



ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED  
(a foreign invested joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 03355)

# 2010 INTERIM REPORT



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## INDEPENDENT AUDITORS' REVIEW REPORT



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 accompanying interim condensed financial statements of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") set out on pages 4 to 19, which comprise the interim statement of financial position as at 30 June 2010 and the interim statement of comprehensive income, the interim statement of changes in equity and the interim condensed statement of 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 require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these 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 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 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. Consequently, it 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 causes us to believe that the accompanying interim condensed financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our conclusion above, we draw attention to the fact that the unaudited interim statements of comprehensive income of the Company for the three month periods ended 30 June 2009 and 30 June 2010 and the relevant notes were presented for management purpose. We have not audited or reviewed such financial information and accordingly express no assurance thereon.

### **Ernst & Young**

*Certified Public Accountants*

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

18 August 2010

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010

		<b>3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2010 (Unaudited) RMB'000</b>	3 months ended 30 June 2009 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2009 (Unaudited) RMB'000
	<i>Notes</i>				
<b>Revenue</b>	5	245,764	431,912	178,466	295,799
Cost of sales		<u>(186,872)</u>	<u>(343,535)</u>	<u>(135,989)</u>	<u>(303,815)</u>
<b>Gross profit/(loss)</b>		58,892	88,377	42,477	(8,016)
Other income and gains	6	2,659	3,708	398	2,704
Selling and distribution expenses		(861)	(2,525)	(1,602)	(2,688)
General and administrative expenses		(10,871)	(25,813)	(9,826)	(20,635)
Research and development costs		(3,978)	(14,405)	(10,898)	(20,180)
Other expenses	6	(1,409)	(1,649)	(308)	(2,519)
Finance costs	7	(1,759)	(3,772)	(2,368)	(4,875)
<b>Profit/(loss) before tax</b>	7	<u>42,673</u>	<u>43,921</u>	17,873	(56,209)
Income tax	8	—	—	—	92
<b>Profit/(loss) for the period</b>		42,673	43,921	17,873	(56,117)
Other comprehensive income for the period		—	—	—	—
<b>Total comprehensive income/(loss) for the period attributable to ordinary equity holders of the Company</b>		<u>42,673</u>	<u>43,921</u>	17,873	(56,117)
<b>Earnings/(loss) per share attributable to ordinary equity holders of the Company</b>					
-Basic	10	<u>2.78 cents</u>	<u>2.86 cents</u>	1.16 cents	(3.66) cents

Details of the dividends proposed for the period are disclosed in note 9 to the interim condensed financial statements.



## INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2010

	<i>Notes</i>	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>377,005</b>	436,511
Construction in progress		<b>4,549</b>	646
Prepaid land lease payments		<b>33,159</b>	33,543
Intangible assets		<b>8,681</b>	10,017
Total non-current assets		<b>423,394</b>	480,717
<b>Current assets</b>			
Inventories		<b>129,001</b>	92,680
Accounts and notes receivables	12	<b>83,697</b>	63,444
Prepayments, deposits and other receivables		<b>12,319</b>	12,880
Due from related companies		<b>31,195</b>	15,558
Cash and cash equivalents		<b>364,482</b>	317,996
Total current assets		<b>620,694</b>	502,558
Total assets		<b>1,044,088</b>	983,275
<b>Current liabilities</b>			
Accounts payable	13	<b>135,221</b>	86,329
Other payables and accruals		<b>40,806</b>	45,656
Due to related companies		<b>2,686</b>	25,282
Government grants		<b>5,703</b>	13,100
Interest-bearing bank borrowings	14	<b>167,909</b>	178,282
Total current liabilities		<b>352,325</b>	348,649
<b>Net current assets</b>		<b>268,369</b>	153,909
<b>Total assets less current liabilities</b>		<b>691,763</b>	634,626
<b>Non-current liabilities</b>			
Government grants		<b>13,216</b>	—
<b>Net assets</b>		<b>678,547</b>	634,626
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>1,534,227</b>	1,534,227
Reserves		<b>(855,680)</b>	(899,601)
<b>Total equity</b>		<b>678,547</b>	634,626

The interim condensed financial statements on pages 4 to 19 were approved and signed on behalf of the Board of Directors (the "Board") by:

**Zhou Weiping**  
Director

**Cheng Jianyu**  
Director

## INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
<b>Share capital</b>		
<i>Ordinary shares of RMB1.00 each:</i>		
At beginning and end of period	<u>1,534,227</u>	<u>1,534,227</u>
<b>Capital reserve</b>		
At beginning and end of period	<u>205,363</u>	<u>205,363</u>
<b>Statutory surplus reserve</b>		
At beginning and end of period	<u>19,353</u>	<u>19,353</u>
<b>Accumulated losses</b>		
At beginning of period	(1,124,317)	(1,021,502)
Total comprehensive income/(loss) for the period	<u>43,921</u>	<u>(56,117)</u>
At end of period	<u>(1,080,396)</u>	<u>(1,077,619)</u>
<b>Reserves</b>	<u>(855,680)</u>	<u>(852,903)</u>
<b>Total equity attributable to equity holders of the Company</b>	<u><u>678,547</u></u>	<u><u>681,324</u></u>



## INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 (Unaudited) <i>RMB'000</i>	2009 (Unaudited) <i>RMB'000</i>
Net cash flows from operating activities	67,097	15,440
Net cash flows used in investing activities	(10,238)	(1,412)
Net cash flows used in financing activities	(10,373)	(10,279)
<b>Net increase in cash and cash equivalents</b>	<b>46,486</b>	3,749
Cash and cash equivalents at beginning of period	317,996	261,887
<b>Cash and cash equivalents at end of period</b>	<b>364,482</b>	265,636
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	123,184	73,434
Non-pledged time deposits	241,298	192,202
	<b>364,482</b>	265,636



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2010

### 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. 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 Stock Exchange of Hong Kong Limited.

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 interim condensed financial statements of the Company for the six months ended 30 June 2010 are prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual financial statements of the Company for the year ended 31 December 2009 (“2009 financial statements”) dated 10 March 2010.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the 2009 financial statements, except for the adoption of new standards and interpretations as of 1 January 2010, which are set out below:



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has adopted the following new and revised IFRSs for the first time in these interim condensed financial statements.

IFRS 1 (Revised)	<i>First-time Adoption of International Financial Reporting Standards</i>
IFRS 1 Amendments	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters</i>
IFRS 2 Amendments	<i>Amendments to IFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions</i>
IFRS 3 (Revised)	<i>Business Combinations</i>
IAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
IAS 39 Amendment	<i>Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	<i>Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary</i>
Improvements to IFRSs (issued in April 2009)*	Amendments to a number of IFRSs

\* Improvements to IFRSs 2009 contain amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial statements and there have been no significant changes to the accounting policies applied in these interim condensed financial statements.

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 4. SEGMENT INFORMATION

The Company's revenue and profit were mainly derived from the sale of wafers. The Company has only one operating 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 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000	3 months ended 30 June 2009 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2009 (Unaudited) RMB'000
United States of America	136,124	228,531	93,921	178,126
Europe	69,206	134,026	37,459	54,805
Asia	40,434	69,355	47,086	62,868
	<u>245,764</u>	<u>431,912</u>	<u>178,466</u>	<u>295,799</u>

#### Information about major customers

The Company's revenue of approximately RMB281,630,000 (30 June 2009: RMB180,591,000) was derived from sales to four customers (30 June 2009: four) which individually accounted for more than 10% of the Company's total revenue during the six months ended 30 June 2010. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

### 5. REVENUE

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the period.

An analysis of revenue is as follows:

	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000	3 months ended 30 June 2009 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2009 (Unaudited) RMB'000
Sale of goods	245,651	431,627	178,367	295,634
Others	113	285	99	165
	<u>245,764</u>	<u>431,912</u>	<u>178,466</u>	<u>295,799</u>



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000	3 months ended 30 June 2009 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2009 (Unaudited) RMB'000
<b>Other income and gains</b>				
Subsidy income	195	590	—	2,000
Interest income	664	1,095	397	703
Sale of scrap materials	1,215	1,438	—	—
Others	585	585	1	1
	<u>2,659</u>	<u>3,708</u>	<u>398</u>	<u>2,704</u>
<b>Other expenses</b>				
Loss arising from a leakage incident	—	(261)	—	—
Loss on interest rate swap	—	—	(60)	(156)
Net foreign exchange loss	(1,409)	(1,388)	(68)	(1,542)
Others	—	—	(180)	(821)
	<u>(1,409)</u>	<u>(1,649)</u>	<u>(308)</u>	<u>(2,519)</u>

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 7. PROFIT/(LOSS) BEFORE TAX

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

	<b>3 months ended</b> <b>30 June 2010</b> <b>(Unaudited and</b> <b>unreviewed)</b> <i>RMB'000</i>	<b>6 months ended</b> <b>30 June 2010</b> <b>(Unaudited)</b> <i>RMB'000</i>	3 months ended 30 June 2009 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2009 (Unaudited) <i>RMB'000</i>
Cost of inventories sold	186,872	343,535	135,989	303,815
Depreciation	34,840	70,689	40,469	82,412
Interest on bank loans	1,759	3,772	2,368	4,875
Employee benefits expense:				
Retirement benefits	3,307	6,716	3,352	6,399
Accommodation benefits	1,074	2,214	999	2,041
Salaries and other staff costs	32,809	64,564	24,319	50,489
	<u>37,190</u>	<u>73,494</u>	<u>28,670</u>	<u>58,929</u>
(Reversal of allowance)/allowance for doubtful debts	(6,581)	(6,634)	550	(1,217)
Reversal of allowance for inventories	(741)	(453)	(14,704)	(21,688)
Loss/(gain) on disposal of property, plant and equipment	238	238	(6)	(6)
	<u><u>37,190</u></u>	<u><u>73,494</u></u>	<u><u>28,670</u></u>	<u><u>58,929</u></u>

### 8. 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 the six months ended 30 June 2009 and 2010.

In accordance with the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, the provision for Mainland China current income tax has been based on a statutory rate at 25% of the assessable profits of the Company for the year. However, the Company qualifies as "High and New Technology Enterprise" and thus was granted a preferential rate of 15% from 1 January 2008 to 31 December 2010.

Major components of income tax are as follows:

	<b>3 months ended</b> <b>30 June 2010</b> <b>(Unaudited and</b> <b>unreviewed)</b> <i>RMB'000</i>	<b>6 months ended</b> <b>30 June 2010</b> <b>(Unaudited)</b> <i>RMB'000</i>	3 months ended 30 June 2009 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2009 (Unaudited) <i>RMB'000</i>
Provision for income tax in respect of profit for the period	—	—	—	—
Deferred tax credit	—	—	—	(92)
Income tax credit	—	—	—	(92)
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>(92)</u></u>



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 9. DIVIDENDS

The Board does not recommend the payment of interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2010 (30 June 2009: Nil).

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

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

	<b>3 months ended 30 June 2010 (Unaudited and unreviewed)</b>	<b>6 months ended 30 June 2010 (Unaudited)</b>	3 months ended 30 June 2009 (Unaudited and unreviewed)	6 months ended 30 June 2009 (Unaudited)
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	<u>42,673</u>	<u>43,921</u>	<u>17,873</u>	<u>(56,117)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,534,227</u>	<u>1,534,227</u>	<u>1,534,227</u>	<u>1,534,227</u>

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the three months and the six months ended 30 June 2009 and 2010 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 11. PROPERTY, PLANT AND EQUIPMENT

	Buildings (Unaudited) RMB'000	Plant and machinery (Unaudited) RMB'000	Office equipment (Unaudited) RMB'000	Motor vehicles (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Cost:</b>					
At 1 January 2010	156,297	3,661,400	73,094	3,328	3,894,119
Additions	—	4,188	362	—	4,550
Transferred from construction in progress	—	6,568	303	—	6,871
Disposals	—	(6,308)	(138)	—	(6,446)
At 30 June 2010	<u>156,297</u>	<u>3,665,848</u>	<u>73,621</u>	<u>3,328</u>	<u>3,899,094</u>
<b>Accumulated depreciation:</b>					
At 1 January 2010	44,255	2,551,645	60,871	3,066	2,659,837
Charge for the period	2,605	64,458	3,561	65	70,689
Disposals	—	(3,085)	(138)	—	(3,223)
At 30 June 2010	<u>46,860</u>	<u>2,613,018</u>	<u>64,294</u>	<u>3,131</u>	<u>2,727,303</u>
<b>Accumulated impairment losses:</b>					
At 1 January 2010	—	797,771	—	—	797,771
Disposals	—	(2,985)	—	—	(2,985)
At 30 June 2010	<u>—</u>	<u>794,786</u>	<u>—</u>	<u>—</u>	<u>794,786</u>
<b>Net book value:</b>					
At 30 June 2010	<u>109,437</u>	<u>258,044</u>	<u>9,327</u>	<u>197</u>	<u>377,005</u>

As at 30 June 2010, the Company has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with carrying amount of RMB20,084,000 (31 December 2009: RMB20,471,000). Until the receipt of the certificates, the Company has no right to assign or pledge these buildings.



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost:</b>					
At 1 January 2009	156,297	3,651,309	72,426	3,328	3,883,360
Additions	—	1,549	675	—	2,224
Transferred from construction in progress	—	10,308	1,946	—	12,254
Disposals	—	(1,766)	(1,953)	—	(3,719)
At 31 December 2009	156,297	3,661,400	73,094	3,328	3,894,119
<b>Accumulated depreciation:</b>					
At 1 January 2009	39,045	2,409,345	54,923	2,871	2,506,184
Charge for the year	5,210	144,066	7,900	195	157,371
Disposals	—	(1,766)	(1,952)	—	(3,718)
At 31 December 2009	44,255	2,551,645	60,871	3,066	2,659,837
<b>Accumulated impairment losses:</b>					
At beginning and end of year	—	797,771	—	—	797,771
<b>Net book value:</b>					
At 31 December 2009	112,042	311,984	12,223	262	436,511



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 12. ACCOUNTS AND NOTES RECEIVABLES

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Accounts receivable	84,330	67,336
Notes receivable	—	3,375
	<hr/>	<hr/>
	<b>84,330</b>	70,711
Allowance for accounts and notes receivables	<b>(633)</b>	<b>(7,267)</b>
	<hr/>	<hr/>
	<b>83,697</b>	63,444
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Credit terms granted by the Company to its customers generally range from 30 to 60 days.

An aged analysis of the accounts and notes receivables at the end of the reporting period, based on the invoice date and net of allowance, is as follows:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	62,979	52,165
Between 31 days and 90 days	18,152	11,154
Between 91 days and 180 days	45	29
Between 181 days and 365 days	12	14
Over 365 days	2,509	82
	<hr/>	<hr/>
	<b>83,697</b>	63,444
	<hr/> <hr/>	<hr/> <hr/>

The movements in the allowance for impairment of accounts and notes receivables are as follows:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
At beginning of period/year	7,267	9,056
Impairment losses reversed	<b>(6,634)</b>	<b>(1,789)</b>
	<hr/>	<hr/>
At end of period/year	<b>633</b>	7,267
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 12. ACCOUNTS AND NOTES RECEIVABLES (Continued)

The analysis of accounts and notes receivables that were past due but not impaired at the end of the reporting period is as follows:

	Past due but not impaired					
	Neither past		<60 days	60-180 days	181-365 days	>365 days
	Total	due nor impaired				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>30 June 2010 (unaudited)</b>	<b>83,697</b>	<b>62,878</b>	<b>18,245</b>	<b>53</b>	<b>32</b>	<b>2,489</b>
31 December 2009	63,444	53,981	9,341	26	14	82

### 13. ACCOUNTS PAYABLE

An aged analysis of the accounts payable at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	<b>113,631</b>	76,007
Between 31 days and 90 days	<b>12,470</b>	5,445
Between 91 days and 180 days	<b>5,805</b>	1,415
Between 181 days and 365 days	<b>418</b>	1,160
Over 365 days	<b>2,897</b>	2,302
	<b>135,221</b>	86,329

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 14. INTEREST-BEARING BANK BORROWINGS

	30 June 2010		
	Effective interest rate	Maturity	RMB'000 (Unaudited)
Unsecured bank borrowings repayable within one year	<u>2.64%-5.31%</u>	<u>2011</u>	<u>167,909</u>
		31 December 2009	
	Effective interest rate	Maturity	RMB'000 (Audited)
Unsecured bank borrowings repayable within one year	<u>3.66%-5.31%</u>	<u>2010</u>	<u>178,282</u>

### 15. COMMITMENTS

The Company had the following capital commitments at the end of the reporting period:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment:		
- contracted, but not provided for	13,925	9,810
- authorised, but not contracted for	<u>89,658</u>	<u>97,291</u>
	<u>103,583</u>	<u>107,101</u>



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2010

### 16. RELATED PARTY TRANSACTIONS

The Company is under the significant influence of NXP B.V., which holds 27.47% of the equity interest of the Company. The companies controlled by or under the significant influence of NXP B.V. were considered to be the Company's related parties during the three months and the six months ended 30 June 2010 and 30 June 2009.

The Company had the following material transactions with the related parties during the three months and the six months ended 30 June 2010 and 30 June 2009.

		<b>3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2010 (Unaudited) RMB'000</b>	3 months ended 30 June 2009 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2009 (Unaudited) RMB'000
	<i>Notes</i>				
Sales	(i)	38,725	60,755	16,362	31,882
Technology transfer fees	(ii)	1,613	2,717	1,712	2,219
Information technology ("IT") related service fees	(iii)	13	13	739	1,280
Compensation paid/ payable to key management personnel (including directors, supervisors and senior executives)		<u>1,473</u>	<u>3,826</u>	<u>1,052</u>	<u>2,590</u>

*Notes:*

- (i) Sales to related companies were carried out based on normal commercial terms and at market prices.
- (ii) Royalties in the form of technology transfer fees and identification licensing fee paid/payable to a related company were determined at 3% or 10% of the net sales of certain specified products sold by agreements 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 party transactions set out in Notes (i) to (iii) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorised for issue by the Board on 18 August 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIX MONTHS ENDED 30 JUNE 2010 COMPARED TO SIX MONTHS ENDED 30 JUNE 2009

#### Sales

During the six months ended 30 June 2010, the Company's business operations strongly benefited from a clear inventory rebuilding exercise in the semiconductor industry combined with a vigorous consumer spending rebound especially in Asia and emerging markets. As a result, its sales for the six months ended 30 June 2010 were RMB431.9 million, an increase of 46.0% from RMB295.8 million for the six months ended 30 June 2009. During the period, the wafer shipment increased by 48.8% to 202,367 pieces of 8-inch equivalent wafers for the six months ended 30 June 2010 from 135,965 pieces of 8-inch equivalent wafers for the six months ended 30 June 2009.

#### Cost of sales and gross profit

The Company had a gross profit of RMB88.4 million for the six months ended 30 June 2010 compared to a gross loss of RMB8.0 million for the six months ended 30 June 2009. Gross margin was 20.5% for the six months ended 30 June 2010 compared to negative 2.7% for the same period last year, largely attributable to a higher level of capacity utilization and lower depreciation charges as a result of ceasing the depreciation for certain assets and, to a lesser extent, a favorable product mix.

#### Other income and gains

Other income and gains for the six months ended 30 June 2010 were RMB3.7 million, compared to RMB2.7 million for the six months ended 30 June 2009. In the first half of 2010, the Company's other income and gains were primarily generated by subsidy income, interest income, sale of scrap materials and others. While in the first half of 2009, the Company's other income and gains were mainly comprised of subsidy income and interest income.

#### Selling and distribution expenses

Selling and distribution expenses reduced from RMB2.7 million for the six months ended 30 June 2009 to RMB2.5 million for the six months ended 30 June 2010, mainly due to lower payroll-related expenses, and lower commission rate.

#### General and administrative expenses

General and administrative expenses amounted to RMB25.8 million for the six months ended 30 June 2010, representing an increase of 25.2% from RMB20.6 million for the six months ended 30 June 2009, primarily attributed to approximately RMB7.8 million reversal of accrued retirement benefits carried forward from previous years to general and administrative expenses for the six months ended 30 June 2009, partially offset by the reduction in doubtful debts for the six months ended 30 June 2010.



## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **SIX MONTHS ENDED 30 JUNE 2010 COMPARED TO SIX MONTHS ENDED 30 JUNE 2009** (Continued)

#### **Research and development costs**

Research and development costs declined by 28.7%, from RMB20.2 million for the six months ended 30 June 2009 to RMB14.4 million for the six months ended 30 June 2010. Such decrease is due mainly to the improvement in the sales of engineering wafer lots during the reporting period which resulted in higher absorption of its related research and development costs.

#### **Other expenses**

Other expenses for the six months ended 30 June 2010 amounted to RMB1.6 million, compared to RMB2.5 million for the six months ended 30 June 2009. Other expenses in the current period were comprised of loss arising from a leakage incident in the third quarter of 2009 and net foreign exchange loss. Other expenses in the first half of 2009 were mainly comprised of loss on interest rate swap, net foreign exchange loss and others.

#### **Finance costs**

Finance costs decreased by 22.4%, from RMB4.9 million for the six months ended 30 June 2009 to RMB3.8 million for the six months ended 30 June 2010, primarily due to lower interest expenses as a result of a continued decrease in the Company's bank loan balance.

#### **Net income**

Collectively, the Company recorded a net income of RMB43.9 million for the six months ended 30 June 2010, compared to a net loss of RMB56.1 million for the six months ended 30 June 2009.

#### **Liquidity and capital resources**

The Company had cash and cash equivalents of RMB364.5 million as at 30 June 2010 compared to RMB318.0 million as at 31 December 2009. The Company's net cash inflow from operating activities amounted to RMB67.1 million for the six months ended 30 June 2010, compared to RMB15.4 million for the six months ended 30 June 2009.

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 RMB16.6 million for the six months ended 30 June 2010 compared to RMB11.4 million for the six months ended 30 June 2009. Most of the spending in the current period was associated with automotive chip business activities.

The Company's net cash outflow from financing activities amounted to RMB10.4 million for the six months ended 30 June 2010, which stayed almost flat from the same period of last year. The net cash outflow of RMB10.4 million represented the net effect of RMB158.0 million for the repayment of bank loans and the new bank loans of RMB147.6 million in the reporting period. During the first six months of 2010 and 2009, the Company only took bank loans to finance its business activities.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **SIX MONTHS ENDED 30 JUNE 2010 COMPARED TO SIX MONTHS ENDED 30 JUNE 2009** (Continued)

#### **Liquidity and capital resources** (Continued)

As at 30 June 2010, the Company's short-term interest-bearing borrowings were RMB167.9 million, of which approximately 60% was denominated in Renminbi ("RMB"), and the remaining 40% was denominated in US dollars.

As at 30 June 2010, the Company's current ratio was 1.76 when compared to 1.44 as at 31 December 2009. The Company's debt to equity ratio improved from 54.9% as at 31 December 2009 to 51.6% as at 30 June 2010.

#### **Employees**

The Company had 1,475 employees as at 30 June 2010, an increase of 19.8% from 1,231 employees as at 31 December 2009. 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 exposure to market risk for changes in interest rate relates primarily to its interest-bearing bank borrowings. As at 30 June 2010, the Company's total borrowings were working capital loans. With regard to RMB-denominated loans, fixed and floating rate loans represent 50% each, while the interest rate on the Company's US dollar-denominated loans are linked to LIBOR. The Company has not used any interest rate swaps to hedge its exposure to interest rate risk since 1 April 2010.

#### **Renminbi fluctuation risks**

Renminbi is the Company's functional and reporting currency. A large amount of the Company's revenue and expenditures are now denominated in foreign 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 into 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 were adopted by the Company during the period under review.

#### **Capital commitments**

As at 30 June 2010, the Company had capital commitments for property, plant and equipment amounting to RMB103.6 million, of which RMB13.9 million was contracted but not provided for while the remaining RMB89.7 million was authorized but not contracted for.



## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2010**

Sales for the three months ended 30 June 2010 were RMB245.8 million, representing a sequential increase of 32.1% from RMB186.1 million for the first quarter of 2010. Such increase was primarily due to the substantial increase in the sales of 8-inch wafers and, to a lesser extent, in the sales of both 5-inch wafers and 6-inch wafers.

Gross profit for the three months ended 30 June 2010 was RMB58.9 million, an increase of 99.7% from RMB29.5 million for the three months ended 31 March 2010. Gross margin for the three months ended 30 June 2010 was 24.0%, compared to 15.8% for the three months ended 31 March 2010, primarily attributable to the significant improvement in capacity utilization rate, partially offset by the decrease in average selling price and a less favorable product mix.

Other income and gains for the three months ended 30 June 2010 were RMB2.7 million, compared to RMB1.1 million for the three months ended 31 March 2010. Other income and gains in the current quarter were mainly comprised of subsidy income, interest income, sale of scrap materials and others. Other income and gains in the first quarter of 2010 were mainly comprised of subsidy income, interest income, net foreign exchange gains and others.

Operating expenses for the three months ended 30 June 2010 were RMB15.7 million, representing a decrease of 41.9% from RMB27.0 million for the three months ended 31 March 2010, largely attributable to the significant decrease in research and development and general administrative expenses and, to a lesser extent, in selling and distribution expenses.

Other expenses for the three months ended 30 June 2010 amounted to RMB1.4 million, compared to RMB0.3 million for the three months ended 31 March 2010. Other expenses in the second quarter of 2010 were mainly comprised of net foreign exchange loss. Other expenses in the first quarter of 2010 were mainly comprised of loss arising from a leakage incident in the third quarter of 2009.

Finance costs for the three months ended 30 June 2010 were RMB1.8 million, compared to RMB2.0 million for the three months ended 31 March 2010.

As a result, the Company recorded a net income of RMB42.7 million for the three months ended 30 June 2010, compared to a net income of RMB1.2 million for the three months ended 31 March 2010.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2010 (Continued)

#### 1. Revenue Analysis

##### By Application

Sales for the three months ended 30 June 2010 from communication, computer and consumer products accounted for 33%, 32% and 35% of total revenue respectively, compared to 32%, 33% and 35% in the prior quarter.

	2Q'10	1Q'10	2Q'09
Communication	33%	32%	33%
Computer	32%	33%	33%
Consumer	35%	35%	34%

##### By Geography

For the three months ended 30 June 2010, sales to the USA, Europe and Asia Pacific accounted for 55%, 28% and 17% of total revenue respectively, compared to 50%, 35% and 15% in the previous quarter. The decrease in the percentage of sales to Europe was largely attributable to the significant increase in sales from USA and, to a lesser extent, in sales of Asia Pacific.

	2Q'10	1Q'10	2Q'09
USA	55%	50%	53%
Europe	28%	35%	26%
Asia Pacific	17%	15%	21%

##### By Customer Type

For the three months ended 30 June 2010, sales from IDM and fables customers accounted for 32% and 68% of total revenue respectively, compared to 38% and 62% in the previous quarter.

	2Q'10	1Q'10	2Q'09
IDM	32%	38%	26%
Fabless	68%	62%	74%



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2010 (Continued)

#### 1. Revenue Analysis (Continued)

##### By Product

For the three months ended 30 June 2010, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 20%, 41% and 38% respectively, compared to 19%, 46% and 34% in the previous quarter.

	2Q'10	1Q'10	2Q'09
5" wafers	20%	19%	20%
6" wafers	41%	46%	39%
8" wafers	38%	34%	40%
Others <sup>1</sup>	1%	1%	1%
Total	100%	100%	100%

Note: 1. Consist of probing services and provision of masks

#### 2. Utilization and Capacity (8" equivalent)

##### 2.1 Utilization

Overall capacity utilization for the three months ended 30 June 2010 was 68%, compared to 48% in the first quarter of 2009.

	2Q'10	1Q'10	2Q'09
Fab 1/2			
5-inch wafers	64%	42%	55%
6-inch wafers	59%	46%	40%
Fab 3			
8-inch wafers	79%	52%	56%
Overall Capacity utilization Rate	68%	48%	49%

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. After taking into account 6-inch wafers equipments consignment arrangement with customer, the utilization rate of 6-inch wafers in 2Q2010 was 53%, compared to 42% in 1Q2010. As a result, the overall capacity utilization rate in 2Q2010 was 64%, compared to 46% in 1Q2010.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2010 (Continued)

#### 2. Utilization and Capacity (8" equivalent) (Continued)

##### 2.2 Capacity (8" Equivalent)

The capacity for the three months ended 30 June 2010 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and the second quarter of 2009.

Fab (wafers in thousand)	2Q'10	1Q'10	2Q'09
Fab 1/2			
5-inch wafers	33	33	33
6-inch wafers	85	85	85
Fab 3			
8-inch wafers	36	36	36
Total Capacity	154	154	154

- Note:
- 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.
  - After taking into account 6-inch wafers equipments consignment arrangement with customer, the installed quarterly capacity of 6-inch wafers for the first quarter and second quarter of 2010 was 94K 8-inch equivalent wafers respectively. As a result, total installed quarterly capacity for the first quarter and second quarter of 2010 was 163k 8-inch equivalent wafers accordingly.

#### 3. Receivable/Inventory Turnover

Receivable turnover for the three months ended 30 June 2010 was 36 days, compared to 41 days from the last quarter.

Inventory turnover was 75 days for three months ended 30 June 2010, compared to 79 days in the first quarter of 2010.

	2Q'10	1Q'10	2Q'09
Trade & Notes Receivables Turnover (days)	36	41	35
Inventory Turnover (days)	75	79	97

#### 4. Capital Expenditure

The amount of capital expenditure for the three months ended 30 June 2010 was RMB7.5 million, compared to RMB9.1 million in the first quarter of 2010.

(Amount: RMB'000)	2Q'10	1Q'10	2Q'09
Capex	7,523	9,125	7,331



## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **PROSPECTS AND FUTURE PLANS**

The semiconductor industry underwent a meaningful cyclical upturn, representing very strong sequential growth over the last five quarters thanks to the global demand recovery which started in emerging countries in the first half of 2009 and then began to spread to developed countries, which ultimately led to better-than-seasonal growth on the back of strong order activity momentum in the first half of 2010. Looking to the immediate future, the semiconductor industry growth is likely to continue, albeit at a slower pace than in the first half of 2010 given the backdrop of an overbooking basis to a real demand basis amid the industry and cautious attitude towards inventory building in the supply chain as a result of the risk of a double-dip recession for the second half of the year and European sovereign debt issues.

Moving forward, the Company is continuing to accelerate in developing automotive chip business. As part of its efforts to support such ongoing business strategy, the Company is on track to work aggressively with both domestic and international partners in the supply chain for automotive-related products development and qualification. During the first half of 2010, some newly developed products based on the special automotive-related manufacturing technology and process were already put into mass production after completion of final qualifications, while others are expected to be qualified for mass production in the latter part of the year, which should help generate incremental revenue streams going forward. On the other hand, the Company is endeavoring to strengthen its overall competitiveness through collaborating with its strategic partners in respect of new technology and process development and production, and to further improve its profitability through de-bottlenecking existing production facilities, increasing productivity and improving product quality, and is also keeping its growing initiatives targeted at a dynamic foundry business model that can deliver long-term business success.

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

During the six months ended 30 June 2010, 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 2010, 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")) as recorded in the register maintained under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2010, the interests and short positions of the following persons 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
NXP B.V.	H shares	408,806,888 (Long position) (Note 1)	Beneficial owner	36.13%	26.65%
NXP B.V.	Unlisted foreign shares	12,643,512 (Long position) (Note 1)	Beneficial owner	100%	0.82%
Shanghai Chemical Industrial Park Development Co., Ltd.	H shares	254,866,584 (Long position) (Note 2)	Beneficial owner	22.53%	16.61%
China Orient Asset Management Corporation	Domestic shares	179,303,000 (Long position)	Beneficial owner	45.95%	11.69%
Shanghai Chemical Industrial Park Development Co., Ltd.	Domestic shares	122,220,616 (Long position) (Note 3)	Beneficial owner	31.32%	7.97%
Shanghai Belling Co., Ltd.	Domestic shares	88,726,400 (Long position)	Beneficial owner	22.74%	5.78%

**Notes:**

1. NXP B.V. is a wholly-owned subsidiary of Kaslion Acquisition B.V. which is held as to 79.88% by Kaslion Holding B.V.. Kaslion Holding B.V. is a wholly-owned subsidiary of Kaslion S.a.r.l..
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 122,220,616 domestic shares (long position) are deemed corporate interests indirectly held through Shanghai Chemical Industrial Park Investment Enterprise Company Limited.



## **SHARE OPTION SCHEME**

As at 30 June 2010, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

## **CORPORATE GOVERNANCE**

### **Compliance with the 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 as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2010.

### **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 2010.

## **Audit Committee Review**

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. Wilhelmus Jacobus Maria Joseph Josquin and Mr. Zhu Peiyi. The interim results for the six months ended 30 June 2010 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**

**Zhou Weiping**

*Executive Director, President & Chief Executive Officer*

**Cheng Jianyu**

*Executive Director & Chief Financial Officer*

Shanghai, the PRC, 18 August 2010

*As at the date of this Interim Report, the executive directors of the Company are Zhou Weiping and Cheng Jianyu; the non-executive directors of the Company are Chen Jianming, Zhu Peiyi, Zhu Jian, Li Zhi, Yeh Yi Liang and Wilhelmus Jacobus Maria Joseph Josquin; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.*