



ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED

上海先進半導體製造股份有限公司

(Incorporated in the People's Republic of China with limited liability)

(Stock Code: 3355)

**Preliminary Announcement of 2006 Interim Results
for the six months ended 30 June 2006**

INTERIM RESULTS

The board of directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") is pleased to announce the audited results of the Company for the six months ended 30 June 2006 together with unaudited comparative figures as follows:

INCOME STATEMENT

for the six months ended 30 June 2006

		3 months ended 30 June 2006	6 months ended 30 June 2006	3 months ended 30 June 2005	6 months ended 30 June 2005
	<i>Notes</i>	<i>(Unaudited) RMB'000</i>	<i>(Audited) RMB'000</i>	<i>(Unaudited) RMB'000</i>	<i>(Unaudited) RMB'000</i>
Revenue	3	334,983	653,825	226,716	430,712
Cost of sales		(276,627)	(547,301)	(221,592)	(401,181)
Gross profit		58,356	106,524	5,124	29,531
Selling and marketing expenses		(1,968)	(4,161)	(1,870)	(4,373)
General and administrative expenses		(19,121)	(36,953)	(17,719)	(36,153)
Research and development costs		(12,005)	(20,016)	(13,927)	(37,381)
Profit/(loss) from operating activities		25,262	45,394	(28,392)	(48,376)
Other income	3	3,084	11,014	4,704	12,784
Finance costs	4	(17,425)	(32,398)	(6,666)	(10,895)
Profit/(loss) before income tax	4	10,921	24,010	(30,354)	(46,487)
Income tax (expense)/credit, net	5	(897)	(1,879)	7,219	7,108
Net profit/(loss)		10,024	22,131	(23,135)	(39,379)
Dividends	6	—	—	—	—
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB) – Basic	7	0.01	0.02	(0.02)	(0.04)

BALANCE SHEET

30 June 2006

		30 June 2006	31 December 2005
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		2,118,878	1,964,885
Construction in progress		23,093	175,937
Land lease prepayments		36,238	36,623
Deferred tax assets		4,942	6,821
Total non-current assets		<u>2,183,151</u>	<u>2,184,266</u>
Current assets			
Cash and cash equivalents		400,786	105,886
Accounts and notes receivables	8	135,891	124,264
Inventories		225,781	171,799
Prepayments, deposits and other receivables		21,099	23,743
Due from related companies		53,551	31,945
Total current assets		<u>837,108</u>	<u>457,637</u>
Total assets		<u>3,020,259</u>	<u>2,641,903</u>
Current liabilities			
Interest-bearing borrowings		175,022	1,186,319
Accounts payable	9	259,452	196,200
Accrued liabilities and other payables		149,333	64,745
Due to related companies		10,985	14,330
Total current liabilities		<u>594,792</u>	<u>1,461,594</u>
Net current assets/(liabilities)		<u>242,316</u>	<u>(1,003,957)</u>
Non-current liabilities			
Interest-bearing borrowings		592,556	—
Net assets		<u>1,832,911</u>	<u>1,180,309</u>
Capital and reserves			
Registered and paid-up capital	10	1,534,227	1,109,080
Reserves		298,684	71,229
Shareholders' equity		<u>1,832,911</u>	<u>1,180,309</u>

STATEMENT OF CHANGES IN EQUITY*for the six months ended 30 June 2006*

		For the six months ended 30 June	
		2006	2005
		<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Registered and paid-up capital	10		
At beginning of period		1,109,080	1,109,080
Global offering of shares		467,660	—
Domestic shares converted to H shares		(42,513)	—
		<u>1,534,227</u>	<u>1,109,080</u>
At end of period		<u>1,534,227</u>	<u>1,109,080</u>
Capital reserve			
At beginning of period		39	39
Global offering of shares		287,930	—
Share issue expenses		(82,606)	—
		<u>205,363</u>	<u>39</u>
At end of period		<u>205,363</u>	<u>39</u>
Statutory surplus reserve			
At beginning and end of period		<u>12,902</u>	<u>12,902</u>
Statutory public welfare fund			
At beginning and end of period		<u>6,451</u>	<u>6,451</u>
Retained earnings			
At beginning of period		51,837	126,867
Net profit for the period		22,131	—
Net loss for the period (unaudited)		—	(39,379)
		<u>73,968</u>	<u>87,488</u>
At end of period		<u>73,968</u>	<u>87,488</u>
Reserves		<u>298,684</u>	<u>106,880</u>
Shareholders' equity		<u>1,832,911</u>	<u>1,215,960</u>

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:

	3 months ended 30 June 2006 <i>(Unaudited)</i> <i>RMB'000</i>	6 months ended 30 June 2006 <i>(Audited)</i> <i>RMB'000</i>	3 months ended 30 June 2005 <i>(Unaudited)</i> <i>RMB'000</i>	6 months ended 30 June 2005 <i>(Unaudited)</i> <i>RMB'000</i>
United States of America	178,351	373,985	146,745	279,875
Europe	77,327	155,227	27,458	59,884
Asia	79,305	124,613	52,513	90,953
	<u>334,983</u>	<u>653,825</u>	<u>226,716</u>	<u>430,712</u>

3. REVENUE AND OTHER INCOME

	3 months ended 30 June 2006 <i>(Unaudited)</i> <i>RMB'000</i>	6 months ended 30 June 2006 <i>(Audited)</i> <i>RMB'000</i>	3 months ended 30 June 2005 <i>(Unaudited)</i> <i>RMB'000</i>	6 months ended 30 June 2005 <i>(Unaudited)</i> <i>RMB'000</i>
Revenue				
Sales of goods	334,843	653,655	225,832	428,997
Others	140	170	884	1,715
	<u>334,983</u>	<u>653,825</u>	<u>226,716</u>	<u>430,712</u>
Other income				
Interest income	2,600	2,824	72	115
Government subsidies:				
Refund of value-added tax ("VAT")	—	—	—	7,314
Technology service income	—	266	3,597	4,146
Net foreign exchange (loss)/gain and others	(1,599)	5,841	1,035	1,209
Fair value gain on interest rate swap	2,083	2,083	—	—
	<u>3,084</u>	<u>11,014</u>	<u>4,704</u>	<u>12,784</u>
	<u>338,067</u>	<u>664,839</u>	<u>231,420</u>	<u>443,496</u>

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	3 months ended	6 months ended	3 months ended	6 months ended
	30 June 2006	30 June 2006	30 June 2005	30 June 2005
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	17,425	32,629	7,227	11,456
Less: Interest capitalised	—	(231)	(561)	(561)
Finance costs	<u>17,425</u>	<u>32,398</u>	<u>6,666</u>	<u>10,895</u>
Depreciation	96,199	186,406	69,055	134,062
Provision for inventories	8,738	9,389	28,208	28,208

5. 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 2006 and 2005.

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

	3 months ended	6 months ended	3 months ended	6 months ended
	30 June 2006	30 June 2006	30 June 2005	30 June 2005
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision for income tax in respect of profit for the period:				
- Current	—	—	—	—
- Overprovision in prior years	—	—	(4,936)	(4,936)
	<u>—</u>	<u>—</u>	<u>(4,936)</u>	<u>(4,936)</u>
Deferred tax expense/(credit)	897	1,879	(2,283)	(2,172)
Income tax expense/(credit)	<u>897</u>	<u>1,879</u>	<u>(7,219)</u>	<u>(7,108)</u>

6. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary equity holders of the Company for the six months ended 30 June 2006 (30 June 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 June 2006 (Unaudited)	6 months ended 30 June 2006 (Audited)	3 months ended 30 June 2005 (Unaudited)	6 months ended 30 June 2005 (Unaudited)
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	<u>10,024</u>	<u>22,131</u>	<u>(23,135)</u>	<u>(39,379)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,503,758</u>	<u>1,307,509</u>	<u>1,109,080</u>	<u>1,109,080</u>

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. ACCOUNTS AND NOTES RECEIVABLES

	30 June 2006 (Audited) RMB'000	31 December 2005 (Audited) RMB'000
Accounts receivable	129,210	117,645
Notes receivable	<u>6,681</u>	<u>6,619</u>
	<u>135,891</u>	<u>124,264</u>

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

An ageing analysis of the accounts receivable as at 30 June 2006 is as follows:

	30 June 2006 (Audited) RMB'000	31 December 2005 (Audited) RMB'000
Within 30 days	100,707	68,840
Between 31 days and 90 days	28,009	47,997
Between 91 days and 180 days	516	113
Between 181 days and 365 days	<u>—</u>	<u>717</u>
	129,232	117,667
Less: Provision for bad and doubtful debts	<u>(22)</u>	<u>(22)</u>
	<u>129,210</u>	<u>117,645</u>

9. ACCOUNTS PAYABLE

	30 June 2006	31 December 2005
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Outstanding balances with ageing:		
Within 30 days	131,638	108,714
Between 31 days and 90 days	28,983	46,737
Between 91 days and 180 days	60,073	10,679
Between 181 days and 365 days	21,120	15,140
Over 365 days	17,638	14,930
	<u>259,452</u>	<u>196,200</u>

10. REGISTERED AND PAID-UP CAPITAL

	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	Number of shares	Number of shares	Number of shares	Number of shares
	<i>'000</i>	<i>'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Audited)</i>	<i>(Audited)</i>
Registered	<u>1,109,080</u>	<u>1,109,080</u>	<u>1,109,080</u>	<u>1,109,080</u>
Issued and fully paid:				
Non-listed foreign shares	33,272	696,946	33,272	696,946
Domestic Shares	369,621	412,134	369,621	412,134
H Shares	467,660	—	467,660	—
Converted H Shares	663,674	—	663,674	—
Total	<u>1,534,227</u>	<u>1,109,080</u>	<u>1,534,227</u>	<u>1,109,080</u>

According to the relevant regulations of the PRC, Domestic Shares, Foreign Shares (whether all in the form of Converted H Shares or Non-listed Foreign Shares) and H Shares are ordinary shares in the Company's share capital. The holders of ordinary shares are entitled to receive dividends declared by the Company, and are entitled to voting rights without restriction.

The nominal value of 467,660,000 H shares, less 42,513,000 Sale H Shares, issued pursuant to the Global Offering has not been registered as the registered capital of the Company as the capital verification was not completed at 30 June 2006.

Pursuant to the "Provisional Administrative Measures for the Reduction of State-owned Shares in Raising the Social Security Fund", 42,513,000 Domestic Shares of the Company were converted into 42,513,000 Sale H Shares, the sales proceeds of which should be remitted to the National Social Security Fund (the "NSSF").

467,660,000 H Shares of the Company, which represent 369,693,000 New H Shares and 36,969,000 Sale H Shares, were listed on the Main Board of the Hong Kong Stock Exchange on 7 April 2006 and 55,454,000 additional New H Shares and 5,544,000 Sale H Shares, issued upon exercise of an over-allotment option, were listed on the Main Board of the Hong Kong Stock Exchange on 11 April 2006. These H Shares with a nominal value of RMB1 each were issued to the public by way of Global Offering at an offer price of HK\$1.60 per share. After deducting net proceeds of approximately RMB62,699,000 from the sale of the 42,513,000 Sale H Shares, which will be remitted to the NSSF as explained above, and the share issue expenses of approximately RMB82,606,000, the net proceeds from the Global Offering of approximately RMB630,471,000 were credited to the paid-up capital and capital reserve as RMB425,147,000 and RMB205,324,000, respectively. Share issue expenses payable amounting to RMB11,639,000 at 30 June 2006 were included in accrued liabilities and other payables of RMB149,333,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended 30 June 2006 compared to six months ended 30 June 2005

Sales

Sales increased by 51.8% from RMB430.7 million for the six months ended 30 June 2005 to RMB653.8 million for the six months ended 30 June 2006. The strong growth in revenue was mainly attributable to the increased production capacity for 8-inch wafers and higher wafer shipment. The Company's production capacity of 8-inch equivalent wafer increased from 266,000 pieces for the six months ended 30 June 2005 to 308,000 pieces for the six months ended 30 June 2006. The wafer shipment increased by 49.5% from 149,774 pieces of 8-inch equivalent wafers for the six months ended 30 June 2005 to 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 RMB106.5 million for the six months ended 30 June 2006 compared to RMB29.5 million for the six months ended 30 June 2005. Gross margin increased to 16.3% for the six months ended 30 June 2006 compared to 6.9% for the same period last year. This was mainly attributable to the increase in production volume which eventually led to lower absorption of fixed overhead costs per unit as well as increase in line yield of 8-inch wafers.

Operating Expenses and Operating Income

Selling and marketing expenses decreased from RMB4.4 million for the six months ended 30 June 2005 to RMB4.2 million for the six months ended 30 June 2006, mainly because of the reduction of commission rate agreed in 2006.

General and administrative expenses increased by 2.2% from RMB36.2 million for the six months ended 30 June 2005 to RMB37.0 million for the six months ended 30 June 2006, primarily due to the increase in human resources cost during the period.

Research and development costs for the six months ended 30 June 2006 reduced by 46.5% from RMB37.4 million for the six months ended 30 June 2005 to RMB20 million for the six months ended 30 June 2006, primarily due to the stabilization of the Company's 8-inch production technology during the period.

As a result, the Company achieved an operating income of RMB45.4 million for the six months ended 30 June 2006 compared to the operating loss of RMB48.4 million for the six months ended 30 June 2005. The Company's operating margin also improved to 6.9% for the six months ended 30 June 2006 compared to the negative 11.2% for the six months ended 30 June 2005.

Other Income and Finance Cost

The Company's other income for the six months ended 30 June 2006 recorded an amount of RMB11.0 million, a decrease of 13.9% from RMB12.8 million for the same period last year. The other income of the current period was mainly comprised of interest income, foreign exchange gain resulting from RMB appreciation and the fair value gain on interest rate swap. The other income of the corresponding period last year was mainly comprised of technology service income, the refund of value-added tax, and foreign exchange gain.

As a result of the drawdown of US\$92 million under the US\$100 million club term loan facility starting from June 2005 and higher LIBOR and interest margin, finance costs increased by 197.2% from RMB10.9 million for the six months ended 30 June 2005 to RMB32.4 million for the six months ended 30 June 2006.

Net Income

Collectively, the Company recorded a net income of RMB22.1 million for the six months ended 30 June 2006 compared to a net loss of RMB39.4 million for the six months ended 30 June 2005.

Liquidity and Capital Resources

The Company had cash and cash equivalents of RMB400.8 million as at 30 June 2006 compared to RMB105.9 million as at 31 December 2005. The Company's net cash inflow from operating activities increased by 170.5%, from RMB73.5 million for the six months ended 30 June 2005 to RMB198.8 million for the six months ended 30 June 2006. The reconciliation between the profit before income tax of RMB24.0 million and the net cash inflow from operating activities for the six months ended 30 June 2006 showed that the difference was mainly attributed to non-cash depreciation of RMB186.4 million and the net increase in working capital.

The Company's net cash outflow from investing activities, which was primarily allocated to the continuing investment on property, plant and equipment and construction in progress, was RMB190.0 million for the six months ended 30 June 2006 compared to RMB643.2 million for the six months ended 30 June 2005. Most of the spending in the current period was allocated to the continuing investment of 8-inch production line.

The Company's net cash inflow from financing activities was RMB286.1 million for the six months ended 30 June 2006 compared to RMB545.9 million for the six months ended 30 June 2005. The net cash inflow of RMB286.1 million represented the net effect of RMB704.8 million being the proceeds from the initial public offering in April 2006, the new bank loans of RMB159.9 million and the repayment of the bank loans of RMB 578.6 million.

As at 30 June 2006, the Company had interest-bearing borrowings of RMB175 million, which was categorized as current liabilities. The Company's long-term liabilities of RMB592.6 million under the US\$100 million club term loan facility, are repayable in installments commencing in March 2007. The US\$100 million club term loan facility dated 31 March 2005 was pledged with the Company's property, plant and equipment, construction in progress and land lease prepayments.

On 9 February 2006, the Company obtained a final unconditional waiver from the syndicate of banks under the US\$100 million club term loan facility agreement (the “Term Loan Agreement”) in respect of its breach of certain financial covenants on the test days of 30 June 2005 and 30 September 2005 stipulated in the Term Loan Agreement. Accordingly, the secured bank loan of US\$92 million (equivalent to approximately RMB735.6 million as at 30 June 2006) under the Term Loan Agreement that was classified as short term loan as at 31 December 2005 because of the breach of those financial covenants, was reclassified as long-term loan as at 30 June 2006 in the amount of US\$74.1 million (equivalent to approximately RMB592.6 million). Since 2006, the Company has not breached any financial covenant stipulated in the Term Loan Agreement.

The Company is also obliged to make prepayment of the club term loan facility on mandatory prepayment date falls due on 31 March each year starting from 31 March, 2007. The amount of the prepayment shall be fifteen percent of the annual operating cash flow of the preceding fiscal year of the mandatory prepayment date. The operating cash flow is defined as EBITDA after changes in working capital and the scheduled payments of principal and interest during the corresponding fiscal year, excluding capital expenditure, dividends and other financial expenditure.

As at 30 June 2006, the Company’s current ratio was 1.41 compared to 0.31 as at 30 June 2005. The Company’s debt to equity ratio improved from 100% as at 31 December 2005 to 41.9% as at 30 June 2006.

Interest rate risks

The Company’s interest-bearing loans and borrowings are subject to interest rate fluctuation of LIBOR plus margin. As majority of the Company’s debt is long-term borrowing, the operating profits will be reduced in the event of higher LIBOR. Out of the US\$92 million the Company drew down under the US\$100 million club term loan facility, the Company entered into an interest rate swap for the interest payable on the principal of US\$25 million.

Foreign exchange rate fluctuation risks

Renminbi is the Company’s functional currency for financial reporting because it is the legal tender of the PRC being the primary economic environment in which it operates. In the event that the Company’s Renminbi revenue is not sufficient to meet its Renminbi expenditure, the Company’s foreign currencies deposit shall be converted into Renminbi to meet the difference; therefore appreciation in Renminbi may bring about unfavorable impact on the Company’s operating profits and cashflow.

Capital Commitment

As at 30 June 2006, the Company had capital commitments of property, plant and equipment amounting to RMB67.5 million, of which RMB12.6 million was contracted but not provided for while RMB54.8 million was authorized but not contracted for.

Operating Results for the three months ended 30 June 2006

Sales for the three months ended 30 June 2006 increased by 5% when compared to that of the first quarter of the year.

Gross profit for the three months ended 30 June 2006 increased by 21% from the previous quarter. Gross margin for the three months ended 30 June 2006 improved by one per cent sequentially to 16%, mainly due to the higher level of capacity utilization.

Operating expenses for the three months ended 30 June 2006 increased by 18% when compared to that of the first quarter of the year as there were 1% decrease in selling and administrative expenses, 7.2% increase in general and administrative expenses, and 49.9% increase in research and development costs.

Non-operating expenses for the three months ended 30 June 2006 increased by 103.6% as compared to that for the three months ended 31 March 2006. The increase was mainly attributable to lower other income and higher finance cost. Other income of the second quarter was less than the first quarter's because exchange gain attributable to RMB appreciation was less than that of the first quarter. Finance costs increased due to higher interest expense and bank charges for the three months ended 30 June 2006.

As a result, the net income for the three months ended 30 June 2006 recorded an amount of RMB10.0 million, a decrease in net income when compared to RMB12.1 million for the three months ended 31 March 2006.

1. Revenue Analysis

By Application	2Q06	1Q06	2Q05
Communication	32%	33%	26%
Computer	34%	33%	38%
Consumer	34%	34%	36%

For the three months ended 30 June 2006, sales from communication, computer and consumer products accounted for 32%, 34% and 34% of total revenue respectively, which were mostly in line with last quarter's.

By Geography	2Q06	1Q06	2Q05
N. America	53%	62%	65%
Europe	23%	24%	12%
Asia Pacific	24%	14%	23%

For the three months ended 30 June 2006, sales to North America accounted for 53% of total revenue, when compared to 62% in the previous quarter. The percentage of sales to Asia Pacific increased from 14% in the previous quarter to 24% in the current quarter mainly because of the fact that sales from a major customer in Asia increased by approximately 132%.

By Customer Type	2Q06	1Q06	2Q05
IDM	42%	41%	30%
Fabless	58%	59%	70%

For the three months ended 30 June 2006, sales from IDM and fabless customers accounted for 42% and 58% of the total revenue respectively. The proportion remains similar to that of the previous quarter.

2. Utilization and Capacity (8" equivalent)

	2Q06	1Q06	2Q05
Utilization	69%	62%	59%
Capacity (wafers in thousand)	154	154	133

Note:

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 improved by 7 percentage points from the previous quarter's to 69% for the three months ended 30 June 2006.

The capacity for the three months ended 30 June 2006 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and increased by 16% when compared to that of the second quarter of 2005.

3. Receivable/Inventory Turnover

	2Q06	1Q06	2Q05
Trade & Notes Receivables Turnover (days)	46	49	40
Inventory Turnover (days)	69	61	70

Receivable turnover for the three months ended 30 June 2006 was 46 days, which showed a slight improvement when compared to the last quarter's.

Inventory turnover increased from 61 days in the first quarter of 2006 to 69 days in the second quarter of 2006 due to the increase in WIP of 8-inch production.

4. Capital Expenditure

	2Q06	1Q06	2Q05
(Amount: RMB'000)			
Capex	32,951	157,066	190,700

The amount of capital expenditure for the three months ended 30 June 2006 was RMB32.9 million, a substantial decrease from that of the first quarter of 2006.

Acquisition of Philips Semiconductors

On 3 August 2006, Koninklijke Philips Electronics N.V. (“Royal Philips”) announced that it had signed an agreement with Kohlberg Kravis Roberts & Co., Silver Lake Partners and AlpInvest Partners N.V. (the “Consortium”) whereby the Consortium will acquire an 80.1% stake in Philips’ Semiconductors business, with Royal Philips retaining a 19.9% stake in this business. The shares in the Company currently held by Royal Philips through Philips Electronics China B.V. will be ultimately held by the stand-alone Philips Semiconductors company. However, such shares may not be transferred until the expiry of the existing shareholder’s lock up period, i.e., one year after 7 April 2006 when the Company’s shares were listed on the Hong Kong Stock Exchange and except with approval from the PRC Ministry of Commerce.

Prospects and Future Plans

The ramp up of 8-inch fab of the Company has been going smoothly and as a result the Company was ready to benefit from the most recently rebound of industry and experienced a healthy start in the first half of 2006.

The Company will keep improving the utilization and quality management of 8-inch fab and maintain a strong customer base by rendering high quality, reliable, flexible and cost-effective manufacturing solution to the Company’s customers.

The Company will continue to capitalize on its presence in the PRC and address the growing domestic demand for analog semiconductors.

In summary, the Company will continue to strengthen its strategic capabilities as a leading analog foundry and grow in line with the promising prospect of analog semiconductor industry overseas and in China.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

During the six months ended 30 June 2006, there was no purchase, sale or redemption by the Company of its listed securities except its initial public offering of 425,147,000 new shares (taking into account the exercise of the over-allotment option in full) as disclosed in the Company’s prospectus dated 27 March 2006.

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 complied with the code provisions of the Governance Code in Appendix 14 of the Listing Rules for the period commencing from 7 April 2006 (the date on which the Company’s H shares were listed on the Stock Exchange) to 30 June 2006, except for the following instances:

Code provision A.1.7

The code provision A.1.7 of the Governance Code provides that, there should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer’s expense.

Currently the Company does not have such a procedure in writing. However, the directors are of the view that their right of access to independent professional advice has never been prejudiced by non-existence of such a procedure. To comply with the Governance Code, the board intends to approve such a procedure before the end of this year.

Code provision A.5.4

The code provision A.5.4 of the Governance Code provides, among other things, that the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the issuer.

The board adopted an employee code of conduct on 1 November 2005 which provides, among other things, that all employees must not deal in the securities of the Company if they are in possession of any non-public price-sensitive information with regard to the Company. To fully comply with the Governance Code, the board established further written guidelines on no less exacting terms than the Model Code for the relevant employees in respect of their dealings in the securities of the Company on 27 July 2006.

REVIEW AND AUDIT OF THE INTERIM RESULTS

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. Anthony Lear and Mr. Zhu Peiyi. The interim results for the six months ended 30 June 2006 have been reviewed by the Audit Committee and audited by Ernst & Young, the Company's external auditors.

By order of the Board
**ADVANCED SEMICONDUCTOR MANUFACTURING
CORPORATION LIMITED**
Tony Yuhai Liu
Executive Director & President

Shanghai, PRC, 10 August 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.