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Advanced Semiconductor Manufacturing Corporation Limited

(a foreign invested joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3355)

CONTENT

INDEPENDENT AUDITORS' REVIEW REPORT

ERNST & YOUNG
安永會計師事務所

To the Board of Directors of
Advanced Semiconductor Manufacturing Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the unaudited interim condensed financial statements set out on pages 4 to 23, which comprise the balance sheet of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") as of 30 June 2007 and the related statements of income, changes in equity and cash flows for the six month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by International Accounting Standards Board. The Directors are responsible for the preparation and presentation of these unaudited interim condensed financial statements in accordance with IAS 34 and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Our responsibility is to express a conclusion on these unaudited interim condensed financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements ("HKSRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of unaudited interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that cause us to believe that the unaudited interim condensed financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Without qualifying our conclusion above, we draw attention to the fact that the income statements for the three months ended 30 June 2006 and 30 June 2007 of the Company were not reviewed in accordance with HKSRE 2410.

Ernst & Young
Certified Public Accountants
Hong Kong
16 August 2007

INCOME STATEMENT

for the six months ended 30 June 2007

	Notes	3 months ended 30 June 2007 *(Unaudited)* RMB'000	6 months ended 30 June 2007 *(Unaudited)* RMB'000	3 months ended 30 June 2006 *(Unaudited)* RMB'000	6 months ended 30 June 2006 *(Audited)* RMB'000
Revenue	4	271,189	579,452	334,983	653,825
Cost of sales		(291,052)	(603,106)	(276,627)	(547,301)
Gross (loss)/profit		(19,863)	(23,654)	58,356	106,524
Selling and distribution expenses		(2,278)	(4,250)	(1,968)	(4,161)
General and administrative expenses		(20,069)	(36,245)	(19,121)	(36,953)
Research and development costs		(9,016)	(20,294)	(12,005)	(20,016)
(Loss)/profit from operating activities		(51,226)	(84,443)	25,262	45,394
Other income	4	8,404	15,936	3,084	11,014
Finance costs	5	(10,593)	(24,161)	(17,425)	(32,398)
(Loss)/profit before income tax	5	(53,415)	(92,668)	10,921	24,010
Income tax credit/ (expense)	6	17,969	19,713	(897)	(1,879)
Net (loss)/profit attributable to ordinary equity holders of the Company		(35,446)	(72,955)	10,024	22,131
Dividends	7	—	—	—	—
(Loss)/earnings per share attributable to ordinary equity holders of the Company (RMB)					
-Basic	8	(2.31) cents	(4.76) cents	0.67cents	1.69cents

BALANCE SHEET

30 June 2007

	Notes	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	**1,748,212**	1,941,434
Construction in progress		**1,709**	1,929
Land lease prepayments		**35,470**	35,854
Intangible assets		**16,452**	17,559
Deferred tax assets		**27,508**	7,795
Total non-current assets		**1,829,351**	2,004,571
Current assets			
Inventories		**235,706**	261,829
Accounts and notes receivables	10	**147,844**	137,802
Prepayments, deposits and other receivables		**20,023**	21,736
Due from related companies		**20,922**	35,894
Cash and cash equivalents		**62,537**	396,987
Total current assets		**487,032**	854,248
Total assets		**2,316,383**	2,858,819
Current liabilities			
Accounts payable	11	**124,569**	194,344
Accrued liabilities and other payables		**69,984**	95,433
Due to related companies		**9,674**	12,492
Interest-bearing borrowings	12	**281,265**	286,451
Total current liabilities		**485,492**	588,720
Net current assets		**1,540**	265,528
Non-current liabilities			
Interest-bearing borrowings	12	**89,123**	455,376
Net assets		**1,741,768**	1,814,723
Capital and reserves			
Registered and paid-up capital		**1,534,227**	1,534,227
Reserves		**207,541**	280,496
Shareholders' equity		**1,741,768**	1,814,723

The unaudited interim condensed financial statements on pages 4 to 23 were approved and signed on behalf of the Board of Directors by:

Lu, Hsueh Cheng
President & Chief Executive Officer

Cheng, Jianyu
Executive Director & Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Registered and paid-up capital		
Ordinary shares of RMB1.00 each:		
At beginning of period	**1,534,227**	1,109,080
Global offering of shares	**—**	425,147
At end of period	**1,534,227**	1,534,227
Capital reserve		
At beginning of period	**205,363**	39
Global offering of shares	**—**	205,324
At end of period	**205,363**	205,363
Statutory surplus reserve		
At beginning and end of period	**19,353**	12,902
Statutory public welfare fund		
At beginning and end of period	**—**	6,451
Retained earnings		
At beginning of period	**55,780**	51,837
Net profit for the period	**—**	22,131
Net (loss) for the period (unaudited)	**(72,955)**	—
At end of period	**(17,175)**	73,968
Reserves	**207,541**	298,684
Shareholders' equity	**1,741,768**	1,832,911

CASH FLOW STATEMENT

for the six months ended 30 June 2007

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Cash flows from operating activities		
(Loss)/profit before income tax	**(92,668)**	24,010
Adjustments for:		
Depreciation	**194,023**	184,688
Amortisation of intangible assets	**1,916**	1,718
Amortisation of land lease prepayments	**384**	385
Loss on disposal of property, plant and equipment	**698**	1,545
Reversal of impairment loss on construction in progress	**—**	(1,299)
Allowance for inventories	**12,725**	9,389
Fair value loss/(gain) on interest rate swap	**281**	(2,083)
Interest expenses	**24,161**	32,398
Interest income	**(9,150)**	(2,824)
Operating profit before working capital changes	**132,370**	247,927
Increase in accounts and notes receivables	**(10,042)**	(11,627)
Decrease/(increase) in inventories	**13,398**	(62,072)
(Increase)/decrease in prepayments, deposits and other receivables	**(6,535)**	5,644
Decrease/(increase) in balances with related companies	**12,154**	(24,951)
(Decrease)/increase in accounts payable	**(69,775)**	63,252
(Decrease)/increase in accrued liabilities and other payables	**(25,449)**	10,250
Cash flows from operations	**46,121**	228,423
Interest paid	**(24,161)**	(32,398)
Interest received	**16,521**	2,824
Net cash inflow from operating activities	**38,481**	198,849

Continued/...

CASH FLOW STATEMENT (Continued)

for the six months ended 30 June 2007

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Cash flows from investing activities		
Acquisition of property, plant and equipment construction in progress and intangible assets	**(3,343)**	(189,786)
Interest capitalised attributable to construction of qualifying assets	**—**	(231)
Total additions of property, plant and equipment and construction in progress	**(3,343)**	(190,017)
Disposal of property, plant and equipment	**1,851**	—
Net cash outflow from investing activities	**(1,492)**	(190,017)
Cash flows from financing activities		
Proceeds from issue of new shares	**—**	775,776
Share issue expenses	**—**	(70,967)
New bank loans	**116,390**	159,912
Repayment of bank loans	**(487,829)**	(578,653)
Net cash (outflow)/ inflow from financing activities	**(371,439)**	286,068
Net (decrease)/ increase in cash and cash equivalents	**(334,450)**	294,900
Cash and cash equivalents at beginning of period	**396,987**	105,886
Cash and cash equivalents at end of period	**62,537**	400,786
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**62,537**	74,265
Non-pledged time deposits	**—**	326,521
	62,537	400,786

NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2007

1. CORPORATE INFORMATION

Advanced Semiconductor Manufacturing Corporation Limited (the "Company") was initially established in the People's Republic of China (the "PRC") on 4 October 1988 as a Sino-foreign joint venture company with limited liability under the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment with a tenure of operation of 30 years from 4 October 1988 to 3 October 2019.

On 2 March 2004, the Company was re-registered as a foreign invested joint stock company with limited liability by the issuance of 1,109,080,000 fully paid shares with a nominal value of RMB1.00 each to the then shareholders. The tenure of operation of the Company was revised to infinite. On 7 April 2006, the Company's H shares were successfully listed on the Hong Kong Stock Exchange.

The registered office and principal place of business of the Company is located at 385 Hongcao Road, Shanghai 200233, the PRC.

The Company is principally engaged in the manufacture and sale of 5-inch, 6-inch and 8-inch wafers.

2. BASIS OF PREPARATION

The unaudited interim condensed financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

The unaudited interim condensed financial statements do not included all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2006 ("2006 financial statements").

Except for those mentioned below, the accounting policies and method of computation used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the 2006 financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in summary of significant accounting policies in the 2006 financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

2. BASIS OF PREPARATION (Continued)

In 2007, the Company adopted the following amended and newly released IFRS which are generally effective for accounting periods beginning on or after 1 January 2007 that are relevant to its operations.

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

The adoption of the above Standards and Interpretations has no material impact on the financial position or performance of the Company.

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 unaudited interim condensed financial statements. The following IFRSs are effective for annual periods beginning on or after 1 January 2008:

IFRS 8	Operating Segments
IAS 23 (revised)	Borrowing Costs

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.

IAS 23 (revised) removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

IFRS 8 supersedes IAS14, and is effective for periods beginning on or after 1 January 2009. IAS 23 (revised) shall be applied for annual periods beginning on or after 1 January 2009.

Except as stated above, the Company expects that the adoption of the pronouncements listed above will not have any significant impact on the financial position or performance of the Company.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

3. 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 2007	**6 months ended 30 June 2007**	3 months ended 30 June 2006	6 months ended 30 June 2006
	(Unaudited)	***(Unaudited)***	*(Unaudited)*	*(Audited)*
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
United States of America	**169,063**	**307,195**	178,351	373,985
Europe	**64,463**	**135,459**	77,327	155,227
Asia	**37,663**	**136,798**	79,305	124,613
	271,189	**579,452**	334,983	653,825

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

4. REVENUE AND OTHER INCOME

	3 months ended 30 June 2007 *(Unaudited)* *RMB'000*	**6 months ended 30 June 2007 *(Unaudited)* *RMB'000***	3 months ended 30 June 2006 *(Unaudited)* *RMB'000*	6 months ended 30 June 2006 *(Audited)* *RMB'000*
Revenue				
Sales of goods	**270,880**	**579,129**	334,843	653,655
Others	**309**	**323**	140	170
	271,189	**579,452**	334,983	653,825
Other income				
Interest income (on a historical cost basis)	**3,726**	**9,150**	2,600	2,824
Subsidies income	**12**	**12**	—	—
Technology service income	**—**	**220**	—	266
Compensation received	**742**	**742**	—	—
Other service income	**298**	**298**	—	—
Net foreign exchange gain/(loss) and others	**3,381**	**5,795**	(1,599)	5,841
Fair value gain/(loss) on interest rate swap	**245**	**(281)**	2,083	2,083
	8,404	**15,936**	3,084	11,014
	279,593	**595,388**	338,067	664,839

5. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	3 months ended 30 June 2007 *(Unaudited)* *RMB'000*	**6 months ended 30 June 2007 *(Unaudited)* *RMB'000***	3 months ended 30 June 2006 *(Unaudited)* *RMB'000*	6 months ended 30 June 2006 *(Audited)* *RMB'000*
Interest on bank loans	**10,593**	**24,161**	17,425	32,629
Less: Interest capitalised	**—**	**—**	—	(231)
Finance costs (on historical cost basis)	**10,593**	**24,161**	17,425	32,398
Average interest capitalisation rate	**—**	**—**	—	4.93%
Depreciation	**95,788**	**194,023**	95,340	184,688
Allowance for inventories	**8,114**	**12,725**	664	(13)

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

6. 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 three months and six months ended 30 June 2007 and 2006.

The Company is located at Caohejing High-Tech Park of Shanghai, the PRC, and its applicable corporate income tax rate is 15%. In accordance with the prevailing tax laws in the PRC, the Company is entitled to full exemption from corporate income tax for the first and second profitable years (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the succeeding three years.

As an integrated circuits manufacturer capable of manufacturing wafers with line widths equal to or below 0.25 micron, and pursuant to an approval document of the relevant tax authorities dated 17 June 2004, the Company is entitled to a 50% reduction in corporate income tax for an additional five years from 2004 to 2008. Accordingly, the Company was subject to PRC corporate income tax at an applicable income tax rate of 7.5% for the three months and six months ended 30 June 2007 and 2006.

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

	3 months ended 30 June 2007	**6 months ended 30 June 2007**	3 months ended 30 June 2006	6 months ended 30 June 2006
	(Unaudited)	***(Unaudited)***	*(Unaudited)*	*(Audited)*
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Provision for income tax in respect of profit for the period:				
- Current	**—**	**—**	—	—
Deferred tax (credit)/ expense	**(17,969)**	**(19,713)**	897	1,879
Income tax (credit)/ expense	**(17,969)**	**(19,713)**	897	1,879

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

6. INCOME TAX (Continued)

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. High and new technology Enterprises that require government support are subject to the applicable corporate income tax rate of 15%.

As at the date that these interim condensed financial statements are approved for issue, detailed measures of the New Corporate Income Tax Law have yet to be issued. Subject to the detailed measures and other related regulations concerning computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions, the Company will further evaluate the impact to its operating results and financial positions of future periods as more detailed measures and other related regulations are announced.

According to IAS 12, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As at 30 June 2007, the Company assessed and measured deferred tax assets at the tax rate that are expected to apply to the period when the asset is realised, as a result, deferred tax credit for current period increased by approximately RMB6,569,000 attributed to the change in the corporate income tax rate.

7. DIVIDENDS

The Board of Directors does not recommend the payment of dividend to the ordinary equity holders of the Company for the three months and six months ended 30 June 2007 (30 June 2006: Nil).

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

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

Basic (loss)/earnings per share is calculated by dividing the net (loss)/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 2007 (Unaudited)*	**6 months ended *30 June 2007 (Unaudited)***	3 months ended *30 June 2006 (Unaudited)*	6 months ended *30 June 2006 (Audited)*
(Loss)/profit attributable to ordinary equity holders of the Company (RMB'000)	(35,446)	(72,955)	10,024	22,131
Weighted average number of ordinary shares in issue ('000)	1,534,227	1,534,227	1,503,758	1,307,509

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

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2006	104,222	3,318,453	50,433	3,391	3,476,499
Additions	—	17,207	5,125	309	22,641
Transferred from CIP	50,741	267,651	1,828	—	320,220
Disposals	(1,953)	(1,731)	(433)	(124)	(4,241)
At 30 June 2006	153,010	3,601,580	56,953	3,576	3,815,119
At 1 July 2006	153,010	3,601,580	56,953	3,576	3,815,119
Additions	40	7,873	2,371	164	10,448
Transferred from CIP	3,191	11,323	12,734	—	27,248
Disposals	—	(1,171)	(875)	—	(2,046)
At 31 December 2006	156,241	3,619,605	71,183	3,740	3,850,769
Accumulated depreciation:					
At 1 January 2006	24,140	1,474,006	29,280	2,757	1,530,183
Charge for the year	2,309	178,845	3,427	107	184,688
Disposals	(416)	(940)	(433)	(124)	(1,913)
At 30 June 2006	26,033	1,651,911	32,274	2,740	1,712,958
At 1 July 2006	26,033	1,651,911	32,274	2,740	1,712,958
Charge for the year	2,595	190,703	4,677	139	198,114
Disposals	—	(862)	(875)	—	(1,737)
At 31 December 2006	28,628	1,841,752	36,076	2,879	1,909,335
Net book value:					
At 31 December 2006	127,613	1,777,853	35,107	861	1,941,434

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2007	156,241	3,619,605	71,183	3,740	3,850,769
Additions	—	56	1,284	—	1,340
Transferred from CIP	—	1,212	202	—	1,414
Disposals	—	(3,380)	(288)	(231)	(3,899)
At 30 June 2007	156,241	3,617,493	72,381	3,509	3,849,624
Accumulated depreciation:					
At 1 January 2007	28,628	1,841,752	36,076	2,879	1,909,335
Charge for the year	2,604	185,972	5,298	149	194,023
Disposals	—	(1,428)	(287)	(231)	(1,946)
At 30 June 2007	31,232	2,026,296	41,087	2,797	2,101,412
Net book value:					
At 30 June 2007	125,009	1,591,197	31,294	712	1,748,212

The Company's buildings, plant and machinery with a net book value of RMB1,716,206,000 (31 December 2006: RMB1,905,466,000) were pledged to banks as security for the bank loans amounting to US$39,302,800 (equivalent to approximately RMB299,310,000) at 30 June 2007 (31 December 2006: RMB718,401,000).

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

10. ACCOUNTS AND NOTES RECEIVABLES

	30 June 2007 **(Unaudited)** ***RMB'000***	31 December 2006 *(Audited)* *RMB'000*
Accounts receivable	**147,844**	137,802
Notes receivable	**—**	—
	147,844	137,802

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

The carrying amount of the accounts and notes receivables of the Company approximated to their fair values.

An aging analysis of the accounts receivable as at 30 June 2007 is as follows:

	30 June 2007 **(Unaudited)** ***RMB'000***	31 December 2006 *(Audited)* *RMB'000*
Outstanding balances with ageing:		
Within 30 days	**82,966**	79,462
Between 31 days and 90 days	**49,900**	57,567
Between 91 days and 180 days	**14,978**	557
Between 181 days and 365 days	**—**	216
	147,844	137,802
Less: Provision for bad and doubtful debts	**—**	—
	147,844	137,802

As at 30 June 2007, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired		
	Total *RMB'000*	**Neither past due nor impaired** *RMB'000*	**<60 days** *RMB'000*	**60-180 days** *RMB'000*	**180-360days** *RMB'000*
30 June 2007	147,844	96,732	36,436	14,676	—
31 December 2006	137,802	84,103	52,935	461	303

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

11. ACCOUNTS PAYABLE

	30 June 2007	31 December 2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Outstanding balances with ageing:		
Within 30 days	83,320	144,646
Between 31 days and 90 days	30,387	33,790
Between 91 days and 180 days	3,339	7,245
Between 181 days and 365 days	5,239	3,461
Over 365 days	2,284	5,202
	124,569	194,344

The carrying amount of the accounts payables of the Company approximated to their fair values.

12. INTEREST-BEARING BORROWINGS

	30 June 2007	31 December 2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Bank loans:		
- Unsecured	71,078	23,426
- Secured	299,310	718,401
	370,388	741,827
Bank loans repayable:		
- Within one year	281,265	286,451
- In the second year	89,123	234,702
- Between the third and fifth years	—	220,674
	370,388	741,827
Bank loans:		
- Current portion	281,265	286,451
- Non-current portion	89,123	455,376
	370,388	741,827

The bank loans bear interest at rates from 5.02% to 5.96% per annum (31 December 2006: 6.17% to 6.58% per annum).

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

12. INTEREST-BEARING BORROWINGS (Continued)

The Company has repaid the bank loan of US$33,000,000 (equivalent to approximately RMB251,312,000) in accordance with a supplementary agreement dated on 27 June 2007 to the US$100 million credit facility term loan agreement (the "Term Loan Agreement") dated on 31 March 2005. This supplementary agreement revised certain financial covenants, and adjusted the last testing date to 30 September 2008.

On 30 June 2007, the Company complied with the revised financial covenants set out in Term Loan Agreement and its supplementary agreements.

As at 30 June 2007, the Company had unutilised banking facilities of approximately US$66,667,000 (equivalent to approximately RMB507,701,000), out of which amounts of US$32,667,000 (equivalent to RMB248,774,000), US$34,000,000 (equivalent to RMB258,927,000) will expire on 6 December 2007 and 24 November 2008, respectively.

The carrying amount of the interest-bearing borrowings of the Company approximated to their fair values.

13. FINANCIAL INSTRUMENTS

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to its interest-bearing borrowings.

The Company uses interest rate swaps to hedge its interest rate risk. The interest rate swap contracts that the Company has entered into entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. Under the interest rate swaps, the Company agrees with other parties to exchange, at semi-annual intervals, the differences between the fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

13. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

The floating rates of the Company's interest rate swap contracts are linked to the US$-LIBOR-BBAM. The weighted average interest rate of the Company's floating rate borrowings at the balance sheet date was 6.20% per annum. After the interest rate swap, the Company's weighted average interest rate at the balance sheet date was 5.80% per annum.

The remaining terms and notional principal amounts of the outstanding interest rate swap contracts of the Company at the balance sheet date, which are denominated in US Dollars ("US$"), were as follows:

	30 June 2007 ***(Unaudited)*** ***RMB'000***	31 December 2006 *(Audited)* *RMB'000*
Later than one year and not later than five years	**161,829**	195,218

The fair value gain of the interest rate swap contracts at 30 June 2007 of RMB2,336,000 has been recorded in prepayment, deposits and other receivables to the financial statements as held for trading financial asset.

14. RELATED PARTY TRANSACTIONS

The companies controlled by or under the significant influence of 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 NXP B.V. during the six months ended 30 June 2007:

		For the six months ended 30 June	
		2007 ***(Unaudited)*** ***RMB'000***	2006 *(Audited)* *RMB'000*
Sales	(i)	**54,102**	113,469
Purchases	(i)	**—**	979
Technology transfer fees	(ii)	**9,229**	7,925
Information technology ("IT") related service fees	(iii)	**984**	3,069

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

14. RELATED PARTY TRANSACTIONS (Continued)

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 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 in the future.

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

15. COMMITMENTS

The Company had the following capital commitments as at 30 June 2007:

	30 June 2007	31 December 2006
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Capital commitments in respect of property, plant and equipment:		
- Contracted, but not provided for	**19,615**	6,584
- Authorised, but not contracted for	**29,836**	46,182
	49,451	52,766

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2007

16. CONTINGENT LIABILITIES

(a) Reference is made to the disclosures in the financial statements of the Company for the year ended 31 December 2006 regarding the litigation Monolithic Power Systems, Inc. ("MPS") v. O2 Micro International Limited ("O2 Micro") where the Company was involved as one of the counter-defendants.

The court trial began on 30 April 2007 and was limited to whether the United States Patent No. 6396722 (the "722 patent") was invalid, whether the Company and other defendants infringed the 722 patent, and should the 722 patent be found valid and enforceable, whether O2 Micro was entitled to an injunction.

On 8 May 2007, the Company filed a motion for judgment as a matter of law seeking to be dismissed from the case due to a lack of infringement evidence presented by O2 Micro. On 10 May 2007, the judge orally granted the motion and on 14 May 2007, the judge instructed the jury that the Company was no longer a party to the action. On 15 May 2007, the jury rendered a verdict finding the 722 patent claims invalid, no claims literally infringed by MPS and its customer ASUSTek Computer Inc., and two claims infringed under the doctrine of equivalents. Since one cannot infringe an invalid claim, the jury's finding of infringement under the doctrine of equivalents is superseded by the invalidity finding.

Although O2 Micro may file post-trial motions seeking to overturn the judge's rulings and seeking a new trial, or if those motions are unsuccessful, may appeal to the U.S. Court of Appeals for the Federal Circuit, the Company considered that the liability arising from the 722 patent is currently not probable and therefore no provision is being made in the financial statements.

(b) Reference is made to the disclosures in the financial statements of the Company for the year ended 31 December 2006 regarding the unsubstantiated allegation amounting to USD1.97 million for alleged breaches of certain terms of a foundry agreement dated 22 October 2004. There is no further development during the six months ended 30 June 2007.

17. APPROVAL OF THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited interim condensed financial statements were approved and authorised for issue by the Board of Directors on 16 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Sales

Owing to the weak business cycle, sales for the six months ended 30 June 2007 amounted to RMB579.5 million, representing a decrease of 11.4 % from RMB653.8 million for the six months ended 30 June 2006. During the period, the wafer shipment slightly decreased to 221,514 pieces of 8-inch equivalent wafers for the six months ended 30 June 2007 from 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 negative RMB23.7 million for the six months ended 30 June 2007 compared to the gross profit of RMB106.5 million for the six months ended 30 June 2006. Gross margin was negative 4.1 % for the six months ended 30 June 2007 compared to 16.3% for the same period last year, which was mainly attributable to an unsatisfactory product mix in both 5-inch and 6-inch wafer resulting from the industry-wide inventory correction and the increase in demand for 8-inch wafer.

Operating Expenses and Operating Income

Selling and distribution costs was RMB4.3 million for the six months ended 30 June 2007, which was almost the same as RMB4.2 million for the six months ended 30 June 2006.

General and administrative expenses amounted to RMB36.2 million for the six months ended 30 June 2007, reflecting a slight decrease of 2.2% compared to RMB37.0 million for the six months ended 30 June 2006.

Research and development costs for the six months ended 30 June 2007 was RMB20.3 million, essentially flat compared to RMB20.0 million for the six months ended 30 June 2006.

As a result, the Company's operating loss was RMB84.4 million for the six months ended 30 June 2007 compared to the operating income of RMB45.4 million for the six months ended 30 June 2006. The Company's operating margin was negative 14.6% for the six months ended 30 June 2007 and 6.9% for the six months ended 30 June 2006.

Other Income and Finance Cost

The Company's other income for the six months ended 30 June 2007 was RMB15.9 million, an increase of 45.0% from RMB11.0 million for the six months ended 30 June 2006, mainly due to the increase in interest income, which was partially offset by the decrease in fair value on interest rate swap during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Other Income and Finance Cost (Continued)

The Company's finance cost decreased by 25.3%, from RMB32.4 million for the six months ended 30 June 2006 to RMB24.2 million for the six months ended 30 June 2007, primarily due to lower interest expenses as a result of a continued decrease in the Company's bank loan balance.

Net Income

Due to the factors mentioned above, the Company had a net loss of RMB73.0 million for the six months ended 30 June 2007 compared to a net income of RMB22.1 million for the six months ended 30 June 2006.

Liquidity and Capital Resources

The Company had cash and cash equivalents of RMB62.5 million as at 30 June 2007 compared to RMB397.0 million as at 31 December 2006. The Company's net cash inflow from operating activities amounted to RMB38.5 million for the six months ended 30 June 2007, compared to RMB198.8 million for the six months ended 30 June 2006.

The Company's net cash outflow from investing activities was primarily allocated to the continuing investment on property, plant and equipment and construction in progress. Net expenditures were RMB3.3 million for the six months ended 30 June 2007 compared to RMB190.0 million for the six months ended 30 June 2006.

The Company's net cash outflow from financing activities was RMB371.4 million for the six months ended 30 June 2007 compared to net cash inflow of RMB286.1 million for the six months ended 30 June 2006. The net cash outflow of RMB371.4 million represented the net effect of RMB487.8 million for the repayment of bank loans and the new bank loans of RMB116.4 million during the period. The Company financed its business activities by bank loans during the reporting period, while in the first half of 2006, the Company used both bank loans and fund raising from its IPO to finance its business activities.

As at 30 June 2007, the Company's short-term interest-bearing borrowings were RMB281.3 million, and its long-term liabilities were RMB89.1 million. Of these amounts, a total of RMB299.3 million was outstanding under the US$100 million club term loan facility, is payable in installments, and will be fully repaid by 30 September 2008 based on supplement loan agreement ("the Agreement") entered into between the Company and a group of banks ("Lenders") in June 2007. Amounts outstanding under the US$100 million club term loan facility dated 31 March 2005 are secured by a pledge on the Company's property, plant and equipment, construction in progress and land lease prepayments.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Liquidity and Capital Resources (Continued)

Given the inappropriateness of some of the covenants under the existing US$100 million term loan agreement owing to the cyclical downturn in the semiconductor industry, as part of the Agreement, two financial covenants comprising Net Debt to EBITDA ratio and Debt Service Coverage were removed while Net Debt to Tangible Net Worth ratio remains effective as the financial covenant until 30 September 2008. In addition, the amount of the Company's capital expenditure will be limited to US$ 5.6 million and US$ 10.0 million in 2007 and 2008 respectively. During the reporting period, the Company was in compliance with the financial covenants stipulated in the terms of the US$ 100 million club term loan facility.

As at 30 June 2007, the Company's current ratio was 1.00 compared to 1.45 as at 31 December 2006. The Company's debt to equity ratio improved from 19.0% as at 31 December 2006 to17.7% as at 30 June 2007.

Employees

The Company had 1,810 employees as at 30 June, 2007, a decrease of 2.5% from 1,856 employees as at 31 December 2007. The Company maintained a sound working relationship with its staff over the period, and the remuneration and benefits provided and paid to them were in accordance with PRC law and regulations.

Interest rate risks

The Company's interest-bearing loans and borrowings are subject to interest rate fluctuation of LIBOR plus margin. As the majority of the Company's debts are denominated in US Dollars, its profitability is subject to interest rate exposure arising from fluctuations of US Dollar LIBOR. Out of the outstanding US$ 39.3 million under the US$100 million club term loan facility, the Company adopted an interest rate swap for the interest payable on the principal amount of US$ 21.3 million to hedge interest rate fluctuation.

Renminbi fluctuation risks

As Renminbi is the legal currency in PRC, in which the Company conducts its business operation, therefore, Renminbi is adopted as the Company's financial and reporting currency. In the event that the Company's Renminbi revenue is not sufficient to meet its Renminbi expenditure, the Company will be required to meet the difference by conversion of its foreign currencies deposit to Renminbi, which might result in exchange loss, ultimately leading to a negative impact on its cash flow. No derivative instruments and hedging activities against Renminbi appreciation currently were adopted by the Company during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Capital Commitment

As at 30 June 2007, the Company had capital commitments for property, plant and equipment amounting to RMB49.5 million, of which RMB19.6 million was contracted but not provided for while the remaining of RMB29.9 million was authorized but not contracted for.

Operating Results for the three months ended 30 June 2007

Sales for the three months ended 30 June 2007 amounted to RMB271.2 million, representing a decrease of 12.0% from RMB308.3 million for three months ended 31 March 2007, primarily due to the correction of a high-level inventory position by one of the Company's major customers.

Gross profit for the three months ended 30 June 2007 was negative RMB19.9 million, compared to negative RMB3.8 million for three months ended 31 March 2007. Gross margin was negative 7.3 % for the three months ended 30 June 2007 compared to negative 1.2% for the three months ended 31 March 2007, mainly due to a lower level of capacity utilization.

Operating expenses for the three months ended 30 June 2007 amounted to RMB31.4 million, representing an increase of 6.8% from RMB29.4 million for the three months ended 31 March 2007, largely attributable to the increase in selling and distribution costs as well as general and administrative expenses, which was partially offset by the decrease in research and development.

The other income and finance cost for the three months ended 30 June 2007 were negative 2.2 million, compared to negative RMB6.0 million for the three months ended 31 March 2007, largely attributable to higher other income and lower finance cost. Other income for the three months ended 30 June 2007 increased by 12% sequentially to RMB8.4 million, primarily attributable to the increase in both foreign exchange gain resulting from RMBappreciation and fair value gain on interest rate swap as a result of both RMBappreciation and projected higher LIBOR, partially offset by lower interest income. Finance costs for the three months ended 30 June 2007 decreased sequentially due mainly to the repayment of US$ 19.7 million under the US$100 million club term loan facility during the first quarter of 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Operating Results for the three months ended 30 June 2007 (Continued)

As a result, the Company had a net loss of RMB35.4 million for the three months ended 30 June 2007, compared to a net loss of RMB37.5 million for the three months ended 31 March 2007.

1. REVENUE ANALYSIS

By Application	2Q07	1Q07	2Q06
Communication	**33%**	**32%**	32%
Computer	**33%**	**33%**	34%
Consumer	**34%**	**35%**	34%

For the three months ended 30 June 2007, sales derived from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were mostly in line with the last quarter.

By Geography	2Q07	1Q07	2Q06
USA	**62%**	**45%**	53%
Europe	**24%**	**23%**	23%
Asia Pacific	**14%**	**32%**	24%

For the three months ended 30 June 2007, sales to the USA accounted for 62% of total revenue, compared to 45% in the previous quarter. The percentage of sales to Asia Pacific decreased from 32% in the previous quarter to 14% in the current quarter, mainly due to the correction of a high-level inventory position by one of its major customers.

By Customer Type	2Q07	1Q07	2Q06
IDM	**34%**	**31%**	42%
Fabless	**66%**	**69%**	58%

For the three months ended 30 June 2007, sales to IDM and fabless customers accounted for 34% and 66% of the total revenue respectively.

2. UTILIZATION AND CAPACITY (8" EQUIVALENT)

	2Q07	1Q07	2Q06
Utilization	**62%**	**68%**	69%
Capacity (wafers in thousand)	**154**	**154**	154

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Operating Results for the three months ended 30 June 2007 (Continued)

2. UTILIZATION AND CAPACITY (8" EQUIVALENT) (Continued)

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 decreased by 6 percentage points from the previous quarter to 62% for the three months ended 30 June 2007.

The capacity for the three months ended 30 June 2007 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and the second quarter of 2006.

3. RECEIVABLE/INVENTORY TURNOVER

	2Q07	**1Q07**	2Q06
Trade & Notes Receivables Turnover (days)	**54**	**46**	46
Inventory Turnover (days)	**73**	**73**	69

Receivable turnover for the three months ended 30 June 2007 was 54 days, compared to 46 days from the last quarter, due primarily to lower sales in the second quarter of 2007.

Inventory turnover was 73 days for three months ended 30 June 2007, which was the same as that of last quarter's.

4. CAPITAL EXPENDITURE

	2Q07	**1Q07**	2Q06
		(Amount: RMB'000)	
Capex	**1,445**	**1,898**	32,951

The amount of capital expenditure for the three months ended 30 June 2007 was RMB1.4 million, compared to RMB1.9 million in the first quarter of 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Shares Transfer

Pursuant to an approval of the PRC Ministry of Commerce dated 19 July 2007, the total number of 408,806,888 H shares or 26.65% of the Company's total issued share capital originally held by Royal Philips through Philips Electronics China B.V. was approved to be transferred to NXP B.V..

Prospects and Future Plans

The Board has been disappointed with the results of the Company in the first six months of the fiscal year. With the appointment of Mr. Hsueh Cheng Lu as the President & Chief Executive Officer, the Company has new management leadership.

Over the next three months, the Company's management will be reviewing all aspects of the existing business. These reviews will look at the Company's client relationships, its technical capabilities and its financial plans including cash flow projections and assets valuations.

In the near future, the semiconductor industry is at best expected to show moderate growth. In addition, some of the regional foundries have indicated their intention to migrate to analog production in the near future. These factors will lead to a continuation of a challenging market environment and increasing competition.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2007, there was no purchase, sale or redemption by the Company of its listed securities.

Directors', Supervisors', and Chief Executive's Interests and Short Positions

As at 30 June 2007, none of the directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) was required to be recorded in the register maintained under section 352 of the SFO, or (b) was required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2007, the interests and short positions of the following persons (other than the directors, supervisors and the chief executive of the Company) in the shares or underlying shares of the Company were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage in the relevant class of issued share capital	Percentage in total issued share capital
Koninklijke Philips Electronics N.V.	H shares	408,806,888 (Long position) *(Note 1)*	Beneficial owner	36.13%	26.65%
Shanghai Chemical Industrial Park Development Co., Ltd	H shares	254,866,584 (Long position) *(Note 2)*	Beneficial owner	22.53%	16.61%
Fidelity International Limited	H shares	89,882,000 (Long position)	Investment manager	7.94%	5.86%
The Capital Group Companies, Inc.	H shares	68,112,000 (Long position) *(Note 3)*	Investment manager	6.02%	4.44%
China Orient Asset Management Corporation	Domestic shares	172,648,520 (Long position)	Beneficial owner	46.71%	11.25%
Shanghai Chemical Industrial Park Development Co., Ltd	Domestic shares	110,908,000 (Long position) *(Note 4)*	Beneficial owner	30.01%	7.23%
Shanghai Belling Co. Ltd	Domestic shares	86,064,608 (Long position)	Beneficial owner	23.28%	5.61%

Notes:

1. All of these 408,806,888 H shares (long position) are deemed corporate interests indirectly held through Philips Electronics China B.V..

2. All of these 254,866,584 H shares (long position) are deemed corporate interests indirectly held through Shanghai Chemical Industrial Park Investment Enterprise Company Limited and SCIP (HK) Limited.

3. All of these 68,112,000 H shares (long position) are deemed corporate interests indirectly held through Capital Research and Management Company.

4. All of these 110,908,000 domestic shares (long position) are deemed corporate interests indirectly held through Shanghai Chemical Industrial Park Investment Enterprise Company Limited.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Six months ended 30 June 2007 compared to six months ended 30 June 2006

SHARE OPTION SCHEME

As at 30 June 2007, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

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 fully complied with the code provisions of the Governance Code in Appendix 14 of the Listing Rules for the six months ended 30 June 2007.

Model Code

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by the directors and supervisors.

The Company, having made specific enquiry of all its directors and supervisors, confirms that its directors and supervisors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2007.

Review by Audit Committee

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. Petrus Antonius Maria Van Bommel and Mr. Zhu Peiyi. The interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed by the Audit Committee and Ernst & Young, the Company's external auditors.

By Order of the Board
ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED
Lu, Hsueh Cheng
President & Chief Executive Officer
Cheng, Jianyu
Executive Director & Chief Financial Officer

Shanghai, the PRC, 16 August 2007