ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED

上海先進半導體製造股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3355)

2006 Annual Results Announcement for the year ended 31 December 2006

ANNUAL 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 year ended 31 December 2006 as follows:

INCOME STATEMENT
Year ended 31 December 2006

	Notes	**2006 RMB'000**	**2005 RMB'000**
Revenue	3	1,355,193	931,583
Cost of sales		(1,214,253)	(860,626)
Gross profit		140,940	70,957
Selling and distribution costs		(9,016)	(7,377)
General and administrative expenses		(75,914)	(77,640)
Research and development costs		(32,001)	(74,931)
Profit/(loss) from operating activities		24,009	(88,991)
Other income	3	36,882	37,397
Finance costs		(57,922)	(33,427)
Profit/(loss) before income tax	4	2,969	(85,021)
Income tax credit, net	5	974	9,991
Net profit/(loss) attributable to ordinary equity holders of the Company		3,943	(75,030)
Dividends	6	—	—
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
- Basic	7	0.28 cents	(6.77) cents

BALANCE SHEET
31 December 2006

	Notes	**2006 RMB'000**	**2005 RMB'000**
Non-current assets			
Property, plant and equipment		1,941,434	1,946,316
Construction in progress		1,929	175,937
Land lease prepayments		35,854	36,623
Intangible assets		17,559	18,569
Deferred tax assets		7,795	6,821
Total non-current assets		2,004,571	2,184,266
Current assets			
Inventories		261,829	171,799
Accounts and notes receivables	8	137,802	124,264
Prepayments, deposits and other receivables		21,736	23,743
Due from related companies		35,894	31,945
Cash and cash equivalents		396,987	105,886
Total current assets		854,248	457,637
Total assets		2,858,819	2,641,903
Current liabilities			
Accounts payable	9	194,344	196,200
Accrued liabilities and other payables		95,433	64,745
Due to related companies		12,492	14,330
Interest-bearing borrowings	10	286,451	1,186,319
Total current liabilities		588,720	1,461,594
Net current assets/(liabilities)		265,528	(1,003,957)
Non-current liabilities			
Interest-bearing borrowings	10	455,376	—
Net assets		1,814,723	1,180,309
Capital and reserves			
Registered and paid-up capital		1,534,227	1,109,080
Reserves		280,496	71,229
Shareholders' equity		1,814,723	1,180,309

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2006

	2006 RMB'000	2005 RMB'000
Registered and paid-up capital		
Ordinary shares of RMB1.00 each:		
At beginning of year	1,109,080	1,109,080
Global offering of shares	425,147	—
At end of year	1,534,227	1,109,080
Capital reserve		
At beginning of year	39	39
Global offering of shares	205,324	—
At end of year	205,363	39
Statutory surplus reserve		
At beginning of year	12,902	12,902
Increase: Transferred from statutory public welfare fund	6,451	—
At end of year	19,353	12,902
Statutory public welfare fund		
At beginning of year	6,451	6,451
Decrease: Transferred to statutory surplus reserve	(6,451)	—
At end of year	—	6,451
Retained earnings		
At beginning of year	51,837	126,867
Net profit/(loss) for the year	3,943	(75,030)
At end of year	55,780	51,837
Reserves	280,496	71,229
Shareholders' equity	1,814,723	1,180,309

CASH FLOW STATEMENT
Year ended 31 December 2006

	2006 RMB'000	2005 RMB'000
Net cash inflow from operating activities	322,816	56,002
Net cash outflow from investing activities	(218,390)	(793,375)
Net cash inflow from financing activities	186,675	797,323
Net increase in cash and cash equivalents	291,101	59,950
Cash and cash equivalents at beginning of year	105,886	45,936
Cash and cash equivalents at end of year	396,987	105,886
Analysis of balances of cash and cash equivalents		
Cash and bank balances	149,546	105,886
Non-pledged time deposits	247,441	—
	396,987	105,886

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Interpretations of the Standing Interpretation Committee approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

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

IAS 39	Financial Instruments: Recognition and Measurement (amended in 2005)
IFRIC-Int 4	Determining whether an arrangement contains a lease (issued in 2005)

The adoption of the above standards has no material impact on the results and financial position of the Company.

Impact of issued but not yet effective IFRSs

The Company has not applied the following new and revised IFRSs, and IFRIC interpretations that have been issued but are not yet effective in these financial statements.

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC-Int 10	Interim Financial Reporting and Impairment

The IAS 1 Amendment will affect the disclosures about qualitative information of 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.

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.

IFRIC-Int 10 addresses the interaction between the requirements of IAS 34, Interim Financial Reporting and the recognition of impairment losses on goodwill under IAS 36, Impairment of Assets and certain financial assets under IAS 39, Financial Instruments: Recognition and Measurement. IFRIC-Int 10 requires that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

IAS 1 Amendment and IFRS 7 are effective for annual periods beginning on or after 1 January 2007. IFRS 8 supersedes IAS14, and is effective for periods beginning on or after 1 January 2009. IFRIC-Int 10 is effective for the annual period beginning on or after 1 November 2006.

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 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:

	2006 *RMB'000*	**2005** *RMB'000*
United States of America	696,869	542,143
Europe	347,337	169,556
Asia	310,987	219,884
	1,355,193	931,583

3. REVENUE AND OTHER INCOME

	2006 *RMB'000*	**2005** *RMB'000*
Revenue		
Sale of goods	1,354,399	929,711
Others	794	1,872
	1,355,193	931,583
Other income		
Interest income	11,104	393
Government subsidies:		
Refund of Value-added Tax ("VAT")	—	7,314
Technology service income	—	4,656
Scrap sales	7,622	—
Compensation received	4,801	—
Net foreign exchange gains and others	13,579	22,194
Fair value (loss)/gain on interest rate swap	(224)	2,840
	36,882	37,397
	1,392,075	968,980

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2006 *RMB'000*	2005 *RMB'000*
Staff costs (including Directors', supervisors' and senior executives' emoluments):		
Retirement benefits		
- defined contribution fund	13,180	9,679
Accommodation benefits		
- defined contribution fund	4,055	3,057
Salaries and other staff costs	146,377	126,396
	163,612	139,132
Interest on bank loans	58,153	38,977
Less: Interest capitalised	(231)	(5,550)
Finance costs	57,922	33,427
Average interest rate capitalised	*4.93%*	*4.93%*
Depreciation	382,801	284,888
Amortisation of intangible assets	3,491	—
Amortisation of land lease prepayments	769	769
Auditors' remuneration	2,400	1,000
Loss on disposal of property, plant and equipment	1,392	2,068
(Reversal of)/provision of impairment loss on construction in progress	(1,299)	2,337
Reversal of allowance for bad and doubtful debts	(22)	—
Foreign exchange losses	—	1,730
Construction in progress written off	10	—
Provision for inventories	13,186	7,056

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 years ended 31 December 2005 and 2006. Major components of income tax credit are as follows:

	2006 *RMB'000*	2005 *RMB'000*
Provision for income tax in respect of profit for the year	—	—
Over provision of income tax in respect of prior years	—	(4,936)
	—	(4,936)
Deferred tax credit	(974)	(5,055)
Income tax credit	(974)	(9,991)

6. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2006 (31 December 2005: Nil).

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

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

	2006	**2005**
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	3,943	(75,030)
Weighted average number of ordinary shares in issue ('000)	1,421,800	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 years ended 31 December 2005 and 2006.

8. ACCOUNTS AND NOTES RECEIVABLES

	2006	**2005**
	RMB'000	*RMB'000*
Accounts receivable	137,802	117,645
Notes receivables	—	6,619
	137,802	124,264

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 31 December 2006 is as follows:

	2006	**2005**
	RMB'000	*RMB'000*
Outstanding balances with ageing:		
Within 30 days	79,462	68,840
Between 31 days and 90 days	57,567	47,997
Between 91 days and 180 days	557	113
Between 181 days and 365 days	216	717
	137,802	117,667
Less: Allowance for bad and doubtful debts	—	(22)
	137,802	117,645

9. ACCOUNTS PAYABLE

	2006	2005
	RMB'000	*RMB'000*
Outstanding balances with ageing:		
Within 30 days	144,646	108,714
Between 31 days and 90 days	33,790	46,737
Between 91 days and 180 days	7,245	10,679
Between 181 days and 365 days	3,461	15,140
Over 365 days	5,202	14,930
	194,344	196,200

10. INTEREST-BEARING BORROWINGS

	2006	2005
	RMB'000	*RMB'000*
Bank loans:		
- Unsecured	23,426	443,861
- Secured	718,401	742,458
	741,827	1,186,319
Bank loans repayable:		
- Within one year	286,451	1,186,319
- In the second year	234,702	—
- Between the third and fifth years	220,674	—
	741,827	1,186,319
Bank loans:		
- Current portion	286,451	1,186,319
- Non-current portion	455,376	—
	741,827	1,186,319

The bank loans bear interest at rates from 6.17% to 6.58% per annum (2005: 1.97% to 5.25% per annum).

11. RELATED PARTY TRANSACTIONS

The companies controlled by or under the significant influence of Royal Philips and NXP B.V. are considered to be related to the Company.

The Company had the following material transactions with the companies controlled by or under the significant influence of Royal Philips and NXP B.V. during the year ended 31 December 2006:

	Notes	2006 RMB'000	2005 RMB'000
Sales	(i)	245,450	152,258
Purchases	(i)	1,016	6,560
Technology transfer fees	(ii)	21,530	13,757
Information technology ("IT") related service fees	(iii)	2,613	2,641

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 fees paid/payable to a related company were determined at 3% or 10% of the net sales of certain specified products sold by agreement of the parties.

(iii) IT related service fees were charged by the related companies based on services rendered in accordance with the terms of agreements signed by the parties.

In the opinion of the Directors, all transactions above were carried out in the ordinary course of business of the Company. Such transactions were conducted on an arm's length basis and on normal commercial terms, and will continue as such in the future.

The above related parties transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

12. COMMITMENTS

The Company had the following capital commitments as at 31 December 2006:

	2006 RMB'000	2005 RMB'000
Capital commitments in respect of property, plant and equipment:		
- contracted, but not provided for	6,584	163,177
- authorised, but not contracted for	46,182	91,038
	52,766	254,215

13. CONTINGENT LIABILITIES

(a) 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.

Subsequently, O2 Micro dropped its allegations against the Company with respect to the 129 patent, but claimed that it should be entitled to damages from MPS by reason of the latter's infringement of the 722 patent for US$149 million and that the Company should be jointly liable for the same damages. The Company has denied infringement 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.

On 8 February 2007, the court granted summary judgement in favour of the Company that O2 Micro had presented no evidence of damages and that the Company should not be stopped from challenging the infringement and validity of the 722 patent. The court denied the Company's other motions for summary judgment. The court also concluded that the Company should not be liable for conduct that had occurred before 6 December 2004, though it might be liable for conduct occurring thereafter. The court previously decided that the trial would begin on 30 April 2007 and last for three weeks. The issues at trial will be limited to whether the 722 patent is invalid, whether the Company and other defendants infringe the 722 patent, and, should the 722 patent be found valid and enforceable, whether O2 Micro is entitled to an injunction.

The Company considered that the liability arising from the 722 patent is possible but not probable and therefore no provision is being made in the financial statements. The Directors are 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 patent accounted for less than 1% of the total revenue of the Company for the year ended 31 December 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).

(b) During the year, the Company received an unsubstantiated allegation amounting to USD1.97 million (equivalent to approximately RMB15.4million) for alleged breaches of certain terms of a foundry agreement dated 22 October 2004. The Company has obtained preliminary legal advice on this allegation. Given the allegation was not reasonably specified and supported by evidence, the Company considered the liability as not probable and therefore no provision is being made in the financial statements of the Company. Should the allegation be subsequently escalated to a legal claim, the Directors will seek further legal advice and consider its provision in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

2006 saw a recovery of momentum in semiconductor industry. In the beginning of the year, the Company benefited from a relatively robust communications industry whereas computer and consumer products remained dormant. However, the momentum subsided in the second half year of 2006. The phenomenon was attributable to the inventory adjustments and the seasonality of demand along the supply chain of the semiconductor industry and its end-users. Notwithstanding the fact that the market growth within the industry was slower than expected, the Company attained a significant growth in revenue in 2006.

COMPARISON BETWEEN 2005 AND 2006 ENDING 31 DECEMBER

Sales

The sales of the Company increased by 45.5% from RMB931.6 million in 2005 to RMB1,355.2 million in 2006, reaping the rewards of the higher utilisation of overall production capacity from 61% to 77% and the increase in wafer shipments. The Company's throughput of 8-inch equivalent wafers increased from 321,271 pieces for the year ended 31 December 2005 to 451,156 pieces for the year ended 31 December 2006 and correspondingly the Company's wafer shipments of 8-inch equivalent wafer increased by 39.0%, from 325,940 pieces to 453,214 pieces.

Cost of sales and gross profit

The cost of sales increased by 41.1% from RMB860.6 million in 2005 to RMB1,214.3 million in 2006. This was mainly attributable to the substantial increase in sales which demanded higher production volumes and hence resulted in the increase in manufacturing costs and allocation of depreciation of the 8-inch production facilities. The gross profit grew approximately twofold in value, from RMB71.0 million in 2005 to RMB140.9 million in 2006 and correspondingly the Company's gross margin rose from 7.6% to 10.4%. The increase in gross profit and margin was attributable to the Company's improvement in line yield and utilisation rate of 8-inch production facilities, which generated more sales in 2006.

Operating expenses and operating income

Selling and marketing expenses increased by 21.6 %, from RMB7.4 million in 2005 to RMB9.0 million in 2006 because the Company strengthened its staff force in the Sales and Marketing Department.

General and administrative expenses slightly declined by 2.2%, from RMB77.6 million for the year ended 31 December 2005 to RMB75.9 million for the year ended 31 December 2006.

Research and development costs declined by 57.3%, from RMB74.9 million in 2005 to RMB32.0 million in 2006. This was primarily attributable to the fact that the Company had accumulated a wealth of know-how and experience in 8-inch manufacturing processes, which enabled it to launch a higher volume of production in 2006.

In summary, the Company's operating expenses decreased by 26.9%, from RMB159.9 million in 2005 to RMB116.9 million in 2006.

The financial performance of the Company's operating activities was encouraging. It recorded an operating profit of RMB24.0 million in 2006, compared to an operating loss of RMB89.0 million in the previous year. Likewise, the Company's operating margin of 1.8% indicated that the Company had made a satisfactory effort in 2006 in improving its operating activities and production facilities which used to bring about a negative margin of 9.6 % in 2005.

Other income and finance Cost

Other income slightly reduced by 1.3%, from RMB37.4 million in 2005 to RMB36.9 million in 2006. In 2006, the Company's other income comprised interest income, exchange gain from Renminbi appreciation, scrap sales and compensation from a supplier. In 2005, the Company's other income derived from technology service in addition to interest, exchange gain, refund of value-added tax and the fair value gain of interest rate swap.

The Company's finance cost increased by 73.4%, from RMB33.4 million in 2005 to RMB57.9 million in 2006. The substantial increase in finance cost was attributable to the drawdowns under the US$100 million club term loan facility which took place since 31 March 2005 and amounted to US$92 million in 2006.

Net income

Collectively, the Company recorded a net income of RMB3.9 million for the year ended 31 December 2006, compared to a net loss of RMB75.0 million for the year ended 31 December 2005.

Liquidity and capital resources

The Company's cash and cash equivalents were RMB397.0 million as at 31 December 2006, compared to RMB105.9 million as at 31 December 2005. The Company's net cash inflow from operating activities showed an increase of 476.4% , from RMB56.0 million for the year ended 31 December 2005 to RMB322.8 million for the year ended 31 December 2006.

The Company's net cash outflow from investing activities was primarily attributable to the continuing investment in property, plant and equipment, and construction in progress. These expenditures amounted to RMB209.2 million for the year ended 31 December 2006, compared to RMB793.7 million for the year ended 31 December 2005. Most of the capital expenditure incurred in 2006 was allocated to the production facilities and equipment for 8-inch wafers.

The Company's net cash inflow from financing activities amounted to RMB186.7 million in 2006, compared to RMB797.3 million in 2005. In 2005, the Company financed its activities by bank loans. During 2006, the Company, in addition to financing its activities by bank loans, successfully raised funds through its IPO and was listed on the Hong Kong Stock Exchange on 7 April 2006.

The US$100 million club term-loan facility dated 31 March 2005 was secured by a pledge on the Company's property, plant and equipment, construction in progress and land lease prepayments. The facility will expire on 31 March 2010. As at 31 December 2006, the balance of the Company's borrowings drawn under the loan facility was RMB741.7 million, of which RMB286.4 million will fall due in 2007. As at 31 December 2006, the Company was in compliance with the financial covenants stipulated by the terms of the US$100 million club term loan facility.

As at 31 December 2006, the Company's current ratio was 1.45 when compared to 0.31 as at 31 December 2005. The Company's debt to equity ratio improved from 91.5% as at 31 December 2005 to 19.0% as at 31 December 2006.

Employees

As at 31 December 2006, the Company had 1,856 employees; remuneration and employment benefits were provided for and paid in accordance with PRC law and regulations.

Interest rate risk

The Company's interest-bearing loans and borrowings are subject to the interest rate fluctuation of LIBOR plus a margin. As the majority of the Company's debts are long-term borrowings, its profitability is exposed to interest rate risk arising from the fluctuations of LIBOR. Of the US$92 million the Company drawn down under the US$100 million club term-loan facility, the Company has entered into an interest rate swap to hedge the interest rate fluctuations on the loan amount of US$25 million.

Renminbi fluctuation risks

Renminbi is the Company's financial and reporting currency as it is the legal currency of the PRC, the primary economic environment in which the Company carries on business. The Company has large amounts of revenue and expenses denominated in foreign currencies. In the event that the Company's Renminbi revenue is insufficient to cover its Renminbi expenditure, it will convert foreign currency to Renminbi to meet the difference, leading to possible exchange loss with a negative effect on cash flow. The Company currently does not hedge against Renminbi appreciation risk.

Capital commitment

As at 31 December 2006, the Company had capital commitments for property, plant and equipment amounting to RMB52.8 million, of which RMB6.6 million was contracted but not provided for, while the remaining balance of RMB46.2 million was authorized but not contracted for.

Operating results for the three months ended 31 December 2006

Sales for the three months ended 31 December 2006 was RMB350.9 million, compared to RMB350.5 million for the three months ended 30 September 2006.

Gross profit decreased from RMB39.6 million for the three months ended 30 September 2006 to negative RMB5.1 million for the three months ended 31 December 2006. Gross margin for the three months ended 31 December 2006 was negative 1.5%, compared to 11.3% for the three months ended 30 September 2006. The decline in gross margin was attributable to the increase in manufacturing costs mainly because of increases in the price of silicon in 2006. In addition, the Company continued to ramp up its 8-inch production. Other factors included the change of product mix and inventory provision.

Operating expenses were recorded at RMB32.3 million for the three months ended 31 December 2006, an increase of 37.4%, compared to RMB23.5 million for the third quarter of 2006. The increase in operating expenses was mainly attributable to the increase in research and development cost.

The non-operating income for the three months ended 31 December 2006 was RMB6.2 million, compared to the non-operating expense of RMB5.8 million for the third quarter of 2006. This was mainly due to the significant increase in other income. The other income for the three months ended 31 December 2006 recorded at was RMB19.5 million, compared to RMB6.4 million for the third quarter, because there were larger foreign exchange gain from Renminbi appreciation, scrap sales, and compensation from a supplier. Finance costs increased by 8.3%, from RMB12.3 million for the three months ended 30 September 2006 to RMB13.3 million for the three months ended 31 December 2006, which was mainly attributable to higher interest expense.

Collectively, the Company recorded a net loss of RMB27.6 million for the three months ended 31 December 2006, compared to net income of RMB9.4 million for the three months ended 30 September 2006.

1. **Revenue Analysis**

By Application	**4Q06**	**3Q06**	**4Q05**
Communications	32%	32%	34%
Computer	33%	33%	33%
Consumer	35%	35%	33%

For the three months ended 31 December 2006, sales from communications, computer and consumer products accounted for 32%, 33% and 35% of total revenue respectively, which were in line with the prior quarter's.

By Geography	**4Q06**	**3Q06**	**4Q05**
USA	43%	50%	51%
Europe	27%	28%	24%
Asia Pacific	30%	22%	25%

For the three months ended 31 December 2006, sales to the USA accounted for 43% of total revenue, compared to 50% in the previous quarter. The sales to Asia Pacific increased by eight percentage points sequentially.

By Customer Type	**4Q06**	**3Q06**	**4Q05**
IDM	37%	43%	35%
Fabless	63%	57%	65%

For the three months ended 31 December 2006, sales to IDM and fabless customers accounted for 37% and 63% of total revenue respectively.

2. **Utilisation and Capacity (8" equivalent)**

	4Q06	**3Q06**	**4Q05**
Utilisation	77%	71%	59%
Capacity (wafers in thousand)	154	154	154

Note:

1. The capacity utilisation 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 and 6-inch wafers were converted to 8-inch equivalent wafers by dividing their wafer numbers using 2.56 and 1.78 respectively.

Overall capacity utilisation for the three month ended 31 December 2006 improved by six percentage points sequentially to 77%.

The capacity for the three months ended 31 December 2006 was 154,000 8-inch equivalent wafers, which was the same as that of both the previous quarter and that of the fourth quarter of 2005.

3. **Receivable/Inventory Turnover**

	4Q06	**3Q06**	**4Q05**
Trade & Notes Receivables Turnover (days)	44	45	55
Inventory Turnover (days)	67	71	62

Receivable turnover for the three months ended 31 December 2006 was 44 days as compared to 45 days in the third quarter of 2006.

Inventory turnover decreased from 71 days for three months ended 30 September 2006 to 67 days for the three months ended 31 December 2006.

4. **Capital Expenditure**

(Amount: RMB'000)	4Q06	3Q06	4Q05
Capex	11,107	8,049	59,853

The amount of capital expenditure for the three months ended 31 December 2006 was RMB11.1 million, which was mainly expended on the improvement of overall production efficiency, flexibility, and technology development of 8-inch fab.

Intended change of the use of proceeds from the IPO

Since April 2006, the Company's management has been actively reviewing the plans set out in the Prospectus for the use of the remaining proceeds of the IPO following the application of approximately US$47 million in the repayment of borrowings. It has been the Board's intention to apply the balance in further expansion of the Company's 8-inch production facilities, as stated in the Prospectus. However, the Board is also mindful of its responsibility to shareholders to ensure that the Company's value be preserved and enhanced. The business environment in the semiconductor industry has deteriorated since the fourth quarter of 2006, although it is expected that the weak business cycle may come to an end in the second half of 2007. Under these circumstances, the Board believes that it is not now the right time to apply the remaining proceeds from the IPO in the expansion of the 8-inch production facilities. The Board has therefore decided that the most suitable application of these funds at the present time is in the reduction of the Company's long-term debt in order to reduce its current finance costs. The Board intends that, as and when it is appropriate to incur the capital expenditure required to expand the 8-inch production facilities, the Company will utilise its borrowing capacity released by the debt repayment now planned.

Prospects and Future Plans

The analog semiconductor industry is expected to follow the trend of moderate growth of the semiconductor industry and will benefit from China's on-going support for high-tech industries under the "Eleventh Five-Year Plan" in 2007. However, the Company will continue to encounter difficulty in inventory correction and seasonality, coupled with increasing competition in certain product segments in which the Company is currently engaged.

In view of these challenges, the Company aims at consolidating its competitive advantage and further improving the overall efficiency of its 8-inch fab by means of the following strategies:

- improve product quality and line yield;
- attain higher utilisation rate;
- increase throughput and acquire more orders from the existing and new customers;
- control manufacturing costs and overhead;

- seek cost savings from second source suppliers with no compromise in quality;
- maintain assets and facilities to prolong their economic lives;
- seek cooperation with existing and new customers for the development of advanced process technology.

In 2006, the Company made progressive improvement in its operations and financial performance, compared to 2005. In 2007, the markets in which we operate are highly competitive and challenging but should present opportunities to the Company to maintain its growth. Under these circumstances, the management of the Company will further strive to deliver the best solution to its customers with quality, flexibility and price competitiveness.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 during the year ended 31 December 2006.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests.

For the period from 7 April 2006 to 31 December 2006, the Company complied with all the code provisions of the Code, except for the following instances:

Code provision A.1.7

The code provision A.1.7 of the 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.

The Board did not adopt such a written procedure until 10 November 2006. However, the directors are of the view that their right of access to independent professional advice had never been prejudiced by the delayed adoption of such a procedure.

Code provision A.5.4

The code provision A.5.4 of the Code provides, among other things, that the Board should establish written guidelines on no less exacting terms than the Model Code as set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Exchange (the "Model Code") for relevant employees in respect of their dealings in the securities of the issuer.

The Board adopted a 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 comply fully with the 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 ANNUAL 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, Petrus Antonius Maria van Bommel and Mr. Zhu Peiyi. The annual results for the year ended 31 December 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, 19 March 2007

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

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