



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 First 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 three months ended 31 March 2006 together with unaudited comparative figures for the corresponding period of last year as follows:

CONDENSED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 31 March	
		2006 <i>(Unaudited)</i> RMB'000	2005 <i>(Unaudited)</i> RMB'000
Revenue	3	318,842	203,996
Cost of sales		<u>(270,674)</u>	<u>(179,589)</u>
Gross profit		48,168	24,407
Operating expenses		<u>(28,036)</u>	<u>(44,432)</u>
Profit/(loss) from operating activities		20,132	(20,025)
Other income	3	7,930	8,121
Finance costs	4	<u>(14,973)</u>	<u>(4,229)</u>
Profit/(loss) before income tax	4	13,089	(16,133)
Income tax expense, net	5	<u>(982)</u>	<u>(111)</u>
Profit/(loss) attributable to shareholders		<u>12,107</u>	<u>(16,244)</u>
Earnings/(loss) per share (RMB) — Basic	7	<u>0.01</u>	<u>(0.01)</u>

CONDENSED BALANCE SHEET

	Notes	31 March 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		2,027,347	1,964,885
Construction in progress		179,605	175,937
Other non-current assets		<u>43,038</u>	<u>44,213</u>
Total non-current assets		<u>2,249,990</u>	<u>2,185,035</u>
Current assets			
Cash and cash equivalents		65,642	105,886
Accounts and notes receivable		151,810	124,264
Inventories		198,267	171,799
Other current assets		<u>59,679</u>	<u>54,919</u>
Total current assets		<u>475,398</u>	<u>456,868</u>
Total assets		<u>2,725,388</u>	<u>2,641,903</u>
Current liabilities			
Interest-bearing borrowings	8	531,527	1,186,319
Accounts payable		294,003	196,200
Other current liabilities		<u>80,512</u>	<u>79,075</u>
Total current liabilities		<u>906,042</u>	<u>1,461,594</u>
Net current liabilities		<u>430,644</u>	<u>1,004,726</u>
Non-current liabilities			
Interest-bearing borrowings	8	<u>626,930</u>	<u>—</u>
Total non-current liabilities		<u>626,930</u>	<u>—</u>
Net assets		<u>1,192,416</u>	<u>1,180,309</u>
Capital and reserves			
Share capital		1,109,080	1,109,080
Reserves		<u>83,336</u>	<u>71,229</u>
Shareholders' equity		<u>1,192,416</u>	<u>1,180,309</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

	For the three months ended 31 March	
	2006 <i>(Unaudited)</i> RMB'000	2005 <i>(Unaudited)</i> RMB'000
Share capital		
At beginning and end of period	1,109,080	1,109,080
Statutory surplus reserve		
At beginning and end of period	12,902	12,902
Other reserve		
At beginning and end of period	6,490	6,490
Retained earnings		
At beginning of period	51,837	126,867
Net profit/(loss) for the period	<u>12,107</u>	<u>(16,244)</u>
At end of period	<u>63,944</u>	<u>110,623</u>
Reserves	<u>83,336</u>	<u>130,015</u>
Shareholders' equity	<u>1,192,416</u>	<u>1,239,095</u>

CONDENSED CASH FLOW STATEMENT

	For the three months ended 31 March	
	2006 <i>(Unaudited)</i> RMB'000	2005 <i>(Unaudited)</i> RMB'000
Net cash inflow from operating activities	144,684	222,983
Net cash outflow from investing activities	(157,066)	(452,487)
Net cash (outflow)/inflow from financing activities	<u>(27,862)</u>	<u>195,464</u>
Decrease in cash and cash equivalents	(40,244)	(34,040)
Cash and cash equivalents at beginning of period	<u>105,886</u>	<u>45,936</u>
Cash and cash equivalents at end of period	<u>65,642</u>	<u>11,896</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>65,642</u>	<u>11,896</u>

1. BASIS OF PREPARATION

The unaudited balance sheet as at 31 March 2006 and the related unaudited income statement, cash flow statement and statement of changes in equity for the three months ended 31 March 2006 (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 2005 (“2005 financial statements”) dated 27 March 2006.

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 2005 financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention.

In 2006, the Company adopted the following amended and newly released IFRS which are generally effective for accounting periods beginning on or after 1 January 2006 that are relevant to its operations.

IAS 1	Presentation of Financial Statements (amended 2005)
IAS 21	The Effects of Changes in Foreign Exchange Rates (amended 2005)
IAS 39	Financial Instruments: Recognition and Measurement (amended 2005)
IAS 39 and IFRS 4 Amendments	Financial Guarantee Contracts (amended 2005)
IFRIC-Int 4	Determining whether an arrangement contains a lease (issued 2005)

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, 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:

	For the three months ended 31 March	
	2006 <i>(Unaudited)</i> RMB’000	2005 <i>(Unaudited)</i> RMB’000
United States of America	195,634	133,130
Europe	77,900	32,426
Asia	<u>45,308</u>	<u>38,440</u>
	<u>318,842</u>	<u>203,996</u>

3. REVENUE AND OTHER INCOME

	For the three months ended 31 March	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	318,812	203,165
Others	<u>30</u>	<u>831</u>
	<u>318,842</u>	<u>203,996</u>
Other income		
Interest income	224	43
Government subsidies:		
-refund of Value-added Tax ("VAT")	—	7,314
Technology service income	289	549
Foreign exchange gains	7,209	215
Gain on disposal of property, plant and equipment	<u>208</u>	<u>—</u>
	<u>7,930</u>	<u>8,121</u>
Total revenue	<u><u>326,772</u></u>	<u><u>212,117</u></u>

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the three months ended 31 March	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	15,204	4,229
Less: Interest capitalised	<u>(231)</u>	<u>—</u>
Finance costs	<u>14,973</u>	<u>4,229</u>
Depreciation	90,207	65,007
Provision for inventories	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 2005 and 2006. Major components of tax expense for the period are as follows:

	For the three months ended 31 March	
	2006	2005
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for income tax in respect of profit/(loss) for the period:		
- Current year	—	—
Deferred tax	<u>982</u>	<u>111</u>
Income tax expense, net	<u><u>982</u></u>	<u><u>111</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 2006 (31 March 2005: Nil).

7. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share for the three months ended 31 March 2006 and 2005 have been computed by dividing the net profit/(loss) attributable to shareholders during the three months ended 31 March 2006 and 2005 by 1,109,080,000 ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the three months ended 31 March 2006 and 2005 have not been disclosed as there were no dilutive options and other potential dilutive ordinary shares in issue during the periods.

8. INTEREST-BEARING BORROWINGS

	31 March	31 December
	2006	2005
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans:		
- Unsecured	420,893	443,861
- Secured	<u>737,564</u>	<u>742,458</u>
	<u>1,158,457</u>	<u>1,186,319</u>
Bank loans repayable:		
- Within one year	531,527	1,186,319
- In the second year	221,269	—
- Between third and fifth years	<u>405,661</u>	<u>—</u>
	<u>1,158,457</u>	<u>1,186,319</u>

The Company obtained a final unconditional waiver letter from the syndicate of banks (the “Lenders”) under the US\$100 million credit facility term loan agreement (the “Term Loan Agreement”) on 9 February 2006 in respect of the breach of certain financial covenant for the testing days as at 30 June 2005 and 30 September 2005 as stipulated in the Term Loan Agreement. Accordingly, secured bank loan of US\$78,200,000 (equivalent to approximately RMB626,929,400) under the Term Loan Agreement was reclassified from short-term loan to long-term loan following the last balance sheet date as at 31 December 2005.

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 31 March 2006:

		For the three months ended 31 March	
		2006	2005
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Sales	(i)	55,950	32,339
Technology transfer fees	(ii)	2,840	1,531
Information technology ("IT") related service fees	(iii)	577	512

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% or 10% of net sales of certain specified products sold by agreement of the parties, respectively.
- (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 31 March 2006:

	31 March 2006	31 December 2005
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Capital commitments		
Capital commitments in respect of: property, plant and equipment:		
- contracted, but not provided for	33,288	163,177
- authorised, but not contracted for	<u>64,589</u>	<u>91,038</u>
	<u>97,877</u>	<u>254,215</u>

11. CONTINGENT LIABILITIES

There is no further 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 2005.

OPERATING RESULTS REVIEW:

Summary:					
(Amount: RMB'000)	1Q06	4Q05	1Q05	QoQ % change	YoY % change
Revenue	318,842	275,716	203,996	16%	56%
Gross profit	48,168	26,328	24,407	83%	97%
Operating expenses	(28,036)	(46,514)	(44,432)	(40%)	(37%)
Non-operating (expense)/income	(7,043)	(5,922)	3,892	-	-
Income tax expense, net	(982)	4,699	(111)	-	-
Net income/(loss)	12,107	(21,409)	(16,244)	-	-
EPS	0.01		(0.01)		

Revenue increased 16% quarter-over-quarter from RMB275.7 million in 4Q05. Higher revenue for current period was driven by stronger demand from customers following the rebound of the industry as a whole.

Gross profit was RMB48.2 million, up 83% compared to gross profit of RMB26.3 million last quarter. Gross margin also improved by five percentage points sequentially to 15%, mainly due to higher levels of capacity utilization.

Operating expenses amounted to RMB28.0 million, decreased 40% from RMB46.5 million in 4Q05. The decrease was mainly attributable to 63% decrease in research and development costs from RMB21.6 million.

Non-operating expense for the quarter was RMB 7.0 million, 19% higher than last quarter, mainly attributable to the increase in finance costs by RMB2.2 million.

Net income was RMB12.1 million compared to net loss of RMB21.4 million for the last quarter of last year. Net margin increased to 3.8% from -7.8% last quarter.

I. Revenue Analysis

By Application	1Q06	4Q05	1Q05
Communication	33%	34%	26%
Computer	33%	33%	38%
Consumer	34%	34%	36%

Sales from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, mostly in line with last quarter.

By Geography	1Q06	4Q05	1Q05
N. America	62%	51%	65%
Europe	24%	24%	16%
Asia Pacific	14%	25%	19%

Sales to North of America accounted for 62% of total revenue, increased from 51% in the last quarter. Percentage sales to Asia Pacific decreased from 25% to 14% as compared to 4Q05.

By Customer Type	1Q06	4Q05	1Q05
IDM	41%	33%	35%
Fabless	59%	67%	65%

IDM and Fabless sales accounted for 41% and 59% of total revenue, as compared to 35% and 65%, respectively in the same period of last year.

II. Utilization and Capacity (8" equivalent)

	1Q06	4Q05	1Q05
Utilization	62%	59%	65%
capacity Kpcs	154	154	125

Overall capacity utilization improved by 3 percentage points from last quarter to 62%, as a result of strong demand from customers

The capacity in 1Q06 was 154K 8-inch equivalent wafers, remains the same level as in 4Q05 and up 23% on a year-over-year basis.

Notes

1: Figures represent number of 5" wafers. Conversion to 8"-equivalent wafers is by dividing this number by 2.56.

2: Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is by dividing this number by 1.78.

III. Profit and Expense Analysis

III-1. Gross Profit Analysis

(Amount: RMB'000)	1Q06	4Q05	1Q05
Cost of sales	270,674	249,388	179,589
Gross profit	48,168	26,328	24,407
Gross margin	15%	10%	12%

Gross profit for the 1Q06 was RMB48.2 million. Gross margin climbed by five percentage points sequentially, mainly due to the increase in capacity utilisation and production volume which eventually lead to the lower absorption of fixed overhead costs per unit.

III-2. Operating Expense Analysis

	1Q06	4Q05	1Q05
(Amount in RMB'000)			
Selling and marketing expenses	2,193	1,397	2,503
General and administrative expenses	17,832	23,547	18,475
Research and development costs	8,011	21,570	23,454
Total	28,036	46,514	44,432

Operating expenses reduced in 1Q06, mainly due to the decrease in research and development costs. High research and development cost was incurred in 2005 for developing and expanding the production technology for 8-inch wafer. R&D costs lowered as the production technology for 8-inch wafer stabilized. Selling and marketing expenses increased primarily due to higher commission cost relating to increased revenue.

III-3. Non-operating (expense)/income

	1Q06	4Q05	1Q05
(Amount: RMB'000)			
Other income	7,930	6,878	8,121
Finance costs	(14,973)	(12,800)	(4,229)
Total (expense)/income	(7,043)	(5,922)	3,892

The decrease in non-operating income was mainly attributable to the increase in finance costs by RMB2.2 million, as a result of higher interest rate under the revised club loan facility and decreased portion of interest expenses were capitalized for 8-inch facility in 1Q06.

IV. Financial Condition Review

IV-1. Liquidity Analysis

	1Q06	4Q05	1Q05
(Amount: RMB'000)			
Cash and cash equivalents	65,642	105,886	11,896
Trade and notes receivable	189,199	156,209	108,421
Inventories	198,267	171,799	143,539
Other current assets	22,290	22,974	37,129
Total current assets	475,398	456,868	300,985
Interest-bearing borrowings	531,527	1,186,319	584,460
Accounts payable	294,003	196,200	471,612
Other current liabilities	80,512	79,075	69,662
Total current liabilities	906,042	1,461,594	1,125,734
Net current liabilities	430,644	1,004,726	824,749
Current ratio (x)	0.52	0.31	0.27

Total current assets increased by RMB18.5 million or 4% from RMB456.9 million as at 31 December 2005 to RMB475.4 million as at 31 March 2006, due mainly to the increase in trade and notes receivable and inventories by RMB33.0 million and RMB26.5 million, respectively, from balances as at 31 December 2005 to 31 March 2006. This was mainly due to the increase in sales during the first quarter of 2006, which resulted in the corresponding increase in trade and notes receivable. Higher inventories as at 31 March 2006 reflected higher sales orders from customers in 2006. The increase in the above current assets was set-off by the decrease in cash and cash equivalents by RMB40.2 million or 38% for repayment of bank loans and capital expenditure incurred during the first quarter of 2006.

IV-2. Receivable/Inventory Turnover

	1Q06	4Q05	1Q05
Trade & Notes Receivables Turnover (days)	49	55	40
Inventory Turnover (days)	61	62	70

Receivable turnover days improved to 49 days in 1Q06 compared to 55 days in the previous quarter.

Inventory turnover days decreased to 61 days from 62 days in the 4th quarter last year.

IV-3. Debt Service

	1Q06	4Q05	1Q05
(Amount: RMB'000)			
Cash and cash equivalents	65,642	105,886	11,896
Interest-bearing borrowings	(1,158,457)	(1,186,319)	(584,460)
Net cash reserves	(1,092,815)	(1,080,433)	(572,564)

Net cash reserve as at 31 March 2006 amounted to negative RMB1,092.8 million as compared to negative RMB1,080.4 million at the end of 2005, representing a decrease by RMB12.4 million or 1%. This was mainly due to the decrease in cash balance by RMB40.2 million, set-off by the decrease in interest bearing borrowings by RMB27.9 million.

The financial covenants of 4Q05 and 1Q06 under the USD100 million facility loan agreement have been fulfilled.

V. Capital Expenditure:

	1Q06	4Q05	1Q05
(Amount: RMB'000)			
Capex	157,066	59,853	452,487

The amount of capital expenditure in 1Q06 was RMB157.1 million. Most of the spending was for the purchase of 8" production equipment.

VI. Recent Major Events & 2Q 2006 Guidance

- The company was successfully listed on SEHK and raised approximately HK\$748.3 million
- The company has arranged a repayment of approximately Rmb388.8 million revolving working capital facility in May.
- 2Q06 revenue growth will be in line with industry leaders;
- 2Q06 cost structure will be in line with 1Q 06.

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

Shanghai PRC, 10 May 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.