



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)



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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 17, which comprise the interim statement of financial position as at 30 June 2011 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 2010 and 30 June 2011 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

17 August 2011

INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011

		3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
	Notes				
Revenue	5	262,384	459,966	245,764	431,912
Cost of sales		(212,025)	(390,551)	(186,872)	(343,535)
Gross profit		50,359	69,415	58,892	88,377
Other income and gains	6	4,727	7,272	2,659	3,708
Selling and distribution expenses		(1,320)	(2,292)	(861)	(2,525)
General and administrative expenses		(16,171)	(31,456)	(10,871)	(25,813)
Research and development costs		(7,964)	(22,205)	(3,978)	(14,405)
Other expenses	6	(2,384)	(4,391)	(1,409)	(1,649)
Finance costs	7	(903)	(2,012)	(1,759)	(3,772)
Profit before tax	7	26,344	14,331	42,673	43,921
Income tax	8	—	—	—	—
Profit for the period		26,344	14,331	42,673	43,921
Other comprehensive income for the period		—	—	—	—
Total comprehensive income for the period attributable to ordinary equity holders of the Company		26,344	14,331	42,673	43,921
Earnings per share attributable to ordinary equity holders of the Company					
– Basic	10	1.72 cents	0.93 cents	2.78 cents	2.86 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 2011

	<i>Notes</i>	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	345,489	337,681
Construction in progress		33,918	26,161
Prepaid land lease payments		32,389	32,774
Intangible assets		8,426	6,968
Total non-current assets		420,222	403,584
Current assets			
Inventories		157,357	161,832
Accounts and notes receivables	12	82,255	72,931
Prepayments, deposits and other receivables		14,018	25,393
Due from related companies		26,833	31,201
Cash and cash equivalents		377,884	403,377
Total current assets		658,347	694,734
Total assets		1,078,569	1,098,318
Current liabilities			
Accounts payable	13	155,488	157,265
Other payables and accruals		39,970	46,899
Due to related companies		4,021	4,795
Government grants		5,124	4,772
Interest-bearing bank borrowings	14	90,602	116,227
Total current liabilities		295,205	329,958
Net current assets		363,142	364,776
Total assets less current liabilities		783,364	768,360
Non-current liabilities			
Government grants		14,709	14,036
Net assets		768,655	754,324
Equity attributable to equity holders of the Company			
Share capital		1,534,227	1,534,227
Reserves		(765,572)	(779,903)
Total equity		768,655	754,324

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

Joseph Xie
Director

INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Share capital		
<i>Ordinary shares of RMB1.00 each:</i>		
At beginning and end of period	<u>1,534,227</u>	<u>1,534,227</u>
Capital reserve		
At beginning and end of period	<u>205,363</u>	<u>205,363</u>
Statutory surplus reserve		
At beginning and end of period	<u>19,353</u>	<u>19,353</u>
Accumulated losses		
At beginning of period	<u>(1,004,619)</u>	<u>(1,124,317)</u>
Total comprehensive income for the period	<u>14,331</u>	<u>43,921</u>
At end of period	<u>(990,288)</u>	<u>(1,080,396)</u>
Reserves	<u>(765,572)</u>	<u>(855,680)</u>
Total equity attributable to equity holders of the Company	<u><u>768,655</u></u>	<u><u>678,547</u></u>

INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) <i>RMB'000</i>	2010 (Unaudited) <i>RMB'000</i>
Net cash flows from operating activities	78,228	67,097
Net cash flows used in investing activities	(74,344)	(10,238)
Net cash flows used in financing activities	(25,625)	(10,373)
Net (decrease)/increase in cash and cash equivalents	(21,741)	46,486
Cash and cash equivalents at beginning of period	403,377	317,996
Effect of exchange rate changes on cash and cash equivalents	(3,752)	—
Cash and cash equivalents at end of period	377,884	364,482
Analysis of balances of cash and cash equivalents		
Cash and bank balances	101,287	123,184
Non-pledged time deposits with original maturity of less than three months	276,597	241,298
Cash and cash equivalents as stated in the interim statement of financial position and interim condensed statement of cash flows	377,884	364,482

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2011

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 2011 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 2010 ("2010 financial statements") dated 9 March 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the 2010 financial statements, except for the adoption of new standards and interpretations as of 1 January 2011, 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 24 (Amendment)	<i>Related Party Transactions</i>
IAS 32 (Amendment)	<i>Financial Instruments: Presentation</i>
IFRIC 14 (Amendment)	<i>Prepayments of a Minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs (issued in May 2010)*	<i>Amendments to a number of IFRSs</i>

* Improvements to IFRSs 2010 contain amendments to IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13.

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 2011

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 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 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
United States of America	135,966	240,146	136,124	228,531
Europe	63,636	116,032	69,206	134,026
Asia	62,782	103,788	40,434	69,355
	<u>262,384</u>	<u>459,966</u>	<u>245,764</u>	<u>431,912</u>

Information about major customers

The Company's revenue of approximately RMB264,853,000 (30 June 2010: RMB281,630,000) was derived from sales to three customers (30 June 2010: four) which individually accounted for more than 10% of the Company's total revenue during the six months ended 30 June 2011. 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 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
Sale of goods	262,379	459,925	245,651	431,627
Others	5	41	113	285
	<u>262,384</u>	<u>459,966</u>	<u>245,764</u>	<u>431,912</u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
Other income and gains				
Subsidy income	2,065	2,490	195	590
Interest income	1,492	2,859	664	1,095
Sale of scrap materials	934	1,375	1,215	1,438
Others	236	548	585	585
	<u>4,727</u>	<u>7,272</u>	<u>2,659</u>	<u>3,708</u>
Other expenses				
Loss arising from a leakage incident	—	—	—	(261)
Net foreign exchange loss	(2,384)	(4,391)	(1,409)	(1,388)
	<u>(2,384)</u>	<u>(4,391)</u>	<u>(1,409)</u>	<u>(1,649)</u>

7. PROFIT BEFORE TAX

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

	3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
Cost of inventories sold	212,025	390,551	186,872	343,535
Depreciation	27,529	56,718	34,840	70,689
Interest on bank loans	903	2,012	1,759	3,772
Employee benefits expense:				
– Retirement benefits	4,006	7,437	3,307	6,716
– Accommodation benefits	1,049	2,136	1,074	2,214
– Salaries and other staff costs	37,612	73,351	32,809	64,564
	<u>42,667</u>	<u>82,924</u>	<u>37,190</u>	<u>73,494</u>
Reversal of impairment for doubtful debts	(24)	(39)	(6,581)	(6,634)
(Reversal of write-down)/ write-down for inventories	(3,518)	448	(741)	(453)
Loss on disposal of property, plant and equipment	—	—	238	238
	<u>—</u>	<u>—</u>	<u>238</u>	<u>238</u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

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 2010 and 2011.

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:

	3 months ended 30 June 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
Provision for income tax in respect of profit for the period	—	—	—	—
Deferred tax credit	—	—	—	—
Income tax credit	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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 2011 (30 June 2010: Nil).

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

Basic earnings per share 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.

	3 months ended 30 June 2011 (Unaudited and unreviewed)	6 months ended 30 June 2011 (Unaudited)	3 months ended 30 June 2010 (Unaudited and unreviewed)	6 months ended 30 June 2010 (Unaudited)
Profit attributable to ordinary equity holders of the Company (RMB'000)	<u>26,344</u>	<u>14,331</u>	<u>42,673</u>	<u>43,921</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 per share amounts presented for the three months and the six months ended 30 June 2010 and 2011 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 2011

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
Cost:					
At 1 January 2011	156,435	3,679,354	74,165	3,328	3,913,282
Additions	—	1,785	8	—	1,793
Transferred from construction in progress	7,146	53,979	1,608	—	62,733
Disposals	—	(5,653)	(4)	—	(5,657)
At 30 June 2011	<u>163,581</u>	<u>3,729,465</u>	<u>75,777</u>	<u>3,328</u>	<u>3,972,151</u>
Accumulated depreciation:					
At 1 January 2011	49,466	2,660,451	67,702	3,196	2,780,815
Charge for the period	2,672	51,393	2,595	58	56,718
Disposals	—	(5,653)	(4)	—	(5,657)
At 30 June 2011	<u>52,138</u>	<u>2,706,191</u>	<u>70,293</u>	<u>3,254</u>	<u>2,831,876</u>
Accumulated impairment losses:					
At beginning and end of the period	—	794,786	—	—	794,786
Net book value:					
At 30 June 2011	<u>111,443</u>	<u>228,488</u>	<u>5,484</u>	<u>74</u>	<u>345,489</u>

As at 30 June 2011, the Company has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with carrying amount of RMB19,502,000 (31 December 2010: RMB19,696,000). 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 2011.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings (Audited) RMB'000	Plant and machinery (Audited) RMB'000	Office equipment (Audited) RMB'000	Motor vehicles (Audited) RMB'000	Total (Audited) RMB'000
Cost:					
At 1 January 2010	156,297	3,661,400	73,094	3,328	3,894,119
Additions	—	21,239	381	—	21,620
Transferred from construction in progress	138	12,672	879	—	13,689
Disposals	—	(15,957)	(189)	—	(16,146)
At 31 December 2010	<u>156,435</u>	<u>3,679,354</u>	<u>74,165</u>	<u>3,328</u>	<u>3,913,282</u>
Accumulated depreciation:					
At 1 January 2010	44,255	2,551,645	60,871	3,066	2,659,837
Charge for the year	5,211	121,541	7,020	130	133,902
Disposals	—	(12,735)	(189)	—	(12,924)
At 31 December 2010	<u>49,466</u>	<u>2,660,451</u>	<u>67,702</u>	<u>3,196</u>	<u>2,780,815</u>
Accumulated impairment losses:					
At 1 January 2010	—	797,771	—	—	797,771
Disposals	—	(2,985)	—	—	(2,985)
At 31 December 2010	<u>—</u>	<u>794,786</u>	<u>—</u>	<u>—</u>	<u>794,786</u>
Net book value:					
At 31 December 2010	<u><u>106,969</u></u>	<u><u>224,117</u></u>	<u><u>6,463</u></u>	<u><u>132</u></u>	<u><u>337,681</u></u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

12. ACCOUNTS AND NOTES RECEIVABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Accounts receivable	72,032	62,821
Notes receivable	10,741	10,667
	<hr/>	<hr/>
	82,773	73,488
Impairment for accounts receivable	(518)	(557)
	<hr/>	<hr/>
	82,255	72,931
	<hr/> <hr/>	<hr/> <hr/>

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:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	69,832	46,547
Between 31 days and 90 days	11,992	21,934
Between 91 days and 180 days	269	4,322
Between 181 days and 365 days	81	46
Over 365 days	81	82
	<hr/>	<hr/>
	82,255	72,931
	<hr/> <hr/>	<hr/> <hr/>

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
At beginning of period/year	557	7,267
Impairment losses reversed	(39)	(6,710)
	<hr/>	<hr/>
At end of period/year	518	557
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

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 RMB'000	Neither past due nor impaired RMB'000	Past due but not impaired			
			<60 days RMB'000	60-180 days RMB'000	181-365 days RMB'000	>365 days RMB'000
30 June 2011 (unaudited)	82,255	74,027	8,013	53	81	81
31 December 2010 (audited)	72,931	54,950	17,577	276	46	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 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Outstanding balances with ageing:		
Within 30 days	123,089	112,246
Between 31 days and 90 days	19,588	30,135
Between 91 days and 180 days	3,230	8,531
Between 181 days and 365 days	6,292	4,018
Over 365 days	3,289	2,335
	155,488	157,265

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2011		RMB'000 (Unaudited)
	Effective interest rate	Maturity	
Unsecured bank borrowings repayable within one year	<u>2.64%~5.31%</u>	<u>2012</u>	<u>90,602</u>
		31 December 2010	
	Effective interest rate	Maturity	RMB'000 (Audited)
Unsecured bank borrowings repayable within one year	<u>2.64%~5.31%</u>	<u>2011</u>	<u>116,227</u>

15. COMMITMENTS

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	44,380	61,781
– authorised, but not contracted for	79,473	137,766
	<u>123,853</u>	<u>199,547</u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2011

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 2011 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2011 (Unaudited) RMB'000	3 months ended 30 June 2010 (Unaudited and unreviewed) RMB'000	6 months ended 30 June 2010 (Unaudited) RMB'000
	<i>Notes</i>				
Sales	(i)	45,336	83,232	38,725	60,755
Technology transfer fees	(ii)	2,354	3,612	1,613	2,717
Compensation paid/ payable to key management personnel (including directors, supervisors and senior executives)		<u>1,383</u>	<u>4,407</u>	<u>1,473</u>	<u>3,826</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 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.

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 17 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

SIX MONTHS ENDED 30 JUNE 2011 COMPARED TO SIX MONTHS ENDED 30 JUNE 2010

Sales

During the first half of 2011, the semiconductor industry was negatively affected by the slow recovery of global economy, the Japanese earthquake and the traditional slow season. Despite the challenging market environment, the Company still achieved its sales of RMB460.0 million for the six months ended 30 June 2011, reflecting an increase of 6.5% from RMB431.9 million for the six months ended 30 June 2010. During the period, the wafer shipment increased by 8.2% to 218,985 units of 8-inch equivalent wafers for the six months ended 30 June 2011 from 202,367 units of 8-inch equivalent wafers for the six months ended 30 June 2010.

Cost of sales and gross profit

Gross profit for the six months ended 30 June 2011 was RMB69.4 million, compared to RMB88.4 million for the six months ended 30 June 2010. Gross margin was 15.1% for the six months ended 30 June 2011 compared to 20.5% for the corresponding period of last year, largely attributable to the increase in raw materials prices, labor costs and the appreciation of Renminbi ("RMB") against the US dollar and, to a lesser extent, a less favorable product mix, partially offset by the decrease in depreciation charges as a result of certain assets being fully depreciated and an increase in wafer shipment.

Other income and gains

Other income and gains for the six months ended 30 June 2011 were RMB7.3 million, compared to RMB3.7 million for the six months ended 30 June 2010. Other income and gains in the first half of 2010 and 2011 were primarily generated by subsidy income, interest income, sale of scrap materials and others.

Selling and distribution expenses

Selling and distribution expenses reduced from RMB2.5 million for the six months ended 30 June 2010 to RMB2.3 million for the six months ended 30 June 2011, mainly due to lower marketing expenses and reduced commission rate.

General and administrative expenses

General and administrative expenses amounted to RMB31.5 million for the six months ended 30 June 2011, an increase of RMB5.7 million, or 22.1%, from RMB25.8 million for the six months ended 30 June 2010, primarily attributed to a RMB6.6 million reversal of allowance for doubtful debts for the six months ended 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2011 COMPARED TO SIX MONTHS ENDED 30 JUNE 2010 (Continued)

Research and development costs

Research and development costs for the six months ended 30 June 2011 were RMB22.2 million, an increase of RMB7.8 million or 54.2% from RMB14.4 million for the six months ended 30 June 2010. The research and development efforts were primarily focused on the automotive electronics chip-related business. In the meantime, the Company also strengthened its focus on the development of technology and process with self-owned intellectual property rights. As such, the number of patent applications filed has been increasing rapidly since the beginning of 2011.

Other expenses

Other expenses for the six months ended 30 June 2011 amounted to RMB4.4 million, compared to RMB1.6 million during the same period of last year. Other expenses in the first half of 2011 were only comprised of net foreign exchange loss. Other expenses in the first half of 2010 were mainly comprised of loss arising from a leakage incident and net foreign exchange loss.

Finance costs

Finance costs for the six months ended 30 June 2011 were RMB2.0 million, a decrease of RMB1.8 million or 47.4% from RMB3.8 million for the six months ended 30 June 2010, 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 a net income of RMB14.3 million for the six months ended 30 June 2011, compared to a net income of RMB43.9 million for the six months ended 30 June 2010.

Liquidity and capital resources

The Company had RMB377.9 million of cash and cash equivalents as at 30 June 2011 compared to RMB403.4 million as at 31 December 2010. The Company's net cash inflow from operating activities was RMB78.2 million for the six months ended 30 June 2011, compared to RMB67.1 million in the corresponding period of 2010.

The Company's net cash outflow from investing activities was RMB74.3 million for the six months ended 30 June 2011, which represented the net effect of RMB76.2 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 RMB74.6 million for the six months ended 30 June 2011, compared to RMB16.6 million for the six months ended 30 June 2010. The MEMS and automotive electronic chip-related projects represented the majority of the capital expenditure spending in the first half of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2011 COMPARED TO SIX MONTHS ENDED 30 JUNE 2010 (Continued)

Liquidity and capital resources (Continued)

The Company's net cash outflow from financing activities amounted to RMB25.6 million for the six months ended 30 June 2011, compared to net cash outflow of RMB10.4 million for the six months ended 30 June 2010. The net cash outflow of RMB25.6 million represented the net effect of RMB96.0 million for the repayment of bank loans and the new bank loans of RMB70.3 million in the reporting period.

As at 30 June 2011, the Company's short-term interest-bearing borrowings were RMB90.6 million, which is denominated in US dollars.

As at 30 June 2011, the Company's current ratio was 2.23 when compared to 2.11 as at 31 December 2010. The Company's debt to equity ratio as at 30 June 2011 was 40.3%, compared to 45.6% as at 31 December 2010.

Employees

As at 30 June 2011, the Company had 1,557 employees, an increase of 0.6% from 1,548 employees as at 31 December 2010. 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 2011, the Company's total borrowings were working capital loans. The interest rate on the Company's US dollar-denominated loans is 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 currency. 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 deposit into RMB, which might result in exchange loss, ultimately leading to a negative impact on its cash flow. Whilst the Company did not engage in forward foreign exchange transactions or other hedging activities, it took steps to minimize its exposure to exchange risk by the early sale of foreign exchange balance during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2011 COMPARED TO SIX MONTHS ENDED 30 JUNE 2010 (Continued)

Capital commitments

As at 30 June 2011, the Company had capital commitments for property, plant and equipment amounting to RMB123.9 million, of which RMB44.4 million was contracted but not provided for while the remaining RMB79.5 million was authorized but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2011

Sales for the three months ended 30 June 2011 were RMB262.4 million, an increase of RMB64.8 million or 32.8% from RMB197.6 million for the first quarter of 2011. 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 2011 was RMB50.4 million, an increase of RMB31.3 million or 163.9% from the RMB19.1 million recorded in the previous quarter. Gross margin for the three months ended 30 June 2011 was 19.2% against 9.7% recorded in the first quarter of 2011, primarily attributable to the significant improvement in capacity utilization rate.

Other income and gains for the three months ended 30 June 2011 were RMB4.7 million, compared to RMB2.5 million for the three months ended 31 March 2011. Other income and gains in the second quarter were mainly comprised of subsidy income, interest income, sale of scrap materials and others. Other income and gains in the first quarter of 2011 were mainly comprised of subsidy income, interest income and others.

Operating expenses for the three months ended 30 June 2011 were RMB25.5 million, representing a decrease of RMB5.0 million or 16.4% from RMB30.5 million for the three months ended 31 March 2011. Such decrease was largely attributable to the significant decline in research and development, partially offset by the increase in general and administrative expenses as well as selling and distribution expenses.

Other expenses for the three months ended 30 June 2011 were RMB2.4 million, compared to RMB2.0 million for the three months ended 31 March 2011. Other expenses in the first and second quarter of 2011 were only comprised of net foreign exchange loss.

Finance costs for the three months ended 30 June 2011 amounted to RMB0.9 million, compared to RMB1.1 million for the three months ended 31 March 2011.

As a result, the Company achieved a net income of RMB26.3 million for the three months ended 30 June 2011, compared to a net loss of RMB12.0 million for the three months ended 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2011

(Continued)

1. Revenue Analysis

By Application

Sales for the three months ended 30 June 2011 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.

	2Q'11	1Q'11	2Q'10
Communication	33%	33%	33%
Computer	33%	33%	32%
Consumer	34%	34%	35%

By Geography

For the three months ended 30 June 2011, sales to the USA, Europe and Asia Pacific accounted for 52%, 24% and 24% of total revenue respectively, compared to 53%, 26% and 21% in the previous quarter.

	2Q'11	1Q'11	2Q'10
USA	52%	53%	55%
Europe	24%	26%	28%
Asia Pacific	24%	21%	17%

By Customer Type

For the three months ended 30 June 2011, sales from IDM and fabless customers accounted for 26% and 74% of total revenue respectively, compared to 27% and 73% in the first quarter of 2011.

	2Q'11	1Q'11	2Q'10
IDM	26%	27%	32%
Fabless	74%	73%	68%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2011

(Continued)

1. Revenue Analysis (Continued)

By Product

For the three months ended 30 June 2011, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 20%, 36% and 43% respectively, compared to 22%, 36% and 41% in the previous quarter.

	2Q'11	1Q'11	2Q'10
5" wafers	20%	22%	20%
6" wafers	36%	36%	41%
8" wafers	43%	41%	38%
Others ¹	1%	1%	1%

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 2011 was 75%, compared to 55% in the first quarter of 2011.

Fab	2Q'11	1Q'11	2Q'10
Fab 1/2			
5-inch wafers	69%	54%	64%
6-inch wafers	57%	42%	59%
Fab 3			
8-inch wafers	96%	69%	79%
Overall Capacity Utilization Rate	75%	55%	68%

Notes: 1. The capacity utilization rate represents the percentage of the actual number of processing steps (measured by the number of masks used) for the number of semiconductor wafers shipped in the reporting period divided by the total number of processing steps a fab is capable to produce during the corresponding period.

2. The capacity utilization rates stated in the table are calculated on the basis of the theoretical capacity of the Company's fabrication facilities, as discussed in note 2 to paragraph 2.2 below. In consequence, the utilization rates of actual operating capacity are higher than the figures stated in the above table.

3. After taking into account 6-inch wafers produced using equipment consigned under arrangement with a customer, the utilization rate of the Company's total 6-inch wafer equipment in the second quarter of 2011 was 52%, compared to 38% in the first quarter of 2011. As a result, the overall capacity utilization rate of the Company's total equipment in the second quarter of 2011 was 72%, compared to 53% in the first quarter of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2011

(Continued)

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

2.2 Capacity (8" Equivalent)

The capacity for the three months ended 30 June 2011 was 154,000 8-inch equivalent wafers, which was the same as that of the previous quarter and the second quarter of 2010.

Fab (wafers in thousand)	2Q'11	1Q'11	2Q'10
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

- 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 using 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. After taking into account the 6-inch wafers equipment consignment arrangement with a customer described above, the installed quarterly capacity of 6-inch wafers of the Company's total equipment for the first quarter and second quarter of 2011 was 94K 8-inch equivalent wafers respectively. As a result, total installed quarterly capacity of the Company's total equipment of the first and second quarter of 2011 was 163K 8-inch equivalent wafers accordingly.

3. Receivable/Inventory Turnover

Receivable turnover for the three months ended 30 June 2011 was 30 days, compared to 39 days from the first quarter of 2011.

Inventory turnover was 84 days for three months ended 30 June 2011, compared to 100 days in the prior quarter.

	2Q'11	1Q'11	2Q'10
Trade & Notes Receivables Turnover (days)	30	39	36
Inventory Turnover (days)	84	100	75

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2011

(Continued)

4. Capital Expenditure

The amount of capital expenditure for the three months ended 30 June 2011 was RMB25.5 million, compared to RMB49.1 million in the first quarter of 2011.

	2Q'11	1Q'11	2Q'10
(Amount: RMB'000)			
Capex	25,536	49,081	7,523

PROSPECTS AND FUTURE PLANS

The first half of the year was marked by a sense of uncertainty in the macro environment, reflecting the lack of expected speed and strength of the global economic recovery. On the other hand, the economic recovery has also brought with it significant inflationary pressures in emerging countries. Moreover, there are growing signs that the slowdown of the economic recovery, especially in the world's major economies, may continue for some time. These trends, combined with inventory correction in the semiconductor supply chain could weaken end-market demand for semiconductor products in the traditional high season.

In the face of volatility of the first half of the year, the Company used internal resources for investment in order to build a more balanced product portfolio and to further strengthen its organization and competitive position. During the reporting period, output of new automotive electronics chip-related products reached record levels. The MEMS project, which represents another potential growth area for the Company, has been migrated to product qualification and yield improvement after the completion of clean rooms and equipment installation, and is targeted to run volume production in the latter part of the year. Meanwhile, the Company is now gradually benefiting from the new organizational structure, which is helping not only to improve operational and management efficiency, but to also increase its alignment with customers and to deepen the Company's understanding of the customers' development activities and product applications. Going forward, the Company, by aligning its strategy and market and technology focus with overall industry development trends, will continue to strengthen its position in the new growth areas, and to enhance its services and support to its customers.

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

During the six months ended 30 June 2011, 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 2011, 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 2011, 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.

SHARE OPTION SCHEME

As at 30 June 2011, 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 2011.

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 2011.

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 Ms. Shen Qing. The interim results for the six months ended 30 June 2011 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

Joseph Xie

Executive Director & President

Shanghai, the PRC, 17 August 2011

As at the date of this interim report, the executive director of the Company is Joseph Xie; the non-executive directors of the Company are Chen Jianming, Shen Qing, Zhu Jian, Li Zhi, Wilhelmus Jacobus Maria Joseph Josquin and Winfried Lodewijk Peeters; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.