



## 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)

# INTERIM REPORT 2012

*Creative*



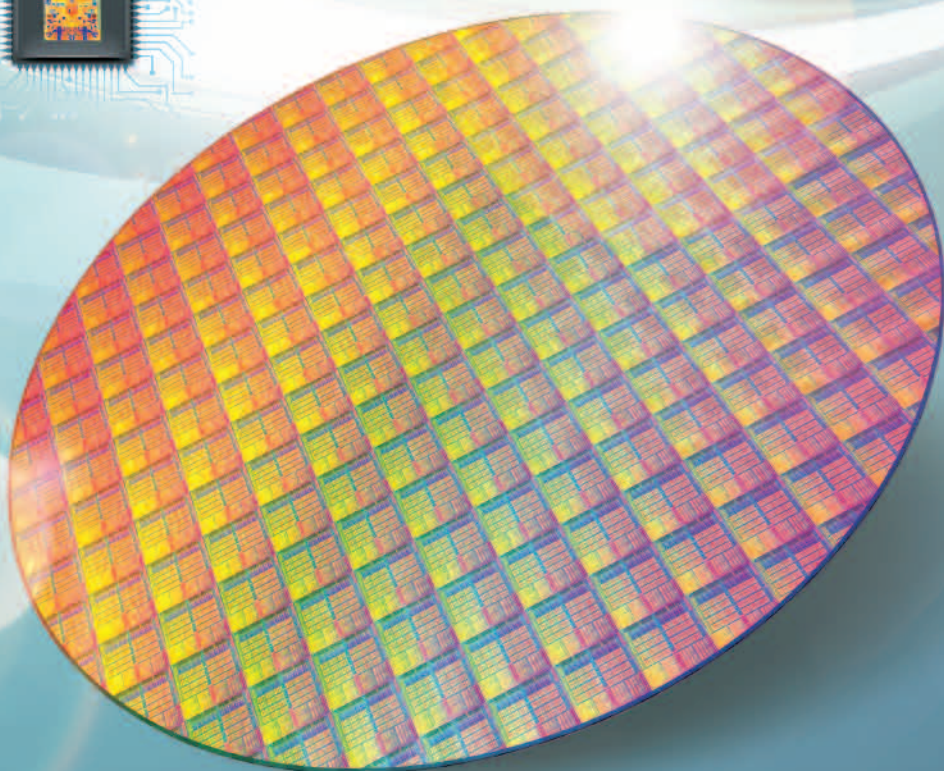
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## INDEPENDENT AUDITORS' REVIEW REPORT



To the Board of Directors of  
Advanced Semiconductor Manufacturing Corporation Limited  
(Established 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 17, which comprise the interim statement of financial position as at 30 June 2012 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 months 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 months ended 30 June 2011 and 30 June 2012 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*

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

8 August 2012

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

for the six months ended 30 June 2012

		<b>3 months ended 30 June 2012 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2012 (Unaudited) RMB'000</b>	3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000
	<i>Notes</i>				
<b>Revenue</b>	5	251,543	448,823	262,384	459,966
Cost of sales		<u>(197,220)</u>	<u>(386,727)</u>	<u>(212,025)</u>	<u>(390,551)</u>
<b>Gross profit</b>		<b>54,323</b>	<b>62,096</b>	50,359	69,415
Other income and gains	6	<b>5,029</b>	<b>15,716</b>	4,727	7,272
Selling and distribution expenses		<b>(1,988)</b>	<b>(3,737)</b>	(1,320)	(2,292)
General and administrative expenses		<b>(17,800)</b>	<b>(32,733)</b>	(16,171)	(31,456)
Research and development costs		<b>(6,316)</b>	<b>(14,634)</b>	(7,964)	(22,205)
Other expenses	6	—	—	(2,384)	(4,391)
Finance costs	7	<b>(292)</b>	<b>(838)</b>	(903)	(2,012)
<b>Profit before tax</b>	7	<b>32,956</b>	<b>25,870</b>	26,344	14,331
Income tax	8	—	—	—	—
<b>Profit for the period</b>		<b>32,956</b>	<b>25,870</b>	26,344	14,331
Other comprehensive income for the period		—	—	—	—
<b>Total comprehensive income for the period attributable to ordinary equity holders of the Company</b>		<b><u>32,956</u></b>	<b><u>25,870</u></b>	<b><u>26,344</u></b>	<b><u>14,331</u></b>
<b>Earnings per share attributable to ordinary equity holders of the Company</b>					
– Basic	10	<b><u>2.15 cents</u></b>	<b><u>1.69 cents</u></b>	<b><u>1.72 cents</u></b>	<b><u>0.93 cents</u></b>

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 2012

	<i>Notes</i>	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>325,764</b>	346,951
Construction in progress		<b>24,200</b>	30,291
Prepaid land lease payments		<b>31,619</b>	32,005
Intangible assets		<b>6,892</b>	7,210
Total non-current assets		<b>388,475</b>	416,457
<b>Current assets</b>			
Inventories		<b>151,506</b>	162,911
Accounts and notes receivables	12	<b>84,667</b>	77,130
Prepayments, deposits and other receivables		<b>16,444</b>	19,101
Due from related companies		<b>40,930</b>	38,888
Cash and cash equivalents		<b>367,405</b>	371,579
Total current assets		<b>660,952</b>	669,609
Total assets		<b>1,049,427</b>	1,086,066
<b>Current liabilities</b>			
Accounts payable	13	<b>135,052</b>	152,889
Other payables and accruals		<b>36,737</b>	50,540
Due to related companies		<b>5,545</b>	5,928
Government grants		<b>9,064</b>	7,124
Interest-bearing bank borrowings	14	<b>18,975</b>	50,407
Total current liabilities		<b>205,373</b>	266,888
<b>Net current assets</b>		<b>455,579</b>	402,721
<b>Total assets less current liabilities</b>		<b>844,054</b>	819,178
<b>Non-current liabilities</b>			
Government grants		<b>12,721</b>	13,715
<b>Net assets</b>		<b>831,333</b>	805,463
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>1,534,227</b>	1,534,227
Reserves		<b>(702,894)</b>	(728,764)
Total equity		<b>831,333</b>	805,463

The interim condensed financial statements on pages 4 to 17 were approved and signed on behalf of the Board of Directors (the "Board") by:

**Chen Jianming**  
Director

**Winfried Lodewijk Peeters**  
Director

**INTERIM STATEMENT OF CHANGES IN EQUITY**

for the six months ended 30 June 2012

	<b>For the six months ended 30 June</b>	
	<b>2012 (Unaudited) RMB'000</b>	<b>2011 (Unaudited) RMB'000</b>
<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	<b>(953,480)</b>	(1,004,619)
Total comprehensive income for the period	<u>25,870</u>	<u>14,331</u>
At end of period	<u><b>(927,610)</b></u>	<u>(990,288)</u>
<b>Reserves</b>	<u><b>(702,894)</b></u>	<u>(765,572)</u>
<b>Total equity attributable to equity holders of the Company</b>	<u><b>831,333</b></u>	<u>768,655</u>

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Net cash flows from operating activities	54,549	78,228
Net cash flows used in investing activities	(27,846)	(74,344)
Net cash flows used in financing activities	(31,432)	(25,625)
<b>Net decrease in cash and cash equivalents</b>	<b>(4,729)</b>	<b>(21,741)</b>
Cash and cash equivalents at beginning of period	371,579	403,377
Effect of exchange rate changes on cash and cash equivalents	555	(3,752)
<b>Cash and cash equivalents at end of period</b>	<b>367,405</b>	<b>377,884</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	101,413	101,287
Non-pledged time deposits with original maturity of less than three months	265,992	276,597
Cash and cash equivalents as stated in the interim statement of financial position and interim condensed statement of cash flows	367,405	377,884



## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2012

### 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 2012 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 financial statements of the Company for the year ended 31 December 2011 (“2011 financial statements”) dated 7 March 2012.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the 2011 financial statements, except for the adoption of new standards and interpretations as of 1 January 2012, which are set out below:

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

- IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)
- IFRS 7 Financial Instruments: Disclosures-Enhanced Derecognition Disclosure Requirements (Amendment)
- IFRS 1 First-time Adoption of International Finance Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

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 2012

### 4. SEGMENT INFORMATION

The Company's revenue and profit were mainly derived from the sale of wafers. The Company has only one reportable 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 attributed to geographical areas based on the location of customers is presented as follows:

	<b>3 months ended</b> <b>30 June 2012</b> <b>(Unaudited and</b> <b>unreviewed)</b> <i>RMB'000</i>	<b>6 months</b> <b>ended</b> <b>30 June 2012</b> <b>(Unaudited)</b> <i>RMB'000</i>	3 months ended 30 June 2011 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2011 (Unaudited) <i>RMB'000</i>
United States of America	113,603	212,298	135,966	240,146
Europe	80,380	138,860	63,636	116,032
Asia	57,560	97,665	62,782	103,788
	<u>251,543</u>	<u>448,823</u>	<u>262,384</u>	<u>459,966</u>

#### *Information about major customers*

Revenue of approximately RMB277,287,000 (30 June 2011: RMB264,853,000) was derived from sales to three customers (30 June 2011: three) which individually accounted for more than 10% of the Company's total revenue during the six months ended 30 June 2012. 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:

	<b>3 months ended</b> <b>30 June 2012</b> <b>(Unaudited and</b> <b>unreviewed)</b> <i>RMB'000</i>	<b>6 months</b> <b>ended</b> <b>30 June 2012</b> <b>(Unaudited)</b> <i>RMB'000</i>	3 months ended 30 June 2011 (Unaudited and unreviewed) <i>RMB'000</i>	6 months ended 30 June 2011 (Unaudited) <i>RMB'000</i>
Sale of goods	251,543	448,815	262,379	459,925
Others	—	8	5	41
	<u>251,543</u>	<u>448,823</u>	<u>262,384</u>	<u>459,966</u>

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS** (Continued)

30 June 2012

**6. OTHER INCOME AND GAINS AND OTHER EXPENSES**

	<b>3 months ended 30 June 2012 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2012 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2011 (Unaudited) RMB'000</b>
<b>Other income and gains</b>				
Compensation income arising from a customer's lack of purchase orders	—	8,049	—	—
Subsidy income	768	1,625	2,065	2,490
Interest income	2,199	4,210	1,492	2,859
Sale of scrap materials	170	227	934	1,375
Net foreign exchange gain	1,484	917	—	—
Others	408	688	236	548
	<u>5,029</u>	<u>15,716</u>	<u>4,727</u>	<u>7,272</u>
<b>Other expenses</b>				
Net foreign exchange loss	—	—	(2,384)	(4,391)
	<u>—</u>	<u>—</u>	<u>(2,384)</u>	<u>(4,391)</u>

**7. PROFIT BEFORE TAX**

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

	<b>3 months ended 30 June 2012 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2012 (Unaudited) RMB'000</b>	<b>3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2011 (Unaudited) RMB'000</b>
Cost of inventories sold	197,220	386,727	212,025	390,551
Depreciation	23,606	48,211	27,529	56,718
Interest on bank loans	292	838	903	2,012
Employee benefits expense:				
– Retirement benefits	4,855	9,294	4,006	7,437
– Accommodation benefits	1,307	2,624	1,049	2,136
– Salaries and other staff costs	44,894	82,843	37,612	73,351
	<u>51,056</u>	<u>94,761</u>	<u>42,667</u>	<u>82,924</u>
Impairment/(reversal of impairment) of accounts receivable	8	9	(24)	(39)
Write-down/(reversal of write-down) of inventories to net realisable value	186	3,234	(3,518)	448

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2012

### 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 2011 and 2012.

In accordance with the PRC Corporate Income Tax 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 of 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 2011 to 31 December 2013.

Major components of income tax are as follows:

	<b>3 months ended 30 June 2012 (Unaudited and unreviewed) RMB'000</b>	<b>6 months ended 30 June 2012 (Unaudited) RMB'000</b>	3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000
Provision for income tax in respect of profit for the period	—	—	—	—
Deferred tax credit	—	—	—	—
Income tax credit	—	—	—	—

### 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 2012 (30 June 2011: Nil).

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	<b>3 months ended 30 June 2012 (Unaudited and unreviewed)</b>	<b>6 months ended 30 June 2012 (Unaudited)</b>	3 months ended 30 June 2011 (Unaudited and unreviewed)	6 months ended 30 June 2011 (Unaudited)
Profit attributable to ordinary equity holders of the Company (RMB'000)	<u>32,956</u>	<u>25,870</u>	<u>26,344</u>	<u>14,331</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 diluted earnings per share is presented for the three months and the six months ended 30 June 2011 and 2012 as the Company had no potentially dilutive ordinary shares in issue during those periods.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS** (Continued)

30 June 2012

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings (Unaudited)</b>	<b>Plant and machinery (Unaudited)</b>	<b>Office equipment (Unaudited)</b>	<b>Motor vehicles (Unaudited)</b>	<b>Total (Unaudited)</b>
	<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 2012	157,103	3,786,901	77,106	3,194	4,024,304
Additions	—	2	—	492	494
Transferred from construction in progress	—	24,862	1,668	—	26,530
Disposals	—	—	(13)	—	(13)
	<u>157,103</u>	<u>3,811,765</u>	<u>78,761</u>	<u>3,686</u>	<u>4,051,315</u>
At 30 June 2012	157,103	3,811,765	78,761	3,686	4,051,315
<b>Accumulated depreciation:</b>					
At 1 January 2012	54,701	2,753,827	70,951	3,148	2,882,627
Charge for the period	2,618	44,570	999	24	48,211
Disposals	—	—	(13)	—	(13)
	<u>57,319</u>	<u>2,798,397</u>	<u>71,937</u>	<u>3,172</u>	<u>2,930,825</u>
At 30 June 2012	57,319	2,798,397	71,937	3,172	2,930,825
<b>Accumulated impairment losses:</b>					
At beginning and end of the period	—	794,726	—	—	794,726
	<u>—</u>	<u>794,726</u>	<u>—</u>	<u>—</u>	<u>794,726</u>
<b>Net book value:</b>					
At 30 June 2012	<u>99,784</u>	<u>218,642</u>	<u>6,824</u>	<u>514</u>	<u>325,764</u>

As at 30 June 2012, the Company has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with carrying amount of RMB18,534,000 (31 December 2011: RMB18,921,000). Until the receipt of the certificates, the Company has no right to assign or pledge these buildings. The Company believes that it is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matters did not have any significant impact on the Company's financial position as at 30 June 2012.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS** (Continued)

30 June 2012

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

	<b>Buildings (Audited) RMB'000</b>	<b>Plant and machinery (Audited) RMB'000</b>	<b>Office equipment (Audited) RMB'000</b>	<b>Motor vehicles (Audited) RMB'000</b>	<b>Total (Audited) RMB'000</b>
<b>Cost:</b>					
At 1 January 2011	156,435	3,679,354	74,165	3,328	3,913,282
Additions	—	7,174	14	—	7,188
Transferred from construction in progress	668	106,241	3,735	—	110,644
Disposals	—	(5,868)	(808)	(134)	(6,810)
At 31 December 2011	<u>157,103</u>	<u>3,786,901</u>	<u>77,106</u>	<u>3,194</u>	<u>4,024,304</u>
<b>Accumulated depreciation:</b>					
At 1 January 2011	49,466	2,660,451	67,702	3,196	2,780,815
Charge for the year	5,235	99,184	4,057	86	108,562
Disposals	—	(5,808)	(808)	(134)	(6,750)
At 31 December 2011	<u>54,701</u>	<u>2,753,827</u>	<u>70,951</u>	<u>3,148</u>	<u>2,882,627</u>
<b>Accumulated impairment losses:</b>					
At 1 January 2011	—	794,786	—	—	794,786
Disposals	—	(60)	—	—	(60)
At 31 December 2011	<u>—</u>	<u>794,726</u>	<u>—</u>	<u>—</u>	<u>794,726</u>
<b>Net book value:</b>					
At 31 December 2011	<u>102,402</u>	<u>238,348</u>	<u>6,155</u>	<u>46</u>	<u>346,951</u>

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS** (Continued)

30 June 2012

**12. ACCOUNTS AND NOTES RECEIVABLES**

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
Accounts receivable	65,105	62,691
Notes receivable	<u>20,165</u>	<u>15,033</u>
	<b>85,270</b>	<b>77,724</b>
Impairment for accounts receivable	<u>(603)</u>	<u>(594)</u>
	<b><u>84,667</u></b>	<b><u>77,130</u></b>

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 impairment, is as follows:

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	57,696	43,573
Between 31 days and 90 days	14,203	21,310
Between 91 days and 180 days	12,692	11,353
Between 181 days and 365 days	40	807
Over 365 days	<u>36</u>	<u>87</u>
	<b><u>84,667</u></b>	<b><u>77,130</u></b>

The movements in the impairment for accounts receivable are as follows:

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
At beginning of period/year	594	557
Impairment losses provided	<u>9</u>	<u>37</u>
At end of period/year	<b><u>603</u></b>	<b><u>594</u></b>

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS** (Continued)

30 June 2012

**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:

	Total <i>RMB'000</i>	Neither past due nor impaired <i>RMB'000</i>	Past due but not impaired			
			<60 days <i>RMB'000</i>	60-180 days <i>RMB'000</i>	181-365 days <i>RMB'000</i>	>365 days <i>RMB'000</i>
30 June 2012 (unaudited)	84,667	76,293	8,336	38	—	—
31 December 2011 (audited)	77,130	65,139	11,115	—	794	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:

	30 June 2012 (Unaudited) <i>RMB'000</i>	31 December 2011 (Audited) <i>RMB'000</i>
Outstanding balances with ageing:		
Within 30 days	117,785	119,064
Between 31 days and 90 days	8,672	25,877
Between 91 days and 180 days	3,745	3,516
Between 181 days and 365 days	2,560	1,480
Over 365 days	2,290	2,952
	<u>135,052</u>	<u>152,889</u>



**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS** (Continued)

30 June 2012

**14. INTEREST-BEARING BANK BORROWINGS**

	30 June 2012		RMB'000 (Unaudited)
	Effective interest rate	Maturity	
Unsecured bank borrowings repayable within one year	<u>4.59%</u>	<u>2012</u>	<u>18,975</u>
		31 December 2011	
	Effective interest rate	Maturity	RMB'000 (Audited)
Unsecured bank borrowings repayable within one year	<u>3.10%~4.26%</u>	<u>2012</u>	<u>50,407</u>

**15. COMMITMENTS**

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	34,502	12,949
– authorised, but not contracted for	<u>94,947</u>	<u>148,391</u>
	<u>129,449</u>	<u>161,340</u>

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2012

### 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 NXP B.V. are considered to be related to the Company.

The Company had the following material transactions with the related parties during the period:

		3 months ended 30 June 2012 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2012 (Unaudited) RMB'000	3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000
	<i>Notes</i>				
Sales	(i)	69,657	111,474	45,336	83,232
Technology transfer fees	(ii)	2,901	4,940	2,354	3,612
Compensation paid/ payable to key management personnel (including directors, supervisors and senior executives)		<u>2,460</u>	<u>4,581</u>	<u>1,534</u>	<u>4,599</u>

*Notes:*

- (i) Sales to related companies were carried out at terms equivalent to those that prevail in arm's length transactions.
- (ii) Royalties in the form of technology transfer fees (including identification licensing fees) paid/payable to a related company were determined at 3% or 10% of the net sales of certain specified products sold according to agreement of the parties.

In the opinion of the directors, all transactions above were carried out in the ordinary course of business of the Company.

The above related party transactions set out in Notes (i) and (ii) also constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 8 August 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIX MONTHS ENDED 30 JUNE 2012 COMPARED TO SIX MONTHS ENDED 30 JUNE 2011

#### Sales

During the first half of 2012, the Company experienced the traditional slow season and shorter working hours as a result of the planned annual maintenance shut-down, which was partially offset by a cycle of inventory replenishment in the semiconductor supply chain. As a result, the Company's sales for the six months ended 30 June 2012 totaled RMB448.8 million, a decrease of 2.4% over the first half period last year. However, the Company still achieved healthy year-on-year improvements in earnings and withstood the headwinds of the weakening macro-economic environment and an increase in input costs. During the period, the wafer shipment increased by 4.3% to 228,437 units of 8-inch equivalent wafers for the six months ended 30 June 2012 from 218,985 units of 8-inch equivalent wafers for the six months ended 30 June 2011.

#### Cost of sales and gross profit

Gross profit for the six months ended 30 June 2012 was RMB62.1 million, compared to RMB69.4 million for the six months ended 30 June 2011. Gross margin was 13.8% for the six months ended 30 June 2012 compared to 15.1% for the corresponding period of last year, largely attributable to the increase in labour costs and the appreciation of the Renminbi ("RMB") against the US dollar and, to a lesser extent, a less favourable product mix, partially offset by a decrease in depreciation charges as a result of certain assets being fully depreciated and an increase in wafer shipments.

#### Other income and gains

Other income and gains for the six months ended 30 June 2012 were RMB15.7 million, compared to RMB7.3 million for the six months ended 30 June 2011. Other income and gains in the first half of 2012 were primarily generated by compensation income arising from a customer's lack of purchase orders, subsidy income, interest income, sale of scrap materials, net foreign exchange gain and others.

#### Selling and distribution expenses

Selling and distribution expenses increased from RMB2.3 million for the six months ended 30 June 2011 to RMB3.7 million for the six months ended 30 June 2012, mainly due to higher payroll-related expenses.

#### General and administrative expenses

General and administrative expenses amounted to RMB32.7 million for the six months ended 30 June 2012, an increase of RMB1.2 million or 3.8% from RMB31.5 million for the six months ended 30 June 2011, primarily attributed to higher employee compensation expenses related to early termination of a contract.

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

### **SIX MONTHS ENDED 30 JUNE 2012 COMPARED TO SIX MONTHS ENDED 30 JUNE 2011** (Continued)

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

Research and development costs for the six months ended 30 June 2012 were RMB14.6 million, a decrease of RMB7.6 million or 34.2% from RMB22.2 million for the six months ended 30 June 2011. Lower research and development costs were primarily attributable to the effective management of research and development activities through the Company optimising its investment on research and development projects, and some engineering lots being sold to the Company's customers.

#### **Other expenses**

No other expenses were recorded for the six months ended 30 June 2012. Other expenses for the six months ended 30 June 2011 recorded a net foreign exchange loss of RMB4.4 million.

#### **Finance costs**

Finance costs for the six months ended 30 June 2012 were RMB0.8 million, a decrease of RMB1.2 million or 60.0% from RMB2.0 million for the six months ended 30 June 2011, primarily attributable to lower interest expenses as a result of a continued decrease in the Company's bank loan balance.

#### **Net income**

As a result of the foregoing factors, the Company recorded net income of RMB25.9 million for the six months ended 30 June 2012, compared to net income of RMB14.3 million for the six months ended 30 June 2011.

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

The Company had RMB367.4 million of cash and cash equivalents as at 30 June 2012 compared to RMB371.6 million as at 31 December 2011. The Company's net cash inflow from operating activities was RMB54.5 million for the six months ended 30 June 2012, compared to RMB78.2 million in the corresponding period of 2011.

The Company's net cash outflow from investing activities was RMB27.8 million for the six months ended 30 June 2012, which represented the net effect of RMB29.8 million for purchase of items of property, plant and equipment, and construction in progress and intangible assets, and receipt of government grants of RMB1.9 million. The total capital expenditures were RMB21.8 million for the six months ended 30 June 2012, compared to RMB74.6 million for the six months ended 30 June 2011. The capital expenditures incurred in the first half of 2012 were mostly allocated to the production facilities and equipment associated with 8-inch wafers and, to a lesser extent, 5-inch and 6-inch wafers for capacity and productivity improvement.

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

### **SIX MONTHS ENDED 30 JUNE 2012 COMPARED TO SIX MONTHS ENDED 30 JUNE 2011** (Continued)

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

The Company's net cash outflow from financing activities amounted to RMB31.4 million for the six months ended 30 June 2012, compared to net cash outflow of RMB25.6 million for the six months ended 30 June 2011. The net cash outflow of RMB31.4 million represented the net effect of RMB50.3 million for the repayment of bank loans and the new bank loans of RMB18.9 million in the reporting period.

As at 30 June 2012, the Company's short-term interest-bearing borrowings were RMB19.0 million, which were denominated in US dollars.

As at 30 June 2012, the Company's current ratio was 3.22 when compared to 2.51 as at 31 December 2011. The Company's debt to equity ratio as at 30 June 2012 was 26.2%, compared to 34.8% as at 31 December 2011.

#### **Employees**

As at 30 June 2012, the Company had 1,641 employees, an increase of 2.1% from 1,607 employees as at 31 December 2011. During the reporting period, the remuneration and employment benefits were provided for and paid 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 2012, the Company's total borrowings were working capital loans. The interest rates on the Company's US dollar-denominated loans are linked to LIBOR. The Company did not execute interest rate swaps to hedge its exposure to interest rate risk during the reporting period.

#### **RMB fluctuation risks**

RMB is the Company's functional and reporting currency. A large amount of the Company's revenue and expenditures are now denominated in foreign currencies. In the event that the Company's RMB revenue is not sufficient to meet its RMB expenditure, the Company will be required to meet the difference by conversion of its foreign currencies deposits into RMB, which might result in exchange loss, ultimately leading to a negative impact on its cash flow.

#### **Capital commitments**

As at 30 June 2012, the Company had capital commitments for property, plant and equipment amounting to RMB129.4 million, of which RMB34.5 million was contracted but not provided for while the remaining RMB94.9 million was authorised but not contracted for.

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

### **OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2012**

Sales for the three months ended 30 June 2012 were RMB251.5 million, an increase of RMB54.2 million or 27.5% from RMB197.3 million for the first quarter of 2012. Such increase was primarily due to the substantial increase in the sales of both 6-inch and 8-inch wafers and, to a lesser extent, in the sales of 5-inch wafers.

Gross profit for the three months ended 30 June 2012 was RMB54.3 million, an increase of RMB46.5 million or 596.2% from RMB7.8 million recorded in the previous quarter. Gross margin for the three months ended 30 June 2012 was 21.6% compared to 3.9% in the first quarter of 2012, primarily attributable to a higher level of capacity utilization rate.

Other income and gains for the three months ended 30 June 2012 were RMB5.0 million, compared to RMB11.3 million for the three months ended 31 March 2012. Other income and gains in the second quarter of 2012 were mainly comprised of interest income, subsidy income, sale of scrap materials, net foreign exchange gain and others. Other income and gains in the first quarter of 2012 comprised of compensation income arising from a customer's lack of purchase orders, interest income, subsidy income and others.

Operating expenses for the three months ended 30 June 2012 were RMB26.1 million, representing an increase of 4.4% from RMB25.0 million for the three months ended 31 March 2012, largely attributable to an increase in selling and distribution costs and general and administrative expenses, partially offset by a decrease in research and development costs.

No other expenses were recorded for the three months ended 30 June 2012. Other expenses for the three months ended 31 March 2012 recorded a net foreign exchange loss of RMB0.6 million.

Finance costs for the three months ended 30 June 2012 amounted to RMB0.3 million, compared to RMB0.5 million for the three months ended 31 March 2012.

As a result, the Company achieved net income of RMB33.0 million for the three months ended 30 June 2012, compared to a net loss of RMB7.1 million for the three months ended 31 March 2012.

**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2012**

(Continued)

**1. Revenue Analysis****By Application**

Sales for the three months ended 30 June 2012 from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were basically in line with the prior quarter.

	<b>2Q'12</b>	1Q'12	2Q'11
Communication	<b>33%</b>	33%	33%
Computer	<b>33%</b>	33%	33%
Consumer	<b>34%</b>	34%	34%

**By Geography**

For the three months ended 30 June 2012, sales to the USA, Europe and Asia Pacific accounted for 45%, 32% and 23% of total revenue respectively, compared to 50%, 30% and 20% in the previous quarter.

	<b>2Q'12</b>	1Q'12	2Q'11
USA	<b>45%</b>	50%	52%
Europe	<b>32%</b>	30%	24%
Asia Pacific	<b>23%</b>	20%	24%

**By Customer Type**

For the three months ended 30 June 2012, sales to IDM and fabless customers accounted for 37% and 63% of total revenue respectively, which remained flat compared to the first quarter of 2012.

	<b>2Q'12</b>	1Q'12	2Q'11
IDM	<b>37%</b>	37%	26%
Fabless	<b>63%</b>	63%	74%

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2012

(Continued)

#### 1. Revenue Analysis (Continued)

##### By Product

For the three months ended 30 June 2012, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 14%, 42% and 43% respectively, compared to 14%, 47% and 39% in the previous quarter.

	2Q'12	1Q'12	2Q'11
5-inch wafers	14%	14%	20%
6-inch wafers	42%	47%	36%
8-inch wafers	43%	39%	43%
Others <sup>1</sup>	1%	—	1%

Note 1: Consist of probing services and provision of masks

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

##### 2.1 Utilization

Overall capacity utilisation for the three months ended 30 June 2012 was 77%, compared to 60% in the first quarter of 2012.

Fab	2Q'12	1Q'12	2Q'11
Fab 1/2			
5-inch wafers	51%	43%	69%
6-inch wafers	64%	55%	57%
Fab 3			
8-inch wafers	101%	72%	96%
Overall Capacity Utilisation Rate	77%	60%	75%

Notes:

- The capacity utilisation rate represents the percentage of the actual number of processing steps (measured by the number of masks used) for the number of semiconductor wafers shipped in the reporting period divided by the total number of processing steps a fab is capable of producing during the corresponding period.
- The capacity utilisation rates stated in the table are calculated on the basis of the theoretical capacity of the Company's fabrication facilities, as discussed in Notes 2 to paragraph 2.2 below. In consequence, the utilisation rates of actual operating capacity are higher than the figures stated in the above table.



**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2012**

(Continued)

**2. Utilization and Capacity (8" equivalent)** (Continued)**2.2 Capacity (8" Equivalent)**

The capacity for the three months ended 30 June 2012 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and the second quarter of 2011.

<b>Fab (wafers in thousands)</b>	<b>2Q'12</b>	<b>1Q'12</b>	<b>2Q'11</b>
Fab 1/2			
5-inch wafers	<b>33</b>	33	33
6-inch wafers	<b>85</b>	85	85
Fab 3			
8-inch wafers	<b>36</b>	36	36
Total Capacity	<b>154</b>	154	154

Notes:

1. 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 by 2.56 and 1.78 respectively.
2. The installed capacity of the Company's fabrication facilities is calculated assuming continuous production of an optimum product mix, which in practice is unlikely ever to be achieved. In consequence, the actual operating capacity is less than the figures stated in the table.

**3. Receivables/Inventory Turnover**

Receivables turnover for the three months ended 30 June 2012 was 42 days, compared to 46 days in the first quarter of 2012.

Inventory turnover was 89 days for three months ended 30 June 2012, compared to 95 days in the prior quarter.

	<b>2Q'12</b>	<b>1Q'12</b>	<b>2Q'11</b>
Trade and notes receivables turnover (days)	<b>42</b>	46	30
Inventory turnover (days)	<b>89</b>	95	84

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2012

(Continued)

#### 4. Capital Expenditure

The amount of capital expenditure for the three months ended 30 June 2012 was RMB21.1 million, compared to RMB0.7 million in the first quarter of 2012.

	2Q'12	1Q'12	2Q'11
(Amount: RMB'000)			
Capex	21,104	728	25,536

### PROSPECTS AND FUTURE PLANS

The uncertainty of the sovereign debt crisis in certain European countries and the signs of the U.S. economy entering a softer growth phase as well as the slowdown of economic growth in the PRC are likely to pose major challenges and volatilities to the semiconductor market in the near term. Meanwhile, the Company has observed some changes in certain customers' order patterns including order cancellations or reduced bookings in recent months, and also notes that the fourth quarter of the year normally experiences a degree of seasonality in production, which are expected to lead to softer than expected developments in its business operations and financial results in the latter half of this year.

The semiconductor market remained volatile in the first half of the year as economic uncertainty has discouraged the stockpiling of inventory by many end-market customers, many of whom have been cautious about placing orders. However, despite such unfavourable business environment, management has responded to changing market conditions through a combination of initiatives that include operating efficiency gains, a flexible pricing strategy as well as a stringent cost control program. As a result, the Company has delivered good underlying operating results during the reporting period. In addition, the Company's financial position was further underpinned by healthy cash generation and the continuing reduction in the Company's net debt position.

Moving forward, the Company will continue to focus on increasing operational efficiency and developing new process technologies with self-owned intellectual property rights, as well as expanding its production capacity by de-bottlenecking its existing manufacturing facilities. In addition, the Company will leverage the successful and accumulated experience of its core manufacturing business to enhance its cooperation with the major players in the domestic industrial chain so as to increase and seize market share in the Greater China region. The Company is actively pursuing a more effective business strategy that it believes will deliver sustainable growth over the medium term.

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

During the six months ended 30 June 2012, 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 2012, none of the directors, supervisors and chief executives 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 2012, the interests and short positions of the following persons (not being a director, supervisor or chief executive of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) 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 the total issued share capital
NXP B.V. (Note 1)	H-shares	408,806,888 (Long position)	Beneficial owner	36.13%	26.65%
	Unlisted foreign shares	12,643,512 (Long position)	Beneficial owner	100%	0.82%
SCIP (HK) Limited ("SCIP (HK)") (Note 2)	H-shares	222,574,584 (Long position)	Beneficial owner	19.67%	14.51%
Shanghai Chemical Industrial Park Investment Enterprise Company Limited ("SCIPI") (Note 2)	Domestic shares	122,220,616 (Long position)	Beneficial owner	31.32%	7.97%
China Orient Asset Management Corporation	Domestic shares	179,303,000 (Long position)	Beneficial owner	45.95%	11.69%
Shanghai Belling Co., Limited	Domestic shares	88,726,400 (Long position)	Beneficial owner	22.74%	5.78%

### Notes:

1. NXP B.V. is a wholly-owned subsidiary of NXP Semiconductors N.V. (formerly known as Kaslion Acquisition B.V.) which is held as to 69% by a private equity consortium consists of funds advised by Kravis Roberts & Co. L.P., Bain Capital Partners, LLC, Silver Lake Management Company, L.L.C., Apax Partners LLP and AlInvest Partners N.V. as well as smaller investors (the "Private Equity Consortium"). Accordingly, NXP Semiconductors N.V. and the Private Equity Consortium are taken as having interests in the 408,806,888 H-shares and the 12,643,512 unlisted foreign shares of the Company which are beneficially held by NXP B.V..
2. SCIP (HK) is a wholly-owned subsidiary of SCIPI which in turn is 100% controlled by Shanghai Chemical Industrial Park Development Co., Ltd. ("SCIPD"). Accordingly, SCIPI and SCIPD are taken as having interests in the 222,574,584 H-shares of the Company which are beneficially held by SCIP (HK), and SCIPD is taken as having interests in the 122,220,616 domestic shares of the Company which are beneficially held by SCIPI.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS** (Continued)

Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless a specific threshold is passed, therefore a substantial shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

As at 30 June 2012, 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") and the Corporate Governance Code (the "New 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 (i) the Governance Code as set out in Appendix 14 to the Listing Rules for the three months ended 31 March 2012; and (ii) the New Governance Code as set out in Appendix 14 to the Listing Rules for the three months ended 30 June 2012.

### **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 2012.

### **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. David Siu Kee Kiang and Ms. Shen Qing. The interim results for the six months ended 30 June 2012 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**  
**Wang Qingyu**  
*President*

Shanghai, the PRC, 8 August 2012

*As at the date of this interim report, the non-executive directors of the Company are Chen Jianming, Shen Qing, Zhu Jian, Li Zhi, David Siu Kee Kiang and Winfried Lodewijk Peeters; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.*