

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the first annual report of Advanced Semiconductor Manufacturing Corporation Limited (the "Company", stock code: 3355) for the year ended 31 December 2006. The Company's successful listing on the Main Board of the HKEX on 7 April 2006 represented an important milestone in the history of the Company. Such listing has given it access to the international capital markets, which will undoubtedly be instrumental in the pursuit of its strategic development in future. The proceeds from the initial public offering ("IPO") have enabled the Company to optimise its capital structure and strengthen its share capital.

In 2006, the Company further improved its corporate governance, with a view to establishing more direct and effective communication channels with its shareholders and the financial communities both at home and abroad. To that end, the Company volunteered to report its operations and financial results on a quarterly basis, thereby improving the transparency of the Company. The Company attaches great importance to compliance with all applicable laws, regulations and listing rules.

Overall, 2006 was a growth year for the semiconductor industry, which saw market recovery at the beginning of the year, but significant adjustment in the second half due to inventory corrections in certain end markets and traditional seasonality. This was particularly the case with the communications sector. In addition, the Company's 8-inch fab experienced technical constraints resulting from both internal and external factors during the year. Consequently, the turnaround of the 8-inch fab was slower than hoped.

To mitigate the negative impact of the industry adjustment during the second half of 2006, the Company launched a series of cost reduction and quality improvement initiatives, and made great efforts to further improve overall efficiency and profitability by upgrading key operating indices of the 8-inch production namely production output and line yield. As a result, the Company's revenue for the year ended 31 December 2006 increased by 45.5% to RMB 1,355.2 million, as compared with RMB 931.6 million for the year ended 31 December 2005. The Company's production output of 8-inch equivalent wafers increased from 321,171 pieces for the year ended 31 December 2005 to 451,156 pieces for the year ended 31 December 2006. The wafer shipment increased by 39.0% from 325,940 pieces of 8-inch equivalent wafers for the year ended 31 December 2005 to 453,214 pieces of 8-inch equivalent wafers for the year ended 31 December 2006.

The Company recorded a net profit RMB3.9 million for the year ended 31 December 2006, as compared with a net loss of RMB 75.0 million for the year ended 31 December 2005. Basic earnings per share were RMB0.3 cents for the year ended 31 December 2006.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

The semiconductor industry including the analog sector where the Company operates will likely post a relatively moderate growth in the coming year. The analog business will continue to benefit from China's sustained economic growth and favorable policy for high tech industries. However, inventory correction is expected to continue until the second quarter of 2007 and market competition is likely to intensify.

As a result, 2007 will be a challenging year. The Company will focus on improving overall efficiency, and spare no pains in delivering high quality, flexible, reliable and cost effective manufacturing solution to its customers, maximise shareholder value, and provide excellent career opportunities to its employees.

Finally, on behalf of the Board, I would like to thank the Company's shareholders, customers and business partners for their support and trust, and the management and staff of the Company for their efforts and contributions in the past year.

Ruan Yanhua
Chairman

19 March 2007