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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
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 18 September 2008 and the circular dated 9 October 2008 issued by the Company in relation to, among other things, the Non-exempt Continuing Connected Transactions with certain connected persons of the Company in its ordinary and usual course of business. The Non-exempt Continuing Connected Transactions comprise the Product Sale Transactions and the Technology Transfer Transactions. Each of the Non-exempt Continuing Connected Transactions is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. At the 2008 EGM, the Company obtained the Independent Shareholders' approval for, among other things, (i) its entering into of the NXP Foundry Services Agreement, the NXP Cooperation Agreement, the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement; as well as (ii) the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder for each of the three years ending 31 December 2011.

In order for the Non-exempt Continuing Connected Transactions to be continued for a further period of three years commencing from 1 January 2012 to 31 December 2014, the Company is therefore subject to re-compliance with the relevant requirements under the Listing Rules. Since it is expected that one or more of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual consideration receivable or payable by the Company under each of the Product Sale Transactions and the Technology Transfer Transactions for the three years ending 31 December 2014 is above 5%, each of the Product Sale Transactions and the Technology Transfer Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

As the Technology Transfer and Cooperation Agreement is for a duration of 10 years (exceeding the requirement under Rule 14A.35(1) of the Listing Rules that the agreement must not be longer than three years), the Company has appointed the Independent Financial Adviser to provide its view on, among other things, why a longer period is required for the Technology Transfer and Cooperation Agreement and confirm it is normal business practice for contracts of this type to be of such duration. In addition, the Independent Financial Adviser will also advise the Independent Board Committee and the Independent Shareholders on (i) whether the Product Sale Transactions and the 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 interest of the Company and the Shareholders as a whole; (ii) whether the relevant annual caps are fairly and reasonably determined; and (iii) how to vote.

In order to comply with the independent shareholders' approval requirements, the Company intends to seek the Independent Shareholders' approval at the EGM. NXP B.V. and its associates will abstain from voting on the resolutions to approve the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder 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 within 15 business days after the date of this announcement.

BACKGROUND

Reference is made to the announcement dated 18 September 2008 and the circular dated 9 October 2008 issued by the Company in relation to, among other things, the Non-exempt Continuing Connected Transactions entered into with certain connected persons of the Company including NXP B.V. and NXP Semiconductors in its ordinary and usual course of business. 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.

The Non-exempt Continuing Connected Transactions comprise the Product Sale Transactions and the Technology Transfer Transactions. Each of the Non-exempt Continuing Connected Transactions is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. At the 2008 EGM, the Company obtained the Independent Shareholders' approval for, among other things, (i) its entering into of the NXP Foundry Services Agreement, the NXP Cooperation Agreement, the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement; as well as (ii) the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder for each of the three years ending 31 December 2011.

In order for the Non-exempt Continuing Connected Transactions to be continued for a further period of three years commencing from 1 January 2012 to 31 December 2014, the Company is therefore subject to re-compliance with the relevant requirements under the Listing Rules. Since it is expected that one or more of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual consideration receivable or payable by the Company under each of the Product Sale Transactions and the Technology Transfer Transactions for the three years ending 31 December 2014 is above 5%, each of the Product Sale Transactions and the Technology Transfer Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

In compliance with the announcement requirements under Rule 14A.47 of the Listing Rules, details of the Product Sale Transactions and the Technology Transfer Transactions are disclosed in the following sections of this announcement.

PRODUCT SALE TRANSACTIONS

Background

On 1 January 2002, the Company (as the seller) and Philips Semiconductors B.V. (as the buyer), the predecessor of NXP Semiconductors, entered into the Philips Foundry Services Agreement, the former title of the NXP Foundry Services Agreement, whereby the Company manufactured and sold the Licensed Products and the Identification Products to Philips Group by using the manufacturing process and other design rules and proprietary information provided by the buyer.

On 29 May 2002, the Company (as the seller) and Philips Semiconductors B.V. (as the buyer), the predecessor of NXP Semiconductors, entered into the Philips Cooperation Agreement, the former title of the NXP Cooperation Agreement, whereby the Company manufactured and sold the Identification Products to Philips Group by using the technology and know-how transferred to the Company by the buyer.

Renewed agreements

The NXP Foundry Services Agreement and the NXP Cooperation Agreement, each of which was reached after arm's length negotiations and is on normal commercial terms, will expire on 31 December 2011 and thereafter will be automatically renewed for a term of three years (conditional upon the Independent Shareholders' approval). The Board (excluding the independent non-executive directors of the Company who will form their views after considering the advice of the Independent Financial Adviser) 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) NXP Semiconductors (as the buyer)
Date:	Dated and effective on 1 January 2002
Products supplied:	The Company manufactures and sells the Licensed Products and the 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.

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 2012 to 31 December 2014)

NXP Cooperation Agreement

Parties: The Company (as the seller)
NXP Semiconductors (as the buyer)

Date: Dated 29 May 2002 and effective on 1 January 2002

Products supplied: The Company manufactures and sells the 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 the 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 2012 to 31 December 2014)

Reasons for continuing the transactions

NXP Group was one of the Company's five largest customers for each of the years ended 31 December 2009 and 2010. The Board considers that future sales of the Licensed Products and the Identification Products to NXP Group form an important part of the Company's strategy.

Moreover, the technology and know-how 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 the Identification Products to NXP Group.

Historical amounts and annual caps

For each of the years ended 31 December 2009 and 2010 and the three months ended 31 March 2011, revenues derived from the sale of the Licensed Products and the Identification Products to NXP Group amounted, in aggregate, to RMB81.2 million, RMB149.1 million and RMB37.9 million respectively, all of which were within the relevant annual caps approved by the Independent Shareholders (of RMB373.8 million, RMB363.0 million and RMB366.0 million respectively).

Proposed annual caps

It is expected that the revenues generated from the sale of the Licensed Products and the Identification Products to NXP Group during each of the three years ending 31 December 2014 will not exceed, in aggregate, RMB281.7 million, RMB295.8 million and RMB310.6 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 2010 and the forecasted sales for the year ending 31 December 2011 and has based this on the estimated volume of the Licensed Products and the Identification Products to be sold by the Company in each of the three years ending 31 December 2014, 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

On 28 June 1988, the Company (as the buyer) and Philips Semiconductors International B.V. (as the supplier), the predecessor of NXP B.V., entered into the Technology Transfer and Cooperation Agreement, whereby the supplier agreed (i) to transfer to the Company the relevant knowledge and experience relating to foundry manufacturing services; (ii) to grant to the Company a license to manufacture at its production facility in the PRC and to sell the Licensed Products; and (iii) to provide technical trainings to the Company's engineers.

On 29 May 2002, the Company (as the buyer) and Koninklijke Philips Electronics N.V. (as the supplier) entered into the Philips Identification Licensing Agreement, the former title of the NXP Identification Licensing Agreement, whereby Koninklijke Philips Electronics N.V. agreed to grant the Company a non-exclusive and non-transferable license over certain intellectual property rights relating to non-volatile memory and the EEPROM process technology for use in manufacturing the Identification Products. On 28 September 2006, Koninklijke Philips Electronics N.V. assigned all the rights and obligations under the agreement to NXP Semiconductors.

Subsisting and renewed 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 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 31 December 2011 (the expiry date of the Independent Shareholders' approval granted at the 2008 EGM for the Non-exempt Continuing Connected Transactions) 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 and allow the automatic renewal of the agreement for a term of 10 years from 2 March 2014 to 1 March 2024. The Board (excluding the independent non-executive directors of the Company who will form their views after considering the advice of the Independent Financial Adviser) 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 continue the transactions contemplated under the agreement and to renew the agreement. Particulars of the agreement are set out below:

Parties:	The Company (as the buyer) 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 the 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.
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 to the agreement shall be in US dollars.
Term:	The current term of the agreement is for a period of 10 years from 2 March 2004 to 1 March 2014, and thereafter will be automatically renewed for a further period of 10 years from 2 March 2014 to 1 March 2024 (conditional upon the Independent Shareholders' approval).

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.
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 to the agreement shall be in US dollars.
Term:	3 years (from 1 January 2012 to 31 December 2014)

Reasons for continuing the transactions

The Board considers that future sales of the Identification Products including identification cards to the Company's customers including NXP Group by using non-volatile memory and the EEPROM process technology transferred and licensed by NXP Semiconductors form an important part of the Company's strategy. Accordingly, it is necessary for the Company to renew the NXP Identification Licensing Agreement.

Historical amounts and annual caps

For each of the years ended 31 December 2009 and 2010 and the three months ended 31 March 2011, the royalty fee paid to NXP Group under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement amounted, in aggregate, to RMB4.1 million, RMB7.1 million and RMB1.3 million respectively, all of which were within the relevant annual caps pursuant to the Independent Shareholders' approval (of RMB20.2 million, RMB19.6 million and RMB19.8 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 ending 31 December 2014 will not exceed, in aggregate, RMB19.5 million, RMB20.5 million and RMB21.5 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 2010 and the fees the Company forecasted for the year ending 31 December 2011 and has based this on the Company's estimated revenue generated from the sale of the Licensed Products and the Identification Products that are subject to the royalty fees in each of the three years ending 31 December 2014. The Company prepared these annual caps independently of NXP Group.

INDEPENDENT SHAREHOLDERS' APPROVAL

The Independent Board Committee has been established to advise the Independent Shareholders on (i) whether the Product Sale Transactions and the 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; (ii) whether the relevant annual caps are fairly and reasonably determined; and (iii) how to vote, taking into account the recommendations on the same by the Independent Financial Adviser appointed for this purpose.

The Board proposes to seek the Independent Shareholders' approval required for the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder at the EGM. NXP B.V. and its associates will abstain from voting on the resolutions approving the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder 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 and the Independent Shareholders; (iii) the recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) notice of the EGM will be despatched to the Shareholders within 15 business days after the date of this announcement.

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 provides high performance mixed signal and standard product solutions that leverage its leading RF, Analog, Power Management, Interface, Security and Digital Processing expertise. Its innovations are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications.

DEFINITIONS

“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 of Hong Kong Limited
“connected persons”	has the meaning ascribed to it under the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of, among other things, approving the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder by the Independent Shareholders, the notice of which will be set out in a circular to be despatched to the Shareholders
“2008 EGM”	the extraordinary general meeting of the Company held on 16 December 2008 whereby the Company obtained the Independent Shareholders' approval for, among other things, (i) its entering into of the NXP Foundry Services Agreement, the NXP Cooperation Agreement, the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement; as well as (ii) the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder for each of the three years ending 31 December 2011

“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 comprising all the independent non-executive directors of the Company formed for the purposes of considering and advising the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder
“Independent Financial Adviser”	China Merchants Securities (HK) Co., Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the relevant annual caps contemplated thereunder
“Independent Shareholders”	Shareholders other than NXP B.V. and its associates
“Independent Third Parties”	third parties which are independent of the Company and the connected persons of the Company
“Licensed Products”	in respect of (i) wafers, integrated circuits and other products manufactured by the Company for sale to NXP Group, produced under the NXP Foundry Services Agreement and which comply with stated specifications; and (ii) 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 NXP Group

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-exempt Continuing Connected Transactions”	the Product Sale Transactions and the Technology Transfer Transactions
“NXP Cooperation Agreement”	the agreement dated 29 May 2002 entered into between the Company and the predecessor of NXP Semiconductors, formerly named as Philips Cooperation Agreement
“NXP Foundry Services Agreement”	the agreement dated 1 January 2002 entered into between the Company and the predecessor of NXP Semiconductors, formerly named as Philips Foundry Services Agreement
“NXP Group”	NXP B.V. and all its subsidiaries and associates in accordance with the definitions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“NXP Identification Licensing Agreement”	the agreement dated 29 May 2002 entered into between the Company and Koninklijke Philips Electronics N.V. (whose rights and obligations under the agreement were later assigned to NXP Semiconductors), formerly named as Philips Identification Licensing Agreement
“NXP Semiconductors”	NXP Semiconductors Netherlands B.V., a member of NXP Group
“Philips Group”	Koninklijke Philips Electronics N.V. and all its subsidiaries and associates in accordance with the definitions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“PRC”	The People’s Republic of China
“Product Sale Transactions”	the transactions contemplated under the NXP Foundry Services Agreement and the NXP Cooperation Agreement

“RMB”	Renminbi, the lawful currency of the PRC (except Hong Kong, the Macau Special Administrative Region and Taiwan)
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“Technology Transfer and Cooperation Agreement”	the technology transfer and cooperation agreement dated 12 January 2005 entered into between the Company and the predecessor of NXP B.V.
“Technology Transfer Transactions”	the transactions contemplated under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement
“US dollars”	United States dollars, the lawful currency of the United States of America

By order of the Board
Advanced Semiconductor Manufacturing Corporation Limited
Joseph Xie
Executive Director & President

Shanghai, the PRC, 18 July 2011

As at the date of this announcement, 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.