of the Company consists of three independent non-executive directors, Mr. James Arthur Watkins (chairman), Mr. Thaddeus Thomas Beczak and Mr. Shen Weijia, and two non-executive directors, Mr. Petrus Antonius Maria Van Bommel and Mr. Zhu Peiyi. The interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed by the Audit Committee and Ernst & Young, the Company's external auditors.

By Order of the Board  
**ADVANCED SEMICONDUCTOR MANUFACTURING  
CORPORATION LIMITED**

**Cheng Jianyu**

*Executive Director & Vice President*

Shanghai, the PRC, 16 August 2007

*As at the date of this announcement, the executive directors of the company are 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.*