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)

2006 Third Quarter Results Announcement

QUARTERLY RESULTS

The board of directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the unaudited results of the Company for the nine months ended 30 September 2006 together with unaudited comparative figures for the corresponding period of last year as follows:

CONDENSED INCOME STATEMENT

	Notes	**3 months ended 30 September 2006** *(Unaudited) RMB'000*	**9 months ended 30 September 2006** *(Unaudited) RMB'000*	**3 months ended 30 September 2005** *(Unaudited) RMB'000*	**9 months ended 30 September 2005** *(Unaudited) RMB'000*
Revenue	3	350,493	1,004,318	225,155	655,867
Cost of sales		(310,934)	(858,235)	(210,057)	(611,238)
Gross profit		39,559	146,083	15,098	44,629
Operating expenses		(23,543)	(84,673)	(35,527)	(113,434)
Profit/(loss) from operating activities		16,016	61,410	(20,429)	(68,805)
Other income	3	6,406	17,420	17,735	30,519
Finance costs	4	(12,252)	(44,650)	(9,732)	(20,627)
Profit/(loss) before income tax	4	10,170	34,180	(12,426)	(58,913)
Income tax (expense)/ credit, net	5	(762)	(2,641)	(1,816)	5,292
Net profit/(loss)		9,408	31,539	(14,242)	(53,621)
Dividends	6	—	—	—	—
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB)					
-Basic	7	0.01	0.02	(0.01)	(0.05)

CONDENSED BALANCE SHEET

	Notes	**30 September 2006 (Unaudited)** *RMB'000*	**30 June 2006 (Audited)** *RMB'000*
Non-current assets			
Property, plant and equipment		2,049,230	2,118,878
Construction in progress		1,024	23,093
Other non-current assets		40,225	41,180
Total non-current assets		2,090,479	2,183,151
Current assets			
Cash and cash equivalents		389,447	400,786
Accounts and notes receivable		144,333	135,891
Inventories		263,238	225,781
Other current assets		69,102	74,650
Total current assets		866,120	837,108
Total assets		2,956,599	3,020,259
Current liabilities			
Interest-bearing borrowings	8	283,131	175,022
Accounts payable		212,264	259,452
Other current liabilities		150,690	160,318
Total current liabilities		646,085	594,792
Net current assets		220,035	242,316
Non-current liabilities			
Interest-bearing borrowings	8	468,195	592,556
Net assets		1,842,319	1,832,911
Capital and reserves			
Registered and paid-up capital		1,534,227	1,534,227
Reserves		308,092	298,684
Shareholders' equity		1,842,319	1,832,911

CONDENSED STATEMENT OF CHANGES IN EQUITY

	For the nine months ended 30 September 2006 *(Unaudited)* *RMB'000*	2005 *(Unaudited)* *RMB'000*
Registered and paid-up capital		
At beginning of period	1,109,080	1,109,080
Global offering of shares	467,660	—
Domestic shares converted to H shares	(42,513)	—
At end of period	1,534,227	1,109,080
Capital reserve		
At beginning of period	39	39
Global offering of shares	287,930	—
Share issue expenses	(82,606)	—
At end of period	205,363	39
Statutory surplus reserve		
At beginning and end of period	12,902	12,902
Statutory public welfare fund		
At beginning and end of period	6,451	6,451
Retained earnings		
At beginning of period	51,837	126,867
Net profit/(loss) for the period	31,539	(53,621)
At end of period	83,376	73,246
Reserves	308,092	92,638
Shareholders' equity	1,842,319	1,201,718

CONDENSED CASH FLOW STATEMENT

	For the nine months ended 30 September 2006 *(Unaudited)* *RMB'000*	2005 *(Unaudited)* *RMB'000*
Net cash inflow/(outflow) from operating activities	222,347	(19,335)
Net cash outflow from investing activities	(198,066)	(733,522)
Net cash inflow from financing activities	259,280	760,210
Increase in cash and cash equivalents	283,561	7,353
Cash and cash equivalents at beginning of period	105,886	45,936
Cash and cash equivalents at end of period	389,447	53,289
Analysis of balances of cash and cash equivalents		
Cash and bank balances	389,447	53,289

1. BASIS OF PREPARATION

The unaudited balance sheet as at 30 September 2006 and the related unaudited income statement, cash flow statement and statement of changes in equity for the nine months ended 30 September 2006 (the "period") (collectively defined as "Third Quarter Results") of the Company are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

The Third Quarter Results should be read in conjunction with the audited financial statements of the Company for the six months ended 30 June 2006 ("2006 interim financial statements) dated 10 August 2006.

The accounting policies and method of computation used in the preparation of this Third Quarter Results are consistent with those used in the 2006 interim financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention.

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. The following IFRSs are effective for annual periods beginning on or after 1 January 2007:

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures

The IAS 1 Amendment will affect the disclosures about qualitative information about the Company's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of IAS 32.

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

2. SEGMENT INFORMATION

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

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

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

	3 months ended 30 September 2006 *(Unaudited) RMB'000*	**9 months ended 30 September 2006** *(Unaudited) RMB'000*	**3 months ended 30 September 2005** *(Unaudited) RMB'000*	**9 months ended 30 September 2005** *(Unaudited) RMB'000*
United States of America	173,484	547,469	120,406	400,281
Europe	97,287	252,514	42,614	102,498
Asia	79,722	204,335	62,135	153,088
	350,493	1,004,318	225,155	655,867

3. REVENUE AND OTHER INCOME

	3 months ended 30 September 2006 *(Unaudited) RMB'000*	**9 months ended 30 September 2006** *(Unaudited) RMB'000*	**3 months ended 30 September 2005** *(Unaudited) RMB'000*	**9 months ended 30 September 2005** *(Unaudited) RMB'000*
Revenue				
Sales of goods	350,243	1,003,898	225,137	654,134
Others	250	420	18	1,733
	350,493	1,004,318	225,155	655,867
Other income				
Interest income	4,776	7,600	75	190
Government subsidies:				
Refund of value-added tax ("VAT")	—	—	—	7,314
Technology service income	—	266	—	4,146
Net foreign exchange gain and others	3,248	9,089	17,660	18,869
Fair value (loss)/gain on interest rate swap	(1,618)	465	—	—
	6,406	17,420	17,735	30,519
	356,899	1,021,738	242,890	686,386

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	3 months ended 30 September 2006 *(Unaudited)* *RMB'000*	9 months ended 30 September 2006 *(Unaudited)* *RMB'000*	3 months ended 30 September 2005 *(Unaudited)* *RMB'000*	9 months ended 30 September 2005 *(Unaudited)* *RMB'000*
Interest on bank loans	12,252	44,881	13,207	24,663
Less: Interest capitalised	-	(231)	(3,475)	(4,036)
Finance costs	12,252	44,650	9,732	20,627
Depreciation	99,699	286,105	71,398	205,460
Provision for /(reversal of provision for) inventories	894	10,283	(6,110)	22,098
Reversal of impairment loss on construction in progress	—	(1,299)	—	—

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 nine months ended 30 September 2005 and 2006.

Major components of tax expense/(credit) for the period are as follows:

	3 months ended 30 September 2006 (Unaudited) *RMB'000*	9 months ended 30 September 2006 (Unaudited) *RMB'000*	3 months ended 30 September 2005 (Unaudited) *RMB'000*	9 months ended 30 September 2005 (Unaudited) *RMB'000*
Provision for income tax in respect of profit for the period:				
- Current	—	—	—	—
- Overprovision in prior years	—	—	—	(4,936)
	—	—	—	(4,936)
Deferred tax expense/(credit)	762	2,641	1,816	(356)
Income tax expense/ (credit)	762	2,641	1,816	(5,292)

6. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary shareholders for the nine months ended 30 September 2006 (30 September 2005: Nil).

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

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

	3 months ended 30 September 2006 *(Unaudited)* *RMB'000*	9 months ended 30 September 2006 *(Unaudited)* *RMB'000*	3 months ended 30 September 2005 *(Unaudited)* *RMB'000*	9 months ended 30 September 2005 *(Unaudited)* *RMB'000*
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	9,408	31,539	(14,242)	(53,621)
Weighted average number of ordinary shares in issue ('000)	1,534,227	1,383,912	1,109,080	1,109,080

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

8. INTEREST-BEARING BORROWINGS

	30 September 2006 *(Unaudited)* *RMB'000*	30 June 2006 *(Audited)* *RMB'000*
Bank loans:		
- Unsecured	23,726	31,983
- Secured	727,600	735,595
	751,326	767,578
Bank loans repayable:		
- Within one year	283,131	175,022
- In the second year	241,215	253,412
- Between third and fifth years	226,980	339,144
	751,326	767,578
Bank loans:		
- Current portion	283,131	175,022
- Non-current portion	468,195	592,556
	751,326	767,578

9. RELATED PARTY TRANSACTIONS

The Company had the following material transactions with the companies controlled by or under the significant influence of Royal Philips during the period ended 30 September 2006:

		For the nine months ended 30 September	
		2006	2005
		(Unaudited)	*(Unaudited)*
	Notes	*RMB'000*	*RMB'000*
Sales	(i)	183,483	97,077
Purchases	(i)	1,003	343
Technology transfer fees	(ii)	14,185	8,302
Information technology ("IT") related service fees	(iii)	3,945	2,182

Notes:

(i) Sales to and purchases from 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 fee paid/payable to a related company were determined at 3% and 10%, respectively, of net sales of certain specified products sold based on agreements signed by both parties.

(iii) IT related service fees were charged by the related companies by agreement of the parties.

10. COMMITMENTS

The Company had the following commitments as at 30 September 2006:

	30 September 2006	30 June 2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Capital commitments in respect of property, plant and equipment:		
- contracted, but not provided for	12,529	12,645
- authorised, but not contracted for	46,893	54,825
	59,422	67,470

11. CONTINGENT LIABILITIES

On 8 March 2005, the Company received summons issued by the United States District Court, Northern District of California regarding the case known as Monolithic Power Systems, Inc. v. O2 Micro International Limited, in which the Company was identified as one of the counter-defendants and was alleged, by virtue of its manufacture and sale of wafers to Monolithic Power Systems, Inc. ("MPS"), without the permission or license from O2 Micro International Limited ("O2 Micro"), to induce infringement and/or contribute to the infringement of the United States Patent No. 6396722 (the "722 patent").

On 20 April 2005, the Company received summons issued by the United States District Court, Eastern District of Texas regarding the case known as O2 Micro International Limited v. Monolithic Power Systems, Inc., in which the Company was identified as one of the defendants and was alleged, by virtue of its manufacture and sale of wafers to MPS, without permission or license from O2 Micro, to induce infringement and/or contribute to the infringement of US Patent No. 6804129 (the "129 patent"). The case was transferred to the United States District Court, Northern District of California in May 2006. The court subsequently ordered consolidation of the two cases.

O2 Micro has recently dropped its allegations against the Company with respect to the 129 patent, but claimed that it should be entitled to damages amounting to US$149 million from MPS and that the Company should be jointly liable for the same damages. The Company has denied that it infringes and has claimed that the 722 patent is invalid and unenforceable. The Company has filed a motion for summary judgment of non-infringement and has also joined a motion for summary judgment seeking to have the 722 patent declared invalid by reason of the inventor's failure to comply with the best mode requirement of the US patent law.

In addition, on the basis of opinions from its damages experts, the Company is of the view that even if the 722 patent were found to be valid and enforceable and MPS and the Company were found to infringe, MPS would only be liable for a maximum of approximately US$5 million and the Company should not be liable for any damages because the Company's activities are not in the United States of America and MPS would be responsible to negotiate for the license (which would shield the Company).

A hearing on claim construction and summary judgment motions and initial case management conference was held on 27 October 2006. It was expected that final rulings on claim construction and summary judgment motions would be issued in approximately three weeks' time. The court decided that the trial would begin on 30 April 2007 and last for three weeks.

The Company is of the opinion that this litigation will not have a material adverse effect on the financial position or operational results of the Company. The revenue derived from the wafers that used the allegedly infringed patents accounted for less than 1 % of the total revenue of the Company for the nine months ended 30 September 2006. The Company believes that it can, if necessary, replace its foundry capacity and/or orders related to the allegedly infringed products from MPS with similar technology and order levels from its other customers (including MPS).

Operating Results Review:

Summary: **(Amount: RMB'000)**	**3Q06**	**2Q06**	**3Q05**	**QoQ % change**	**YoY % change**
Revenue	350,493	334,983	225,155	5%	56%
Gross profit	39,559	58,356	15,098	-32%	162%
Operating expenses	(23,543)	(33,094)	(35,527)	-29%	-34%
Other income and finance costs	(5,846)	(14,341)	8,003	—	—
Income tax (expense)	(762)	(897)	(1,816)	—	—
Net income/(loss)	9,408	10,024	(14,242)	-6%	—
EPS	0.01	0.01	(0.01)	—	—

Revenue increased by 5% from RMB 335.0 million for the three months ended 30 June 2006 to RMB 350.5 million for the three months ended 30 September 2006. This was mainly due to significant growth of sales relating to 8-inch wafer.

The Company's gross profit for the three months ended 30 September 2006 decreased by 32% from RMB58.4 million for the three months ended 30 June 2006 to RMB 39.6 million for three months ended 30 September 2006. Gross margin also decreased by six percentage points sequentially to 11%, primarily due to the one-off charges relating to both electricity generation for all production facilities this summer and the repairs and maintenance provided for second-hand facilities of both 6-inch and 8-inch to sustain smooth operation, resulting in the decrease in gross margin by three percentage points.

Operating expenses reduced by 29% from RMB33.1 million for the three months ended 30 June 2006 to RMB23.5 million for the three months ended 30 September 2006. The decrease in operating expenses was mainly attributable to 88% sequential decrease in research and development costs from RMB12.0 million in the second quarter of 2006.

For the three months ended 30 September 2006, other income and finance costs decreased by 59% from RMB 14.3 million in the previous quarter to RMB 5.8 million in the current quarter, mainly due to the increase in other income and lower finance cost. The increase in other income was mainly attributable to exchange gain resulting from RMB appreciation and higher interest income, which was also set off by the decrease in fair value on interest rate swap in the third quarter of 2006.

As a result, the net income for the three months ended 30 September 2006 was RMB 9.4 million, a slight decrease in net income when compared to RMB 10.0 million for the three months ended 30 June 2006. The Company's net margin in the current quarter almost remained the same as that of the previous quarter.

I. **Revenue Analysis**

By Application	**3Q06**	**2Q06**	**3Q05**
Communication	32%	32%	32%
Computer	33%	34%	32%
Consumer	35%	34%	36%

For the three months ended 30 September 2006, sales from communication, computer and consumer products accounted for 32%, 33% and 35% of total revenue respectively, which were mostly in line with last quarter's.

By Geography	**3Q06**	**2Q06**	**3Q05**
USA	50%	53%	53%
Europe	28%	23%	19%
Asia	22%	24%	28%

Sales to North America accounted for 50% of total revenue, when compared to 53% in the second quarter of 2006. The percentage of sales to Europe increased from 23% in the previous quarter to 28% in the current quarter. Sales to Asia Pacific decreased by two percentage points from previous quarter's to 22% for the three months ended 30 September 2006.

By Customer Type	**3Q06**	**2Q06**	**3Q05**
IDM	43%	42%	32%
Fabless	57%	58%	68%

For the three months ended 30 September 2006, sales from IDM and fabless customers accounted for 43% and 57% of total revenue respectively. The proportion remains the same as that of the previous quarter.

II. Utilization and Capacity (8-inch equivalent)

	3Q06	2Q06	3Q05
Utilization	71%	69%	51%
capacity Kpcs	154	154	143

Overall capacity utilization improved by 2 percentage points from the previous quarter's to 71% for the three months ended 30 September 2006 as a result of strong demand from customers

The capacity for the three months ended 30 September 2006 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and increased by 7.7 % when compared to that of the third quarter of 2005.

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

(Amount: RMB'000)	3Q06	2Q06	3Q05
Cost of sales	310,934	276,627	210,057
Gross profit	39,559	58,356	15,098
Gross margin	11%	17%	7%

Gross profit for the three months ended 30 September 2006 was RMB 39.6 million. Gross margin declined by six percentage points sequentially, primarily due to the one-off charges relating to both electricity generation for all production facilities this summer and the repairs and maintenance provided for second-hand facilities of both 6-inch and 8-inch to sustain smooth operation, resulting in the decrease in gross margin by three percentage points.

III-2. Operating Expense Analysis

Amount in (RMB'000)	3Q06	2Q06	3Q05
Selling and marketing expenses	2,953	1,968	1,607
General and administrative expenses	19,137	19,121	17,940
Research and development costs	1,453	12,005	15,980
Total	23,543	33,094	35,527

For the three months ended 30 September 2006, operating expenses decreased by 29% from RMB 33.1 million in the previous quarter to RMB 23.5 million in the current quarter due to the decrease in research and development costs.

III-3. Other Income and Finance Costs

(Amount: RMB'000)	**3Q06**	**2Q06**	**3Q05**
Other income	6,406	3,084	17,735
Finance costs	(12,252)	(17,425)	(9,732)
Total (expense)/income	(5,846)	(14,341)	8,003

Other income and finance costs for the three months ended 30 September 2006 decreased by 59% when compared to that for the three months ended 30 June 2006. The decrease was mainly attributable to the lower finance cost and higher other income. The increase in other income was mainly attributable to exchange gain resulting from RMB appreciation and higher interest income, which was also set off by the decrease in the fair value on interest rate swap in the third quarter of 2006.

IV. Financial Condition Review

IV-1. Liquidity Analysis

(Amount: RMB'000)	**3Q06**	**2Q06**	**3Q05**
Cash and cash equivalents	389,447	400,786	53,289
Trade and notes receivable	144,333	135,891	150,337
Inventories	263,238	225,781	169,703
Other current assets	69,102	74,650	48,607
Total current assets	**866,120**	**837,108**	**421,936**
Interest-bearing borrowings	283,131	175,022	404,650
Accounts payable	212,264	259,452	189,410
Other current liabilities	**150,690**	**160,318**	**76,735**
Total current liabilities	**646,085**	**594,792**	**670,795**
Net current Assets	**220,035**	**242,316**	**-248,859**
Current ratio (x)	1.34	1.41	0.63

Total current assets increased by RMB29.0 million or 3.5% from RMB837.1 million as at 30 June 2006 to RMB 866.1 million as at 30 September 2006, due mainly to the increase in trade and notes receivable and inventories by RMB 8.4 million and RMB37.5 million respectively, from balances as at 30 June 2006 to 30 September 2006. This was mainly due to the increase in sales during the third quarter of 2006, which resulted in the corresponding increase in trade and notes receivable. Higher inventories as at 30 September 2006 continued to reflect ramp-up for 8-inch wafers during the current period. The increase in the above current assets was set-off by the decrease in cash and cash equivalents by RMB 11.4 million or 2.9 % for payment of remaining consulting service fee relating to IPO transaction and revolving working capital facility incurred in the third quarter of 2006.

IV-2. **Receivable/Inventory Turnover**

	3Q06	2Q06	3Q05
Trade & Notes Receivables Turnover (days)	45	46	67
Inventory Turnover (days)	71	69	70

Receivable turnover for the three months ended 30 September 2006 was 45 days when compared to 46 days in the previous quarter.

Inventory turnover days increased to 71 days in the third quarter of 2006 from 69 days in the second quarter of 2006.

IV-3. **Debt Service**

(Amount: RMB'000)	**3Q06**	**2Q06**	**3Q05**
Cash and cash equivalents	389,447	400,786	53,289
Interest-bearing borrowings	(751,326)	(767,578)	(1,149,206)
Net cash reserves	(361,879)	(366,792)	(1,095,917)

Net cash reserve as at 30 September 2006 amounted to negative RMB 361.88 million when compared to negative RMB366.79 million as at 30 June 2006, representing a sequential increase by RMB 4.9 million or 1%. This was mainly due to the decrease in cash balance by RMB 11.3 million, set-off by the decrease in interest bearing borrowings by RMB 16.3 million.

The financial covenants for the three months ended 30 September 2006 under the US$100 million facility loan agreement have been fulfilled.

V. **Capital Expenditure:**

(Amount: RMB'000)	**3Q06**	**2Q06**	**3Q05**
Capex	8,049	32,951	90,335

The amount of capital expenditure for the three months ended 30 September 2006 was RMB 8.0 million, most of the spending was used to improve the production efficiency and flexibility of 8-inch fab.

VI. **Outlook for the fourth quarter of 2006**

The overall environment surrounding the Company's business is in line with global semiconductor industry in the fourth quarter of 2006.

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

Shanghai, PRC, 10 November 2006

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, Anthony Lear, Zhu Peiyi, Zhu Jian, Zhou Weiping 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.