**ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED**

**上 海 先 進 半 導 體 製 造 股 份 有 限 公 司**

*(A foreign invested joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 03355)**

# ANNOUNCEMENT
# CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the Company has conducted the Continuing Connected Transactions with certain connected persons of the Company in its ordinary and usual course of business. At the time of the listing of the Company's H-shares on the Stock Exchange, the Company obtained a waiver from the Stock Exchange from strict compliance with the reporting, announcement, and shareholders' approval requirements under the Listing Rules in respect of the Continuing Connected Transactions (the "**Waiver**"). The Waiver will expire on 31 December 2008. In order for the Continuing Connected Transactions to continue after the Waiver expires, the Company must comply with the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Continuing Connected Transactions comprise the Product Sale Transactions, the Technology Transfer Transactions and the Software Licensing Transactions. Each of the Continuing Connected Transactions is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules. In compliance with the announcement requirements, details of the each of the Continuing Connected Transactions are disclosed in this announcement. The same will also be reported in the published annual report and accounts of the Company for each of the three years ending 31 December 2011 in order to comply with the reporting requirements.

In respect of the Product Sale Transactions and the Technology Transfer Transactions, the transactions and their proposed caps are also subject to the shareholders' approval requirements under Rule 14A.48 of the Listing Rules. The Company intends to seek the Independent Shareholders' approval at the EGM. In relation to the Software Licensing Transactions, these transactions should be aggregated with the transactions under the 2008 IT Agreements pursuant to Rule 14A.25 of the Listing Rules for determining the relevant percentage ratios set out in Rule 14.07 of the Listing Rules. Since each of the percentage ratios in respect of these transactions, on an aggregate basis, is below 2.5%, the Software Licensing Transactions are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements. Save as disclosed above, the Company had no other prior transactions which required aggregation under the Listing Rules.

The 2008 IT Agreements are continuation of the 2006 IT Agreements and the 2007 IT Agreements. Under the Waiver, the Company was exempted from the strict compliance of the reporting and announcement requirements of the Listing Rules in respect of the 2006 IT Agreements. After the expiry of the 2006 IT Agreements, the Company entered into the 2007 IT Agreements and the 2008 IT Agreements with terms and conditions in all aspects identical to that of the 2006 IT Agreements (save for the periods covered by the agreements and the adjustments in consideration on normal commercial terms). The Company has been under the impression that the Wavier was applicable to the 2007 IT Agreements and the 2008 IT Agreements because the related IT services transactions were continuing transactions and the relevant annual caps submitted to the Stock Exchange for the application for Waiver were on a continuing basis until 31 December 2008. Therefore, the Company did not report and announce the details of the 2007 IT Agreements, the 2008 IT Agreements as well as the associated agreements, namely the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement when the former two agreements were entered into. Despite of the Waiver, the reporting and announcement requirements for the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement arose when the 2007 IT Agreements and the 2008 IT Agreements were entered into pursuant to the Listing Rules. It was only at the time when the Company considered the aggregation issue for the Software Licensing Transactions that the Company recognised that the Waiver is not applicable to the 2007 IT Agreements and the 2008 IT Agreements. Accordingly, the Company has inadvertently failed to comply with the reporting and announcement requirements under the Listing Rules due to the entering into of the 2007 IT Agreements and the 2008 IT Agreements. To ensure compliance with the announcement requirements, particulars of the 2007 IT Agreements, the 2008 IT Agreements, the (Open) ERIC Software Licensing

Agreement and the Corporate IT Services Agreement are now disclosed in this announcement. The same will also be reported in the published annual report and accounts of the Company for the financial year ending 31 December 2008 in order to ensure compliance with the relevant reporting requirements. Moreover, Rule 14A.35 the Listing Rules requires the Company to enter into written agreements for the 2008 IT Agreements in February 2008 when the consideration ratio under Rule 14.07 for the agreements was about to exceed 0.1%. However, since the Company had to go through the lengthy discussions with the supplier before the parties agreed to the considerations which are in the best interest of the Shareholders and the Company as a whole and the continuous provision of the maintenance services provided under the 2008 IT Agreements is indispensable to the Company's normal operation, the Company only entered into the 2008 dataPower Services Agreement in May 2008 and agreed with the supplier all the material terms of the 2008 Service Level Agreement in August 2008. The Company is now procuring the signing of the 2008 Service Level Agreement by the supplier as soon as practicable.

Nevertheless, the independent non-executive Directors had confirmed in the Company's annual report for the financial year ended 31 December 2007 and in the interim report for the six months ended 30 June 2008 that the transactions under the 2007 IT Agreements and the 2008 IT Agreements were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from Independent Third Parties; and (iii) are fair and reasonable and in the interests of the Shareholders as a whole.

The Company also proposes to renew the 2008 Service Level Agreement under which NXP Semiconductors provides maintenance services for the (Open) ERIC software used by the Company. Since the Company intends to adopt a new IT application to replace the (Open) ERIC software in the near future, the renewed agreement will only carry an initial term of three months commencing from 1 January 2009 to 31 March 2009 (the "**2009 Service Level Agreement**") and extension of the term is subject to future negotiations of the parties depending on the progress in the replacement. The parties have agreed all the material terms of the 2009 Service Level Agreement and will enter into the agreement when all the terms of the agreement are finalised. The Company will issue further announcement and comply with the relevant Listing Rules requirements when the agreement is entered into and/or there is any material change in the terms of the agreement. Pursuant to the Listing Rules, the transactions under the 2009 Service Level Agreement should be aggregated with the Software Licensing Transactions for determining the relevant percentage ratios under Rule 14.07 regarding the 2009

Service Level Agreement. Since each of the percentage ratios in respect of these transactions, on aggregate basis, is under 2.5%, the 2009 Service Level Agreement is only subject to the reporting and announcement requirements and are exempt from the shareholders' approval requirements under the Listing Rules. In compliance with the announcement requirements, details of the 2009 Service Level Agreement are disclosed in this announcement. The same will also be reported in the published annual report and accounts of the Company for the financial year ending 31 December 2009 in order to comply with the reporting requirements.

A circular containing, among other things, (i) details of the Product Sale Transactions and the Technology Transfer Transactions, (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, (iii) the recommendations of the Independent Board Committee to the Independent Shareholders, and (iv) Notice of the EGM will be despatched to the Shareholders as soon as practicable.

## BACKGROUND

As disclosed in the Prospectus, the Company has conducted the Continuing Connected Transactions with certain connected persons of the Company including Philips B.V., Philips Semiconductors and Royal Philips in its ordinary and usual course of business. In 2006, Philips B.V. and Philips Semiconductors were renamed as NXP B.V. and NXP Semiconductors respectively and Royal Philips transferred all its rights and obligations under the Continuing Connected Transactions to NXP Semiconductors. NXP B.V. is a connected person of the Company by virtue of it being a substantial shareholder of the Company. Since NXP Semiconductors is a subsidiary of NXP B.V., it is an associate of NXP B.V. and a connected person of the Company.

At the time of the listing of the Company's H-shares on the Stock Exchange, the Company obtained a waiver from the Stock Exchange from strict compliance with the reporting, announcement, and shareholders' approval requirements under the Listing Rules in respect of the Continuing Connected Transactions (the "**Waiver**"). The Waiver will expire on 31 December 2008. In order for the Continuing Connected Transactions to continue after the Waiver expires, the Company must comply with the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Continuing Connected Transactions comprise the Product Sale Transactions, the Technology Transfer Transactions and the Software Licensing Transactions. Each of the Transactions is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

In addition, the Product Sale Transactions and the Technology Transfer Transactions are also subject to the shareholders' approval requirements under Rule 14A.48 of the Listing Rules. In relation to the Software Licensing Transactions, these transactions should be aggregated with the transactions under the 2008 IT Agreements pursuant to Rule 14A.25 of the Listing Rules for determining the relevant percentage ratios set out in Rule 14.07 of the Listing Rules. Since each of the percentage ratios in respect of these transactions, on an aggregate basis, is below 2.5%, the Software Licensing Transactions are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements. Save as disclosed above, the Company had no other prior transactions which required aggregation under the Listing Rules.

In compliance with the announcement requirements under Rule 14A.47 of the Listing Rules, details of the Transactions are disclosed in the following sections of this announcement. The same will also be reported in the published annual report and accounts of the Company for each of the three years ending 31 December 2011 in order to comply with the reporting requirements under Rules 14A.45 and 14A.46 of the Listing Rules.

## PRODUCT SALE TRANSACTIONS

### Background

Since the incorporation of the Company as a Sino-foreign joint venture in October 1988, the Company, in its ordinary and usual course of business, has manufactured and sold products to Philips Semiconductors, the predecessor of NXP Semiconductors, and other companies of Philips Group. Under the Philips Foundry Services Agreement between the Company and Philips Semiconductors renewed on 1 January 2002, the Company agreed to manufacture Licensed Products for sale to Philips Group. In addition, the Company has been manufacturing and selling Identification Products to Philips Group since January 2002 under the Philips Cooperation Agreement. In return, Philips Semiconductors transferred to the Company the technology and know-how required for manufacturing the products under these agreements.

**Renewed agreements**

The Philips Foundry Services Agreement and the Philips Cooperation Agreement, which were reached after arm's length negotiations and are on normal commercial terms, will expire on 31 December 2008 and thereafter will be automatically renewed for a term of three years (conditional upon the Independent Shareholders' approval) and renamed as NXP Foundry Services Agreement and NXP Cooperation Agreement respectively. The Board (including the independent non-executive directors of the Company) considers that the terms of the agreements are fair and reasonable and it is in the best interests of the Shareholders and the Company as a whole to renew the agreements. Particulars of the renewed agreements are set out as follows:

*NXP Foundry Services Agreement*

| | |
|---|---|
| Parties: | The Company (as the seller)<br>NXP Semiconductors (as the buyer) |
| Date: | Dated and effective on 1 January 2002 |
| Products supplied: | The Company manufactures and sells Licensed Products and Identification Products to NXP Group by using the manufacturing process and other design rules and proprietary information provided by NXP Semiconductors. |
| Pricing basis: | Prices for finished semiconductor wafers are initially stated in the agreement and shall be reviewed quarterly and adjusted by mutual agreement between the parties with reference to the prevailing materials, supply and process costs and market prices of the products. Prices for good dies (packaged and unpackaged) are agreed separately between the parties. The selling prices for both the finished semiconductor wafers and good dies represent the market prices of similar products and are no less favourable than those offered/ to be offered by the Company to the Independent Third Parties. Prices for products include all materials, supply and process costs but exclude the mask costs as agreed separately. The mask costs will also be determined on the same pricing basis. |
| Payment terms: | Unless otherwise agreed upon by the parties, the Company's invoices are due and payable within 45 days of the date of the relevant invoice. Payments made pursuant to the agreement shall be in US dollars. |
| Term: | 3 years (from 1 January 2009 to 31 December 2011) |

*NXP Cooperation Agreement*

| | |
|---|---|
| Parties: | The Company (as the seller)<br>NXP Semiconductors (as the buyer) |
| Date: | Dated 29 May 2002 and effective on 1 January 2002 |
| Products supplied: | The Company manufactures and sells Licensed Products and Identification Products by using the manufacturing process and other design rules and proprietary information provided by NXP Semiconductors or by customers of the Company subject to the terms of NXP Identification Licensing Agreement. |
| Pricing basis and payment terms: | Prices for Licensed Products and Identification Products to be sold by the Company to NXP Group under the NXP Cooperation Agreement and the payment terms are determined in accordance with the provisions of the NXP Foundry Services Agreement. |
| Term: | 3 years (from 1 January 2009 to 31 December 2011) |

**Reasons for continuing the transactions**

NXP Group was one of the Company's five largest customers for each of the years ended 31 December 2006 and 2007. The Board considers that future sales of Licensed Products and Identification Products to NXP Group form an important part of the Company's strategy.

Moreover, the information and technology transfer relationship between NXP Group and the Company has allowed the Company to manufacture, sell and develop analog semiconductors with international standards of quality which are competitive in price. In order for the Company to continue benefiting from NXP Group's technology and know-how, it is necessary for the Company to continue manufacturing and selling the Licensed Products and Identification Products to NXP Group.

**Historical amounts and annual caps**

For each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008, revenues derived from the sale of Licensed Products and Identification Products to NXP Group (formerly known as Philips Group) amounted, in aggregate, to RMB245.5 million, RMB160.1 million and RMB115.4 million, respectively, all of which were within the relevant annual caps granted pursuant to the Waiver (of RMB409.3 million, RMB424.8 million and RMB441.9 million, respectively).

## Proposed annual caps

It is expected that the revenues generated from the sale of Licensed Products and Identification Products to NXP Group during each of the three years ended 31 December 2011 will not exceed, in aggregate, RMB373.8 million, RMB363.0 million and RMB366.0 million respectively.

In arriving at the above proposed annual caps, the Board has taken the average rate of actual sales over the two years ended 31 December 2007 and the forecasted sales for the year ending 31 December 2008 and has based this on the estimated volume of Licensed Products and Identification Products to be sold by the Company in each of the three years ended 31 December 2011, taking into account, in particular, the expected substantial increase in revenue from the new products that the Company will manufacture for NXP Group. The Company prepared these annual caps independently of NXP Group.

# TECHNOLOGY TRANSFER TRANSACTIONS

## Background

Since the incorporation of the Company as a Sino-foreign joint venture in October 1988, the Company, in its ordinary and usual course of business, has sourced its information and technology in manufacturing and developing analog semiconductors from Philips Group. On 28 June 1988, the Company entered into the Technology Transfer and Cooperation Agreement with Philips B.V. which was subsequently extended, modified and renewed on 28 November 1994 and 12 January 2005. In addition, the Philips Identification Licensing Agreement was entered into between the Company and Royal Philips on 29 May 2002. On 28 September 2006, Royal Philips assigned all the rights and obligations under the agreement to NXP Semiconductors (previously named Philips Semiconductors).

## Subsisting agreement

*Technology Transfer and Cooperation Agreement*

The Technology Transfer and Cooperation Agreement, which was reached after arm's length negotiation and is on normal commercial terms, was amended on 12 January 2005 to a term of ten years from 2 March 2004 to 1 March 2014. Thereafter, the agreement shall be automatically renewed for further periods of ten years (subject, in each case, to continuing compliance with the Listing Rules) unless and until it is terminated by either party giving written notice of at least two years, or by either party being in breach of its terms. Accordingly, the Technology Transfer and Cooperation Agreement will still be in existence after the expiry of the Waiver resulting in the requirement to obtain the Independent Shareholders' approval in order to permit the Company to continue with the terms and transactions contemplated under the agreement. The Board (including the independent non-executive directors of the Company) considers that the terms of the agreement are fair and reasonable and in the best interests of the Shareholders and the Company as a whole to continue the transactions contemplated under the agreement. Particulars of the agreement are set out below:

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| Parties: | The Company (as the buyer)<br>NXP B.V. (as the supplier) |
| Date: | Dated 12 January 2005 and effective on 2 March 2004 |
| Know-how supplied: | NXP B.V. agreed to (i) transfer to the Company the relevant knowledge and experience relating to foundry manufacturing service; (ii) grant to the Company a license to manufacture at its production facility in the PRC and sell the Licensed Products; (iii) provide the Company with technical assistance for the manufacture, testing and assembly of Licensed Products; and (iv) provide technical training to the Company's engineers. |
| Royalty fee: | The Company agreed to pay NXP B.V. a consideration equivalent to 3% of the net selling price of each product the Company sells to both NXP Group and to customers other than NXP Group who use NXP B.V. processes. The consideration paid by the Company represents the market price of similar products and is no more favourable than those offered/ to be offered by the Company to the Independent Third Parties. |
| Payment terms: | The Company shall pay the royalty fee on a half-yearly basis within 30 days of 30 June and 31 December of each year during the term of the agreement. Payments made pursuant the agreement shall be in US dollars. |
| Term: | 10 years (from 2 March 2004 to 1 March 2014) |

*Reasons as to why the agreement has a duration of 10 years*

The Independent Financial Adviser has been appointed by the Company to advise on, among other matters, whether it is normal business practice for contracts of the type similar to that of the Technology Transfer and Cooperation Agreement to be of a duration of 10 years. The Independent Financial Adviser is of the view that a prolonged cooperation agreement will strengthen the Company's commercial and technological partnership with NXP Group, which has allowed the Company to build and maintain its own technology platform and to achieve its position as one of the world's leading dedicated analog foundries. Secondly, unlike the arrangements with the Company's other customers, the information and technology furnished and the license granted to the Company under the agreement can be used to manufacture products for sale to the Company's other customers. Finally, the Company is of the view that it is normal business practice in the industry in which the Company operates for such a framework technology transfer and cooperation agreement to have a duration of 10 years or more.

**Renewed agreement**

*NXP Identification Licensing Agreement*

The Philips Identification Licensing Agreement, which was reached after arm's length negotiations and is on normal commercial terms, will expire on 31 December 2008 and thereafter will be automatically renewed for a term of three years (conditional upon the Independent Shareholders' approval) and renamed as NXP Identification Licensing Agreement. The Board (including the independent non-executive directors of the Company) considers that the terms of the agreement are fair and reasonable and it is in the best interests of the Shareholders and the Company as a whole to renew the agreement. Particulars of the NXP Identification Licensing Agreement are set out as follows:

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| Parties: | The Company (as the buyer)<br>NXP Semiconductors (as the supplier) |
| Date: | Dated 29 May 2002 and effective on 1 January 2002 |
| Know-how supplied: | NXP Semiconductors granted the Company a non-exclusive and non-transferable license over certain intellectual property rights relating to non-volatile memory and the EEPROM process technology (including design rules, parametric information, drawings, specifications, recipes, procedures and other technical information) for use in manufacturing the Identification Products. |
| Royalty fee: | The Company agreed to pay a fee of 10% of the net selling price of each product the Company produces by using the technology under the agreement and sells to the Company's customers including NXP Group. The consideration paid by the Company represents the market price of similar products and is no more favourable than those offered/ to be offered by the Company to Independent Third Parties. |

| | |
|---|---|
| Payment terms: | The Company shall pay the royalty fee on a half-yearly basis within 30 days of 30 June and 31 December of each year during the term of the agreement. Payments made pursuant the agreement shall be in US dollars. |
| Term: | 3 years (from 1 January 2009 to 31 December 2011) |

*Reasons for continuing the transactions*

The Company has a competitive advantage over other semiconductor manufacturers as it is one of only two semiconductor manufacturers authorized by the PRC government to provide manufacturing services to designers of national identification cards for Chinese citizens. To sustain this advantage, it is necessary for the Company to renew the Philips Identification Licensing Agreement.

**Historical amounts and annual caps**

For each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008, the royalty fee paid to NXP Group (formerly known as Philips Group) under the Technology Transfer and Cooperation Agreement and the Philips Identification Licensing Agreement amounted, in aggregate, to RMB21.5 million, RMB13.1 million and RMB4.5 million, respectively, all of which were within the relevant annual caps granted pursuant to the Waiver (of RMB25.0 million, RMB26.0 million and RMB25.6 million, respectively).

**Proposed annual caps**

It is expected that the royalty fee payable to NXP Group under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement during each of the three years ended 31 December 2011 will not exceed, in aggregate, RMB20.2 million, RMB19.6 million and RMB19.8 million respectively.

In arriving at the above proposed annual caps, the Board has taken the average rate of the fees the Company actually paid over the two years ended 31 December 2007 and the fees the Company forecasted for the year ending 31 December 2008 and has based this on the Company's estimated revenue generated from the sale of Licensed Products and Identification Products that are subject to the royalty fees in each of the three years ended 31 December 2011. The Company prepared these annual caps independently of NXP Group.

## SOFTWARE LICENSING TRANSACTIONS

### Background

Philips Semiconductors has, since 1994, licensed to the Company the use of the ERIC software for the purpose of product quality control in its ordinary and usual course of business. The ERIC software was subsequently upgraded and renamed (Open) ERIC. On 6 July 1998, the Company entered into the Software Licensing Agreement.

### Renewed agreement

*NXP Software Licensing Agreement*

The Software Licensing Agreement, which was reached after arm's length negotiations and is on normal commercial terms, will expire on 31 December 2008 and thereafter will be automatically renewed for a term of three years and renamed as NXP Software Licensing Agreement. The Board (including the independent non-executive directors of the Company) considers that the terms of the agreement are fair and reasonable and it is in the best interests of the Shareholders and the Company as a whole to renew the Software Licensing Agreement. Particulars of the NXP Software Licensing Agreement are set out as follows:

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|---|---|
| Parties: | The Company (as the licensee)<br>NXP Semiconductors (as the licensor) |
| Date: | Dated 6 July 1998 and effective 1 January 1998 |
| Licence: | NXP Semiconductors agreed to grant a non-exclusive and non-transferable licence to the Company to use the (Open) ERIC software. |
| Licence fee: | US$75,000 (approximately equivalent to RMB523,500) per annum |
| Payment term: | The Company shall pay the licence fee half-yearly upon receipt of the invoice issued by NXP Semiconductors. |
| Term: | 3 years (from 1 January 2009 to 31 December 2011)<br>The Company can terminate the agreement at any time before the end of the term by giving two months prior written notice to NXP Semiconductors. |

**Reasons for continuing the transactions**

The (Open) ERIC software has been used in the Company's fab 1/2 to monitor and control the manufacturing process. The software allows the Company to trace all stages of the wafer manufacturing process, and accurately keep track of the manufacturing yields, lead times, and other indicators of the Company's product quality and manufacturing reliability. The Company's ability to provide quality products and reliable services to its customers depends, to a large extent, on its ability to benefit continually from the Software Licensing Agreement without frequent disruption. The Board is of the view that it is a normal business practice in the industry in which the Company operates for this type of manufacturing control software licenses to have a continuous duration.

To cater for its future development, the Company intends to adopt a new IT application to replace the Open (ERIC) software for product quality control in the near future. If the replacement takes place during the term of the NXP Software Licensing Agreement, the Company will terminate the agreement pursuant to the termination clause of the agreement.

**Historical amounts and annual caps**

For each of the years ended/ending 31 December 2006, 2007 and 2008, the licensing fee paid or payable to NXP Semiconductors (formerly known as Philips Semiconductors) amounted, in aggregate, to US$75,000, US$75,000 and US$75,000, respectively, all of which were within the relevant annual caps granted pursuant to the Waiver (of US$75,000, US$75,000 and US$75,000, respectively).

**Proposed annual caps**

It is expected that the licensing fee payable to NXP Semiconductors during each of the three years ended 31 December 2011 will not exceed, in aggregate, US$75,000, US$75,000 and US$75,000 respectively.

The above proposed annual caps are determined by the Board on the same basis as fees charged by other service providers who provide similar services and they are in line with market rates.

**2007 IT AGREEMENTS, 2008 IT AGREEMENTS, (OPEN) ERIC SOFTWARE LICENSING AGREEMENT & CORPORATE IT SERVICES AGREEMENT**

Under the Listing Rules, the Software Licensing Transactions should be aggregated with the transactions under the 2008 IT Agreements for determining the relevant percentage ratios under Rule 14.07 regarding the Software Licensing Transactions.

**Background**

The 2008 IT Agreements are continuation of the 2006 IT Agreements and the 2007 IT Agreements. Under the Waiver, the Company was exempted from the strict compliance of the reporting and announcement requirements of the Listing Rules regarding the 2006 IT Agreements. After the expiry of the 2006 IT Agreements, the Company entered into the 2007 IT Agreements and the 2008 IT Agreements with terms and conditions in all aspects identical to that of the 2006 IT Agreements (save for the periods covered by the agreements and the adjustments in consideration on normal commercial terms). The Company has been under the impression that the Wavier was applicable to the 2007 IT Agreements and the 2008 IT Agreements because the related IT services transactions were continuing transactions and the relevant annual caps submitted to the Stock Exchange for the application for Waiver were on a continuing basis until 31 December 2008. Therefore, the Company did not report and announce the details of the 2007 IT Agreements, the 2008 IT Agreements, as well as the associated agreements, namely the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement when the former two agreements were entered into. Despite of the Waiver, the reporting and announcement requirements for the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement arose when the 2007 IT Agreements and the 2008 IT Agreements were entered into pursuant to the Listing Rules. It was only at the time when the Company considered the aggregation issue for the Software Licensing Transactions that the Company recognised that the Waiver is not applicable to the 2007 IT Agreements and the 2008 IT Agreements. Accordingly, the Company has inadvertently failed to comply with the reporting and announcement requirements under the Listing Rules due to the entering into of the 2007 IT Agreements and the 2008 IT Agreements. To ensure compliance with the announcement requirements, details of the 2007 IT Agreements, the 2008 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement are now disclosed in this announcement. Moreover, Rule 14A.35 the Listing Rules requires the Company to enter into written agreements for the 2008 IT Agreements in February 2008 when the consideration ratio under Rule 14.07 for the agreements was about to exceed 0.1%. However, since the Company had to go through the lengthy discussions with the supplier before the parties agreed to the considerations which are in the best interest of the Shareholders and the Company as a whole and the continuous provision of the maintenance services provided under the 2008 IT Agreements is indispensable to the Company's normal operation, the Company only entered into the 2008 dataPower Services Agreement in May 2008 and agreed with the supplier all the material terms of the 2008 Service Level Agreement in August 2008. The Company is now procuring the signing of the 2008 Service Level Agreement by the supplier as soon as practicable.

**Particulars of the 2007 IT Agreements, the (Open) ERIC Software Licensing Agreement and Corporate IT Services Agreement**

*2007 Service Level Agreement*

| | |
|---|---|
| Parties: | The Company (the buyer) NXP Semiconductors (the supplier) |
| Date: | Dated 26 October 2007 and effective on 1 January 2007 |
| Services supplied: | NXP Semiconductors provided maintenance services for the (Open) ERIC software used by the Company during the number of hours of support allocated to the Company. |
| Pricing basis: | The Company paid a fixed fee in the sum of Euro 68,975 (approximately equivalent to RMB 696,648) for the regular support services it received and paid for the actual number of hours of additional support the Company used. The fee paid by the Company represents the then market price of similar services and is no more favourable than those offered/ to be offered by the Company to the Independent Third Parties. |
| Payment terms: | The Company paid the fee annually after receiving the invoice from the supplier. |
| Term: | 1 year (from 1 January 2007 to 31 December 2007) |

*2007 dataPower Services Agreement*

| | |
|---|---|
| Parties: | The Company (the buyer) NXP Semiconductors (the supplier) |
| Date: | Dated 15 November 2007 and effective on 1 January 2007 |
| Services supplied: | NXP Semiconductors provided maintenance services for dataPower software used by the Company. |
| Pricing basis: | The Company paid a maintenance fee in the sum of Euro 67,000 (approximately equivalent to RMB 676,700) to the supplier. The fee was determined according to the number of dataPower licenses granted to the Company by the supplier. The fee paid by the Company represents the then market price of similar services and is no more favourable than those offered/ to be offered by the Company to the Independent Third Parties. |
| Payment terms: | The Company paid the fee annually after receiving the invoice from the supplier. |
| Term: | 1 year (from 1 January 2007 to 31 December 2007) |

*(Open) ERIC Software Licensing Agreement and Corporate IT Services Agreement*

Particulars of the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement are set out in pages 95 to 98 of the Prospectus. Up to the date of this announcement, there is neither material change in the terms of the agreements nor any new agreement entered into in respect of the transactions contemplated under the agreements.

Listing Rules implications in respect of the 2007 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement.

According to Rule 14A.25 of the Listing Rules, the transactions under the 2007 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement conducted in the year ended 31 December 2007 should be aggregated for determining the relevant percentage ratios under Rule 14.07 for these transactions. Since each of the percentage ratios in respect of these transactions, on aggregate basis, is under 2.5%, the 2007 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement are only subject to the reporting and announcement requirements and are exempt from the shareholders' approval requirements under the Listing Rules. To ensure compliance with the relevant reporting requirements, particulars of the 2007 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement will be disclosed in the published annual report and accounts of the Company for the financial year ending 31 December 2008.

**Particulars of the 2008 IT Agreements**

*2008 Service Level Agreement*

| | |
|---|---|
| Parties: | The Company (the buyer) NXP Semiconductors (the supplier) |
| Date: | To be determined and effective on 1 January 2008 |
| Services supplied: | Same as that of 2007 Service Level Agreement |
| Pricing basis: | The Company paid a fee in the sum of Euro 112,000 (approximately equivalent to RMB 1,131,200) for the regular support services it received. Other terms are same as that of the 2007 Service Level Agreement. |
| Payment terms: | Same as that of the 2007 Service Level Agreement |
| Term: | 1 year (from 1 January 2008 to 31 December 2008) |

*2008 dataPower Services Agreement*

| | |
|---|---|
| Parties: | The Company (the buyer) NXP Semiconductors (the supplier) |
| Date: | Dated 14 May 2008 and effective on 1 January 2008 |
| Services supplied: | Same as that of the 2007 dataPower Services Agreement |
| Pricing basis: | The Company paid a maintenance fee in the sum of Euro 70,000 (approximately equivalent to RMB 707,700) to the supplier. Other terms are same as that of 2007 dataPower Services Agreement. |
| Payment terms: | Same as that of the 2007 dataPower Services Agreement |
| Term: | 1 year (from 1 January 2008 to 31 December 2008) |

Listing Rules implications in respect of the 2008 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement

According to Rule 14A.25 of the Listing Rules, the transactions under the 2008 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement conducted in the year ending 31 December 2008 should be aggregated under for determining the relevant percentage ratios under Rule 14.07 for these transactions. Since each of the percentage ratios in respect of these transactions, on aggregate basis, is under 2.5%, the 2008 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement are only subject to the reporting and announcement requirements and are exempt from the shareholders' approval requirements under the Listing Rules. To ensure compliance with the relevant reporting requirements, particulars of the 2008 IT Agreements will be disclosed in the annual report and accounts of the Company for the financial year ending 31 December 2008.

**Reasons for continuing the transactions**

The (Open) ERIC software and the dataPower software have long been used by the Company for monitoring product quality and analyzing manufacturing processes. Under the 2006 IT Agreements, Philips Semiconductors provided maintenance and support services to the software. As the Company continued to use the software in 2007 and 2008, it would require the software to be maintained and serviced so as to ensure that the software can continue to monitor accurately the quality of the Company's products and to analyze its manufacturing processes. Accordingly, the Company entered into the 2007 IT Agreements and the 2008 IT Agreements to engage continuous maintenance and support services for the software.

Moreover, the IT services provided under the Corporate IT Services Agreement has facilitated and enhanced the technology cooperation between the NXP Group and the Company. Such cooperation is crucial to the smooth running of the Company's production processes, particularly since the Company has not developed any technology on its own. Therefore, the Corporate IT Services Agreement has been automatically extended till 31 December 2008.

**Historical amounts and annual caps**

For each of the two years ended 31 December 2006 and 2007 and the six months ended 30 June 2008, the fees paid by the Company to NXP Semiconductors (formerly known as Philips Semiconductors) for provision of IT Services to the Company amounted, in aggregate, to RMB 2.6 million, RMB 2.1 million and RMB 1 million, respectively, all of which were within the relevant annual caps granted pursuant to the Waiver (of RMB 4.6 million, RMB 4.7 million and RMB 4.9 million).

**Independent non-executive Directors' Opinion**

The independent non-executive Directors had confirmed in the Company's annual report for the financial year ended 31 December 2007 and in the interim report for the six months ended 30 June 2008 that the transactions under the 2007 IT Agreements, the 2008 IT Agreements, the (Open) ERIC Software Licensing Agreement and the Corporate IT Services Agreement were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from Independent Third Parties; and (iii) are fair and reasonable and in the interests of the Shareholders as a whole.

**2009 SERVICE LEVEL AGREEMENT**

**Reasons for continuing the transactions**

As the Company will continue to use the (Open) ERIC software in 2009, it will require the software to be maintained and serviced to ensure the proper functioning of the software. Accordingly, the Company proposes to renew the 2008 Service Level Agreement (the "**2009 Service Level Agreement**") under which NXP Semiconductors will continue to provide maintenance services to the software. Since the Company intends to adopt a new IT application to replace the (Open) ERIC software in near future, the renewed agreement will carry an initial term of three months commencing from 1 January 2009 to 31 March 2009 and extension of the term is subject to future negotiations of the parties depending on the progress in the replacement.

## Listing Rules implications

Pursuant to the Listing Rules, the transactions under the 2009 Service Level Agreement should be aggregated with the Software Licensing Transactions for determining the relevant percentage ratios under Rule 14.07 regarding the 2009 Service Level Agreement. Since each of the percentage ratios in respect of these transactions, on aggregate basis, is under 2.5%, the 2009 Service Level Agreement is only subject to the reporting and announcement requirements and are exempt from the shareholders' approval requirements under the Listing Rules. In compliance with the announcement requirements, details of the 2009 Service Level Agreement are disclosed as follows. The same will also be reported in the published annual report and accounts of the Company for the financial year ending 31 December 2009 in order to comply with the reporting requirements.

## Renewed Agreement

*2009 Service Level Agreement*

The 2008 Service Level Agreement, which was reached after arm's length negotiations and is on normal commercial terms, will expire on 31 December 2008 and will be renewed by the Company for three months. The parties have agreed all the material terms of the 2009 Service Level Agreement and will enter into the agreement when all the terms of the agreement are finalised. The Board (including the independent non-executive directors of the Company) considers that the terms of the agreement are fair and reasonable and it is in the best interests of the Shareholders and the Company as a whole to renew the agreement. The Company will issue further announcement and comply with the relevant Listing Rules requirements when the agreement is entered into and/or there is any material change in the terms of the agreement.

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| Parties: | The Company (the buyer) NXP Semiconductors (the supplier) |
| Date: | To be determined and effective on 1 January 2009 |
| Services supplied: | Same as that of 2008 Service Level Agreement |
| Pricing basis: | The Company will pay a fee in the sum of Euro 28,000 (approximately equivalent to RMB 282,800 for the regular support services it received. Other terms are same as that of the 2008 Service Level Agreement. |
| Payment terms: | Same as that of the 2008 Service Level Agreement |
| Initial term: | 3 months (from 1 January 2009 to 31 March 2009) |

## INDEPENDENT SHAREHOLDERS' APPROVAL

In respect of the Product Sale Transactions and Technology Transfer Transactions, the transactions and their proposed caps are required to be approved by the Independent Shareholders in accordance with the requirements set out under Rule 14A.48 of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders on (i) whether the Product Sale Transactions and Technology Transfer Transactions are conducted in the Company's ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how to vote, taking into account the recommendations on the same by the Independent Financial Adviser to be appointed for this purpose. In particular, the Independent Financial Adviser will advise whether the term of the Technology Transfer and Cooperation Agreement, which excess three years, is a normal commercial term within the industry in which the Company operates.

The Board proposes to seek the Independent Shareholders' approval required for Product Sale Transactions and Technology Transfer Transactions and their proposed annual caps at the EGM.

A circular containing, among other things, (i) details of the Product Sale Transactions and the Technology Transfer Transactions, (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, (iii) the recommendations of the Independent Board Committee to the Independent Shareholders, and (iv) Notice of the EGM will be despatched to the Shareholders as soon as practicable.

## INFORMATION ABOUT THE PARTIES

The Company's primary activities are the manufacture and sale of 5-inch, 6-inch and 8-inch semiconductor wafers. NXP B.V. and NXP Semiconductors are members of NXP Group. NXP Group is a top 10 semiconductors company which creates semiconductors, system solutions and software that deliver better sensory experiences in mobile phones, personal media players, TVs, set-top boxes, identification applications, cars and a wide range of other electronic devices.

## DEFINITIONS

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| "Board" | the board of directors of the Company |
| "Company" | Advanced Semiconductor Manufacturing Corporation Limited, a foreign invested joint stock company incorporated in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange |
| "connected persons" | has the meaning ascribed to it under the Listing Rules |
| "Continuing Connected Transactions" or "Transactions" | the Product Sale Transactions, the Technology Transfer Transactions and the Software Licensing Transactions, details of which are set out on pages 95 to 104 of the Prospectus |
| "Corporate IT Services Agreement" | the corporate IT services agreement dated 13 March 2006 between the Company and Philips International B. V., pursuant to which Philips International B. V. offers the Company certain IT services including email services and application hosting, software upgrades and maintenance services, software distribution infrastructure and web hosting services, and intranet and internet services |
| "EGM" | the extraordinary general meeting of the Company to be held for the purpose of, among other things, approving the Product Sale Transactions and the Technology Transfer Transactions and the related proposed annual caps by the Independent Shareholders, the notice of which will be set out in a circular to be despatched to the Shareholders |

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| "Euro" | Euro, the lawful currency of the European Union |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Identification Products" | products manufactured using the non-volatile memory process technology, including identification cards |
| "Independent Board Committee" | the independent board committee of the Company convened for the purposes of considering and advising the Independent Shareholders on the Product Sale Transactions and Technology Transfer Transactions |
| "Independent Financial Adviser" or "BOCOM" | BOCOM International (Asia) Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee in relation to the Product Sales Transactions and the Technology Transfer Transactions |
| "Independent Shareholders" | Shareholders other than NXP B.V. |
| "Independent Third Parties" | third parties which are independent of the Company and connected persons of the Company |
| "IT Services" | the information technology related services provided to the Company under the (Open) ERIC Software Agreement, 2007 IT Agreements, 2008 IT Agreements and Corporate IT Services Agreement |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |

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| "Licensed Products" | in respect of (a) wafers, integrated circuits and other products manufactured by the Company for sale to Philips Group and later to NXP Group, produced under the Philips Foundry Services Agreement and later under the NXP Foundry Services Agreement and which comply with stated specifications, and (b) wafers, integrated circuits and other products manufactured by the Company for sale to the Company's other customers, the products manufactured using certain relevant technology, information and know-how furnished to the Company by Philips Group and later by NXP Group |
| "NXP Cooperation Agreement" | the automatically renewed Philips Cooperation Agreement |
| "NXP Foundry Services Agreement" | the automatically renewed Philips Foundry Services Agreement |
| "NXP Group" | NXP B.V. and all the subsidiaries and associates of NXP B.V. in accordance with the definitions of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) |
| "NXP Identification Licensing Agreement" | the automatically renewed Philips Identification Licensing Agreement |
| "NXP Semiconductors" | NXP Semiconductors Netherlands B.V., a member of NXP Group |
| "NXP Software Licensing Agreement" | the automatically renewed Software Licensing Agreement |
| "(Open) ERIC Software Licensing Agreement" | the (Open) ERIC software licensing agreement dated 6 July 1998 between the Company and Philips Semiconductors, pursuant to which Philips Semiconductors licenses to the Company the use of the (Open) ERIC software |
| "Philips B.V." | Philips Semiconductors International B.V., a former direct wholly-owned subsidiary of Royal Philips |
| "Philips Cooperation Agreement" | the cooperation agreement dated 29 May 2002 between Philips Semiconductors and the Company |

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| "Philips Foundry Services Agreement" | the Philips Foundry Services Agreement entered into in 1995 and subsequently renewed on 1 January 2002 between Philips Semiconductors and the Company |
| "Philips Group" | Royal Philips and all the subsidiaries and associates of Royal Philips in accordance with the definitions of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) |
| "Philips Identification Licensing Agreement" | the identification licensing agreement dated 29 May 2002 between Royal Philips and the Company |
| "Philips Semiconductors" | Philips Semiconductors B.V., a former indirect wholly-owned subsidiary of Royal Philips |
| "PRC" | The People's Republic of China |
| "Product Sale Transactions" | the transactions contemplated under the NXP Foundry Services Agreement and the NXP Cooperation Agreement |
| "Prospectus" | the prospectus issued by the Company on 27 March 2006 in relation to the listing of the H-shares of the Company on the main board of the Stock Exchange, such listing having taken place on 7 April 2006 |
| "RMB" | Renminbi, the lawful currency of the PRC (except Hong Kong, Macau Special Administrative Region and Taiwan) |
| "Royal Philips" | Koninklijke Philips Electronics N.V. |
| "Share(s)" | ordinary share(s) of RMB one yuan each in the share capital of the Company, including both the H-shares and the non-H-shares |
| "Shareholder(s)" | holder(s) of the Shares in the registers of members of the Company as from time to time |
| "Software Licensing Agreement" | the licensing agreement dated 6 July 1998 between Philips Semiconductors and the Company |
| "Software Licensing Transactions" | the transactions contemplated under the NXP Software Licensing Agreement |

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| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Technology Transfer and Cooperation Agreement" | the technology transfer and cooperation agreement dated June 28 1988 and subsequently extended, modified and renewed on 28 November 1994 and 12 January 2005 between Philips B.V. and the Company |
| "Technology Transfer Transactions" | the transactions contemplated under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "2006 dataPower Services Agreement" | the dataPower Services Agreement entered into between the Company and Philips Semiconductors on 15 March 2006 pursuant to which Philips Semiconductors provided certain maintenance and support services in relation to the dataPower software to the Company |
| "2007 dataPower Services Agreement" | the dataPower Services Agreement entered into between the Company and NXP Semiconductors on 15 November 2007 with a one-year term from 1 January 2007 to 31 December 2007 |
| "2008 dataPower Services Agreement" | the dataPower Services Agreement entered into between the Company and NXP Semiconductors on 14 May 2008 with a one-year term from 1 January 2008 to 31 December 2008 |
| "2007 IT Agreements" | the 2007 Service Level Agreement and the 2007 dataPower Services Agreement |
| "2008 IT Agreements" | the 2008 Service Level Agreement and the 2008 dataPower Services Agreement |
| "2006 Service Level Agreement" | the Service Level Agreement entered into between the Company and Philips Semiconductors on 27 January 2006 pursuant to which Philips Semiconductors provided certain maintenance and support services in relation to the (Open) ERIC software to the Company |

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| "2007 Service Level Agreement" | the Service Level Agreement entered into between the Company and NXP Semiconductors on 26 October 2007 with a one-year term from 1 January 2007 to 31 December 2007 |
| "2008 Service Level Agreement" | the Service Level Agreement to be entered into between the Company and NXP Semiconductors with a one-year term from 1 January 2008 to 31 December 2008 |
| "2009 Service Level Agreement" | the Service Level Agreement to be entered into between the Company and NXP Semiconductors with an initial term of three months from 1 January 2009 to 31 March 2009 |

By order of the Board
**Advanced Semiconductor Manufacturing Corporation Limited**
**Chen Jianming**
*Chairman*

Shanghai, the PRC, 18 September 2008

*As at the date of this announcement, the executive directors of the Company is Cheng Jianyu; the non-executive directors of the Company are Chen Jianming, Zhu Peiyi, Zhu Jian, Xiao Yongji, Hendricus Cornelis Maria van der Zeeuw and Petrus Antonius Maria van Bommel; and the independent non-executive directors of the Company are Thaddeus Thomas Beczak, Shen Weijia and James Arthur Watkins.*