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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Advanced Semiconductor Manufacturing Corporation Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**



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A notice convening an extraordinary general meeting of the Company to be held at 11:00 a.m. on 24 November 2008 at Digital Conference Room, 2nd Floor, Ramada Shanghai Caohejing Hotel, No.509 Caobao Road, Shanghai, the People's Republic of China (the “EGM”) is set out on pages 33 to 36 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holders of H-Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for holders of non-H-shares, the proxy form should be returned to the Company's Board Secretariat in person or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H-shares or to the Company's Board Secretariat for holders of non-H-shares on or before 4 November 2008.

9 October 2008

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:-*

“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”	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
“Domestic Shares”	the Shares which are subscribed for and/or credited as paid up in RMB by PRC nationals and/or PRC corporate entities
“EGM”	the extraordinary general meeting of the Company to be held on 24 November 2008 for the purpose of, among other things, approving the Non-exempt Continuing Connected Transactions and the related proposed annual caps by the Independent Shareholders, details of which are set out in the notice of EGM on pages 33 to 36 of this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H-share(s)”	the Share(s) which have been admitted for listing on the Stock Exchange
“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 Non-exempt Continuing Connected Transactions
“Independent Financial Adviser” or “BOCOM International”	BOCOM International (Asia) Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed to advise the Independent Board Committee in relation to the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than NXP B.V.

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## DEFINITIONS

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“Independent Third Parties”	third parties which are independent of the Company and connected persons of the Company
“Latest Practicable Date”	8 October 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions” or “Transactions”	the Product Sale Transactions and the Technology Transfer Transactions, details of which are set out on pages 95 to 104 of the Prospectus
“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 (Chapter 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
“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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## DEFINITIONS

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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 (Chapter 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 and Macau Special Administrative Regions and Taiwan)
“Royal Philips”	Koninklijke Philips Electronics N.V.
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technology Transfer and Cooperation Agreement”	the technology transfer and cooperation agreement dated 28 June 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

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LETTER FROM THE BOARD

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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)**

*Executive Director:*

Ms. CHENG Jianyu

*Non-executive Directors:*

Mr. CHEN Jianming (*Chairman*)

Mr. ZHU Jian

Mr. Chris BELDEN

Mr. YEH Yi Liang

Mr. ZHU Peiyi

Mr. XIAO Yongji

*Registered Office:*

385 Hong Cao Road  
Shanghai, PRC

*Principal Place of Business:*

8th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Thaddeus Thomas BECZAK

Mr. James Arthur WATKINS

Mr. SHEN Weijia

9 October 2008

*To the Shareholders*

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the announcement dated 18 September 2008 issued by the Company in relation to, among the others, the Product Sale Transactions and the Technology Transfer Transactions (the “**Non-exempt Continuing Connected Transactions**”). As stated in the announcement, the Company shall issue a circular to the Shareholders containing further information of the Non-exempt Continuing Connected Transactions and will convene an extraordinary general meeting for obtaining the Independent Shareholders’ approval for the conduct of the Non-exempt Continuing Connected Transactions and the related annual caps.

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## LETTER FROM THE BOARD

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The purposes of this circular are (i) to provide you with further information in relation to the Non-exempt Continuing Connected Transactions and the related agreements; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee; and (iii) to seek Independent Shareholders' approval of the ordinary resolutions in relation to the Non-exempt Continuing Connected Transactions together with the related annual caps as set out in the notice of the EGM.

### BACKGROUND

As disclosed in the Prospectus, the Company has conducted the Non-exempt Continuing Connected Transactions with NXP B.V. and 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 Non-exempt Continuing Connected Transactions (the "**Waiver**"). The Waiver will expire on 31 December 2008. In order for the Non-exempt 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. In such circumstances, the Board proposes to seek the Independent Shareholders' approval required at the EGM.

### 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

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## LETTER FROM THE BOARD

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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) 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) NXP Semiconductors (as the buyer)
Date:	Dated 29 May 2002 and effective on 1 January 2002

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## LETTER FROM THE BOARD

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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 ending 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

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## LETTER FROM THE BOARD

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be sold by the Company in each of the three years ending 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:

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 Licensed Products; and (iv) provide technical training to the Company's engineers.

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## LETTER FROM THE BOARD

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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 Company 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.

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. Please refer to pages 16 to 27 of the circular for the letter issued by the Independent Financial Adviser.

### **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

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## LETTER FROM THE BOARD

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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:

Parties:	The Company (as the buyer) 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

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## LETTER FROM THE BOARD

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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 ending 31 December 2011. The Company prepared these annual caps independently of NXP Group.

### **INFORMATION ABOUT THE PARTIES**

The Company's primary activities are the manufacture and sale of 5-inch, 6-inch and 8-inch semiconductor wafers. The Company has no subsidiary or associated company as at the Latest Practicable Date. 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.

### **RECOMMENDATION**

A separate letter from the Independent Board Committee (i) advising the Independent Shareholders that, in the opinion of the Independent Board Committee formed after taking into account the recommendations of the Independent Financial Adviser, the terms of the Non-exempt Continuing Connected Transactions and the related annual caps are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and (ii) advising Independent Shareholders to vote in favour of the resolutions to approve the Non-exempt Continuing Connected Transactions and the related annual caps at the EGM is set out on pages 14 to 15 of this circular. Shareholders' attention is drawn to that letter.

A separate letter from the Independent Financial Adviser, BOCOM International, (i) containing its advice to the Independent Board Committee and the Independent Shareholders that, having considered the matters set out in detail in that letter, the terms of Non-exempt Continuing Connected Transactions and the related annual caps are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole, (ii) advising Independent Shareholders to vote in favour of the resolutions to approve the Non-exempt Continuing Connected Transactions and the related

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## LETTER FROM THE BOARD

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annual caps at the EGM, and (iii) in relation to the Technology Transfer and Cooperation Agreement, advising it is a normal business practice for such a contract to be of a duration of more than three years, is set out on pages 16 to 27 of this circular. Shareholders' attention is also drawn to that letter.

The Board is of the view that (i) the terms of the Non-exempt Continuing Connected Transactions and the related caps are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole; (ii) the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms; and (iii) the related transactions are in the ordinary and usual course of business of the Company. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the relevant resolutions to be proposed in relation to the Non-exempt Continuing Connected Transactions and the related annual caps at the EGM.

### THE EGM

A notice of the EGM is set out on pages 33 to 36 of this circular. At the EGM, ordinary resolutions will be proposed to approve the Non-exempt Continuing Connected Transactions and the related annual caps.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holders of H-shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for holders of non-H-shares, the proxy form should be returned to the Company's Board Secretariat in person or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H-shares or to the Company's Board Secretariat for holders of non-H-shares on or before 4 November 2008.

In accordance with the Listing Rules, NXP B.V., being a connected person and a substantial shareholder of the Company, and its associates (if any, as defined under the Listing Rules) having material interest in the Non-exempt Continuing Connected Transactions will abstain from voting on the resolutions to be proposed at the EGM.

### PROCEDURES FOR DEMANDING A POLL

Pursuant to Rule 13.39(4)(a) of the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve Non-exempt Continuing Connected Transactions and the related annual caps must be taken on a poll. According to the Company's Articles of Association, at any Shareholders' general meeting, a resolution shall be decided on a poll duly demanded:

- (1) by the chairman of the meeting;

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**LETTER FROM THE BOARD**

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- (2) by at least two (2) Shareholders present in person or by proxy entitled to vote thereat; or
- (3) by one (1) or more Shareholders (including proxies) representing 10% or more of Shares (held solely or in combination) carrying the right to vote at the meeting.

Yours faithfully,

By order of the Board

**Advanced Semiconductor Manufacturing Corporation Limited**

**Chen Jianming**

*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

9 October 2008

*To the Independent Shareholders*

Dear Sir/Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 9 October 2008 (the “**Circular**”) of which this letter forms part issued by the Company to the Shareholders. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to consider the terms of the Non-exempt Continuing Connected Transactions and the related annual caps and to advise the Independent Shareholders in connection therewith. BOCOM International has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

Taking into account the terms of the Non-exempt Continuing Connected Transactions, the related annual caps and the recommendations of BOCOM International, the Independent Board Committee considers that the Non-exempt Continuing Connected Transactions are in the ordinary course of business of the Company and the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the related annual caps are fair and reasonable and it is necessary and a normal business practice for the Technology Transfer and Cooperation Agreement to be of a period exceeding three years. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions as set out in the notice of the EGM to approve the Non-exempt Continuing Connected Transactions and the related annual caps.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Board Committee wishes to draw your attention to (i) the letter from the Board set out on pages 4 to 13 of the Circular which contains, among other things, information about the Non-exempt Continuing Connected Transactions and the related annual caps and (ii) the letter of advice from BOCOM International set out on pages 16 to 27 of the Circular.

Yours faithfully,

The Independent Board Committee

**Mr. Thaddeus Thomas BECZAK**

**Mr. James Arthur WATKINS**

**Mr. SHEN Weijia**

*Independent non-executive Directors*

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## LETTER FROM BOCOM INTERNATIONAL

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*The following is the text of a letter from BOCOM International (Asia) Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular:*



9 October 2008

*To the Independent Board Committee and the Independent Shareholders of  
Advanced Semiconductor Manufacturing Corporation Limited*

*Dear Sirs,*

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Product Sale Transactions and the Technology Transfer Transactions and the respective proposed annual caps for each of the three years ending 31 December 2011, particulars of which are set out in a circular to the Shareholders dated 9 October 2008 (the “Circular”) in which this letter is reproduced. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As set out in the letter from the Board contained in the Circular and disclosed in the Prospectus, the Company has conducted the Continuing Connected Transactions with 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 agreed under the Continuing Connected Transactions to NXP Semiconductors. NXP B.V. is the ultimate substantial shareholder and is interested in approximately 26.65% of the issued share capital of the Company. As such, NXP B.V., NXP Semiconductors and their respective associates are connected persons of the Company as defined under the Listing Rules. Accordingly, the Product Sale Transactions and the Technology Transfer Transactions between the Company and NXP B.V. and NXP Semiconductors constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. NXP B.V., NXP Semiconductors and their respective associates will be required to abstain from voting on the relevant resolution(s) to approve the Product Sale Transactions and the Technology Transfer Transactions at the EGM.

At the time of 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

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## LETTER FROM BOCOM INTERNATIONAL

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Transactions (the “Waiver”). The Waiver will expire on 31 December 2008. In order for the Product Sale Transactions and the Technology Transfer Transactions to continue after the expiry of the Waiver, the Company must comply with the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

As the annual caps of the Product Sale Transactions exceed 25% of the applicable ratios and the annual caps of the Technology Transfer Transactions exceed HK\$10 million with the applicable ratios exceeding 2.5% but less than 25% under Rule 14A.34 of the Listing Rules, the Product Sale Transactions and the Technology Transfer Transactions are subject to the requirements of reporting, announcement and Independent Shareholders’ approval under Chapter 14A of the Listing Rules.

Apart from the above, the duration of the Technology Transfer and Cooperation Agreement governing the Technology Transfer Transactions exceeds the three-year threshold required under Rule 14A.35(1) of the Listing Rules. We are also appointed to advise on 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 Company will convene the EGM on 24 November 2008 to approve the Product Sale Transactions, the Technology Transfer Transactions and their respective proposed annual caps for each of the three years ending 31 December 2011. Any vote of the Independent Shareholders at the EGM shall be taken by poll. In this connection, the Circular containing, inter alia, the information relating to the Product Sale Transactions and the Technology Transfer Transactions, the recommendation from the Independent Board Committee to the Independent Shareholders, this letter and the notice of the EGM, is despatched to the Shareholders. In particular, this letter will set out our recommendation to the Independent Board Committee as to whether the terms of the Product Sale Transactions and the Technology Transfer Transactions and the respective proposed annual caps stipulated therein are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned and are in the interests of the Company and its shareholders as a whole.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and the management of the Company and have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true, accurate and complete in all material respects at the time when they were made and will continue to be so as at the date of EGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have been advised by the Directors and the management of the Company that no material fact has been omitted from the information and representations provided in and referred to in the Circular. We have no reason to suspect that any material information has been withheld by the Directors or the management of the Company. Neither have we carried out any independent verification of the information provided to us by the Directors and the management of the

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## LETTER FROM BOCOM INTERNATIONAL

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Company, nor have we conducted any independent investigation into the affairs, the business and financial positions and the future prospects for each of the members of the Group, NXP B.V., NXP Semiconductors and their respective associates. Our opinion is based on the information and representations available to us as of the date of this letter. We have no obligation to update our opinion and recommendation to take into account circumstances and events occurring after the date of this letter. As a result, circumstances and events could occur prior to the approval of the Product Sale Transactions and the Technology Transfer Transactions that, if known to us at the time we had rendered our opinion and recommendation, would have altered our opinion and recommendation.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our recommendation in respect of the Product Sale Transactions and the Technology Transfer Transactions, we have considered the following principal factors:

#### **(A) Product Sale Transactions**

##### *(I) 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. According to the Philips Foundry Services Agreement signed between the Company and Philips Semiconductors, which was renewed on 1 January 2002, the Company agreed to manufacture and sell Licensed Products to Philips Group. In addition, according to the Philips Cooperation Agreement, the Company has been manufacturing and selling Identification Products to Philips Group since January 2002. In return, Philips Semiconductors transferred to the Company the technology and know-how required for manufacturing the products under these 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 duration of three years (conditional upon the Independent Shareholders' approval) and renamed as the NXP Foundry Services Agreement and the NXP Cooperation Agreement respectively.

##### *(II) Reasons for continuing the Product Sale Transactions*

The Group is principally engaged in the manufacture and sales of semiconductor wafers. NXP Group was one of the Company's five largest customers for each of the two years ended 31 December 2007. In accordance with the information disclosed in the annual report of the Company for the year ended 31 December 2007 (the "2007 Annual Report"), sales to NXP Group accounted for approximately 18.1% and 13.5% of the Company's total revenue for each of the two years ended 31 December 2007 respectively. The Directors consider that future sales of Licensed Products and Identification Products to NXP Group will form an important part of the Company's strategy and it is necessary for the Company to continue the Product Sale Transactions with NXP Group.

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## LETTER FROM BOCOM INTERNATIONAL

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(III) *Terms of the NXP Foundry Services Agreement and the NXP Cooperation Agreement governing the Product Sale Transactions*

The products sold and the pricing basis contemplated under the NXP Foundry Services Agreement and the NXP Cooperation Agreement are summarized below:

*NXP Foundry Services Agreement*

Products sold: 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. 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.

*NXP Cooperation Agreement*

Products sold: The Company manufactures and sells the Licensed Products and 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 the NXP Identification Licensing Agreement.

Pricing basis and payment terms: Prices for the Licensed Products and 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.

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## LETTER FROM BOCOM INTERNATIONAL

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The Directors are of the view that the terms of the NXP Foundry Services Agreement and the NXP Cooperation Agreement are fair and reasonable and are in the best interest of the Shareholders and the Company as a whole. We noted that the pricing of the products is subject to quarterly review based on prevailing market prices and related production costs. We have also reviewed the pricing and payment terms of the Company's sales to other independent third parties and found that they were no less favourable than those to NXP Group. Taking into consideration of the above information, we concur with the Directors' view that the terms of the NXP Foundry Services Agreement and the NXP Cooperation Agreement are negotiated on an arm's length basis and on normal commercial terms and entered in the ordinary and usual course of the business of the Company.

#### (IV) *Historical Figures and Proposed Annual Caps*

Set out below are the historical figures for each of the two years ended 31 December 2007 and the six months ended 30 June 2008 and the proposed annual caps of the Product Sale Transactions for each of the three years ending 31 December 2011:

	<b>Historical figures/ Proposed annual caps for the year ended/ ending 31 December</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>
Annual caps	409.3	424.8	441.9	373.8	363.0	366.0
Year-on-year growth	N/A	3.8%	4.0%	(15.4)%	(2.9)%	(0.8)%
Actual revenue generated from the Product Sale Transactions	245.5	160.1	115.4 <i>(note)</i>	N/A	N/A	N/A
Utilization rate	60.0%	37.7%	N/A	N/A	N/A	N/A
Revenue	1,355.2	1,183.1	518.9 <i>(note)</i>	N/A	N/A	N/A
Product Sale Transactions as a percentage of Revenue	18.1%	13.5%	22.2%	N/A	N/A	N/A

*Note:* Historical figures for the six months ended 30 June 2008.

The Directors consider that the proposed annual caps are determined with reference to, among others, (i) 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 (ii) the estimated volume of Licensed Products and Identification Products to be sold by the Company in each of the three years ending 31 December 2011, taking into account the substantial increase in revenue from the new products that the Company expects to manufacture for NXP Group.

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As illustrated in the table above, actual revenue generated from the sales of the Licensed Products and the Identification Products to NXP Group for the year ended 31 December 2007 was approximately RMB160.1 million, representing a utilization rate of approximately 37.7% of the annual cap of RMB424.8 million. As advised by the management of the Company, the decrease in sales to NXP Group, in particular the 6-inch wafers, was mainly affected by the interruption to its operations as a result of a serious power outage incident occurred in October 2007, causing damage to certain production equipment and suspension of production. We noted that sales of the Company for the three months ended 31 December 2007 decreased by approximately 23% as compared to the sales for the three months ended 31 December 2006. Based on the interim report of the Company for the six months ended 30 June 2008, we noted that sales to NXP Group as a percentage of the total revenue of the Company for the six months ended 30 June 2008 increased to approximately 22.2% whilst sales to NXP Group accounted for approximately 13.5% of the total revenue of the Company for the year ended 31 December 2007.

As advised by the management of the Company, the proposed annual cap of RMB373.8 million for the year ending 31 December 2009 has been taken into consideration the existing level of sales to NXP Group and the expected increase in sales as a result of the new products to be manufactured for NXP Group. The proposed annual caps for each of the two years ending 31 December 2011 subsequently decrease to RMB363.0 million and RMB366.0 million respectively because the management of the Company expects the sales volume would become stable but the selling prices of the products first manufactured by the Company in 2009 would decrease according to their past experience.

In order to assess the fairness and reasonableness of the proposed annual caps for the Product Sale Transactions, we have (i) reviewed the historical total revenue and Product Sale Transactions of the Company; (ii) reviewed the list of new products the Company expects to manufacture in 2009 and the related production volume; (iii) reviewed and discussed with the management of the Company the sales plan and its basis and assumptions for the three years ending 31 December 2011; and (iv) reviewed and discussed with the management of the Company the historical average selling prices and expected average selling prices for the three years ending 31 December 2011. We concur with the Directors' view that the proposed annual caps for the Product Sale Transactions have been fairly and reasonably determined and are in the interest of the Company and the Independent Shareholders as a whole.

Shareholders should note that the proposed annual caps for the Product Sale Transactions should not be construed as an assurance or forecast by the Company of its future revenue.

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### (B) Technology Transfer Transactions

#### (I) *Background*

Since the incorporation of the Company as a Sino-foreign joint venture, it has sourced its information and technology in manufacturing and developing analog semiconductors from Philips Group in its ordinary and usual course of business. 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. On 29 May 2002, the Company and Royal Philips entered into the Philips Identification Licensing Agreement and on 28 September 2006, Royal Philips assigned all the rights and obligations agreed under the agreement to NXP Semiconductors (previously named Philips Semiconductors).

The Technology Transfer and Cooperation Agreement, which was reached after arm's length negotiations and is on normal commercial terms, was amended on 12 January 2005 to a duration of 10 years from 2 March 2004 to 1 March 2014. Thereafter, the agreement shall be automatically renewed for further periods of 10 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 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 duration of three years (conditional upon the Independent Shareholders' approval) and renamed as the NXP Identification Licensing Agreement.

#### (II) *Reasons for continuing the Technology Transfer Transactions*

The Directors consider that the technology transfer contemplated under the Technology Transfer and Cooperation Agreement (i) allows 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; and (ii) enables the Company to use the information and technology furnished and licence granted by NXP Group to manufacture products for sale to other customers of the Company. As further advised by the Directors, the Company is one of the only two government-authorized semiconductor manufacturers in the PRC to provide manufacturing services to designers of national identification cards for the Chinese citizens. To sustain this competitive edge, it is necessary for the Company to continue the Philips Identification Licensing Agreement.

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### (III) *Terms of the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement governing the Technology Transfer Transactions*

The know-how supplied and the royalties charged under the Technology Transfer Cooperation Agreement and the NXP Identification Licensing Agreement are summarized below:

#### *Technology Transfer and Cooperation Agreement*

Know-how supplied: NXP B.V. agreed to (i) transfer to the Company the relevant knowledge and experience relating to foundry manufacturing services; (ii) grant to the Company a licence to manufacture at its production facilities 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 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.

#### *NXP Identification Licensing Agreement*

Know-how supplied: NXP Semiconductors granted the Company a non-exclusive and non-transferable licence 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 the Independent Third Parties.

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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.

In reviewing the Technology Transfer Transactions, we noted that the relevant technologies and know-how transferred by NXP B.V. and NXP Semiconductors would be applied in the course of manufacturing the Licensed Products and the Identification Products, which would be sold to both NXP Group and Independent Third Parties. Moreover, the EEPROM process technology transferred under the NXP Identification Licensing Agreement will assist the Company to maintain its industry positioning to be one of the only two government-authorized semiconductor manufacturers in the PRC to provide manufacturing services to designers of national identification cards for the Chinese citizens. Hence, we consider the Technology Transfer Transactions are not only beneficial but also essential for the Company to facilitate its operations and sustain its competitive edge.

During our research and discussion with the management of the Company, we noted that the royalty fees under the technology transfer agreements are determined on a case-by-case basis, varying according to different technology know-how and trademarks involved, and there is no public available information on these. Therefore, it would be impracticable to compare the royalty fees under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement with those of other companies. As advised by the management of the Company, the royalty fees will directly affect the net selling prices of the products and hence, their gross margins. The Directors have confirmed that the Technology Transfer Agreement and the NXP Identification Licensing Agreement governing the Technology Transfer Transactions are reached after arm's length negotiations and are on normal commercial terms. The royalty fees payable to NXP Group were determined after taking into account the past dealings between the Company and NXP B.V. and NXP Semiconductors and is identical to the royalty fee arrangement as agreed in the previous corresponding three-year period.

We have reviewed the gross margin analysis of certain products in 2007 and 2008 prepared by the Company and noted that the average gross margins (after deduction of the royalty fees) of products subject to the royalty fees were higher than the average gross margins of products not subject to royalty fees. Taking into account that (i) the Technology Transfer Transactions are not only beneficial but also essential to the operations and development of the Company; (ii) the gross margin analysis of products subject to and not subject to royalty fees; and (iii) the payment terms and the royalty fee determination is identical to the royalty fee arrangement as agreed in the previous corresponding three-year period, we concur with the Directors' view that the terms of the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement are on normal commercial terms and entered in the ordinary and usual course of business of the Company.

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(V) *Historical Figures and Proposed Annual Caps*

Set out below are the historical figures for each of the two years ended 31 December 2007 and the six months ended 30 June 2008 and the proposed annual caps of the Technology Transfer Transactions for each of the three years ending 31 December 2011 respectively:

	<b>Historical figures/ Proposed annual caps for the year ended/ ending 31 December</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>	<i>(RMB Million)</i>
Annual caps	25.0	26.0	25.6	20.2	19.6	19.8
Year-on-year growth	N/A	4.0%	(1.5)%	(21.1)%	(3.0)%	(1.0)%
Actual royalty fees paid	21.5	13.1	4.5	N/A	N/A	N/A
			<i>(note)</i>			
Utilization rate	86.0%	50.4%	N/A	N/A	N/A	N/A
Revenue	1,355.2	1,183.1	518.9	N/A	N/A	N/A
			<i>(note)</i>			
Sales subject to royalty fees	334.2	192.6	79.1	N/A	N/A	N/A
Royalty fees as a percentage of sales subject to royalty fees	6.4%	6.8%	5.7%	N/A	N/A	N/A

*Note:* Historical figures for the six months ended 30 June 2008.

The Directors consider that the proposed annual caps are determined with reference to, among others, (i) the average rate of the fees the Company actually paid over the two years ended 31 December 2007 and the fees forecasted for the year ending 31 December 2008; and (ii) the estimated revenue generated from the sales of Licensed Products and Identification Products that are subject to the royalty fees in each of the three years ending 31 December 2011.

In order to assess the fairness and reasonableness of the proposed annual caps for the Technology Transfer Transactions, we have (i) reviewed the Company's historical royalty fees, sales subject to royalty fees and total revenue; and (ii) reviewed and discussed with the management of the Company the sales plan and its basis and assumptions for the three years ending 31 December 2011. We concur with the Directors' view that the proposed annual caps for the Technology Transfer Transactions have been fairly and reasonably determined and are in the interest of the Company and the Independent Shareholders as a whole.

Shareholders should note that the proposed annual caps for the Technology Transfer Transactions should not be construed as an assurance or forecast by the Company of its future revenue.

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*(VI) Reasons for the duration of the Technology Transfer and Cooperation Agreement to be exceeding three years*

We note that the Technology Transfer and Cooperation Agreement has a duration of 10 years, which exceeds the three-year threshold as permitted under Rule 14A.35(1) of the Listing Rules. We are of the view that a prolonged cooperation agreement will strengthen the commercial and technological partnership between the Company and NXP Group and allow the Company to build and maintain its own technology platform, so as to achieve and sustain its position as one of the leading dedicated analog foundries in the world. We are further advised that the relevant technologies and know-how transferred by NXP B.V. and NXP Semiconductors will be applied in the course of manufacturing the Licensed Products and the Identification Products, which will be sold to both NXP Group and Independent Third Parties. Hence, we consider it is commercially desirable for the Company to enter into such agreement with a long duration.

We conducted a research on the licensing agreements of semiconductor companies through Google and notes that LSI Corporation (a company listed on the New York Stock Exchange) had entered a 10-year licensing agreement in 2007, Semiconductor Manufacturing International Corporation (a company listed on the Stock Exchange and the New York Stock Exchange) had entered into a perpetual technology licensing agreement in 2007, and ProMOS Technologies Inc. (a company listed on the GreTai Securities Market of the Taiwan Stock Exchange) had been granted a six-year royalty bearing licence in 2008. Since these three companies are engaged in the manufacture of semiconductor products, we consider they are comparable to the Company and the duration of the Technology Transfer and Cooperation Agreement falls within the range of the durations of these agreements identified which is from six years to perpetuity. Therefore, we concur with the Directors' view that it is normal business practice for the agreements similar to the nature of the duration of the Technology Transfer and Cooperation Agreement to exceed three years.

### **RECOMMENDATION**

Having considered the above factors of the Product Sale Transactions and Technology Transfer Transactions, in particular,

- (i) the background and reasons for carrying out the Product Sale Transactions and the Technology Transfer Transactions;
- (ii) the Product Sale Transactions and the Technology Transfer Transactions are conducted in the ordinary course of business of the Company;
- (iii) the terms of the NXP Foundry Services Agreement, the NXP Cooperation Agreement, the Technology Transfer and Cooperation Agreement, and the NXP Identification Licensing Agreement are reached on an arm's length basis, and are on normal commercial terms; and

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## LETTER FROM BOCOM INTERNATIONAL

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- (iv) the proposed annual caps stipulated under the Product Sale Transactions and the Technology Transfer Transactions for each of the three years ending 31 December 2011 are determined after due and careful consideration by the Directors and the basis for determining the proposed annual caps are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

We consider that the Product Sale Transactions and the Technology Transfer Transactions are in the interest of the Company and the Shareholders as a whole and the terms 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 the proposed annual caps as contained therein are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions for approving the Product Sale Transactions and the Technology Transfer Transactions.

Yours faithfully,  
For and on behalf of  
**BOCOM International (Asia) Limited**  
**Simon Hua**  
*Managing Director*  
*Investment Banking Division*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### 2.1 Director, supervisors and chief executive

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

### 2.2 Substantial Shareholders

As at the Latest Practicable Date, so far as it was known to, or can be ascertained after reasonable enquiry by the Directors, supervisors or chief executive of the Company, the following persons (other than the Directors, supervisors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage in the relevant class of issued share capital	Percentage in total issued share capital
NXP B.V.	H-shares	408,806,888 (Long position)	Beneficial owner	36.13%	26.65%
Shanghai Chemical Industrial Park Development Co., Ltd	H-shares	254,866,584 (Long position) ( <i>Note 1</i> )	Beneficial owner	22.53%	16.61%

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage in the relevant class of issued share capital	Percentage in total issued share capital
China Orient Asset Management Corporation	Domestic Shares	172,648,520 (Long position)	Beneficial owner	46.71%	11.25%
Shanghai Chemical Industrial Park Development Co., Ltd	Domestic Shares	110,908,000 (Long position) (Note 2)	Beneficial owner	30.01%	7.23%
Shanghai Belling Co. Ltd	Domestic Shares	86,064,608 (Long position)	Beneficial owner	23.28%	5.61%

*Notes:*

1. All of these 254,866,584 H-shares (long position) are deemed corporate interests indirectly held through Shanghai Chemical Industrial Park Investment Enterprise Company Limited and SCIP (HK) Limited.
2. All of these 110,908,000 Domestic Shares (long position) are deemed corporate interests indirectly held through Shanghai Chemical Industrial Park Investment Enterprise Company Limited.

Save as disclosed above, as at the Latest Practicable Date and so far as it was known to, or can be ascertained after reasonable enquiry by, the Directors, supervisors and chief executive of the Company, there was no other entity who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor supervisors had entered into, or proposed to enter into, any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

#### 4. INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the business of the Company, to which the Company was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

#### 5. INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors are considered to have interest in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company (the “**competing businesses**”):

- (a) Mr. Chris BELDEN and Mr. YEH Yi Liang, the non-executive Directors, held senior management posts in NXP Group which is also engaged in manufacturing of semiconductor wafers; and
- (b) Mr. XIAO Yongji, the non-executive Director, was a director and president of Shanghai Belling Co. Ltd., a director of Shanghai Hua Hong NEC Electronics Co. Ltd., and a director of Hua Hong Semiconductor Co. Ltd., all of the companies are also engaged in manufacturing of semiconductor wafers.

Since Mr. BELDEN, Mr. YEH and Mr. XIAO are not directly involved in managing the Company, the Board is of the view that the Company is capable of carrying on its business independently of, and at arm’s length from the competing businesses. When making decisions on the matters related to the Company, Mr. BELDEN, Mr. YEH and Mr. XIAO have acted and will continue to act in the best interest of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in any company or business which competes or may compete with the business of the Company.

#### 6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors nor the Independent Financial Adviser had any interest, direct or indirect, in any asset which since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

**7. MATERIAL ADVERSE CHANGES**

The Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

**8. LITIGATION**

As at the Latest Practicable, the Company was not engaged in any litigation or arbitration of material importance and no litigations or claim of material importance is known to the Directors to be pending or threatened by or against the Company.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

**9. CONSENT AND QUALIFICATION OF EXPERT**

BOCOM International is a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation herein.

BOCOM International has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, BOCOM International did not have any shareholding, directly or indirectly, in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

*Note:* The Company has no subsidiary or associate as at the Latest Practicable Date.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents is available for inspection at the principal place of business of the Company at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong from 9:00 a.m. to 5:00 p.m. from the date of this circular up to and including 24 November 2008:

- (a) Philips Foundry Services Agreement,
- (b) Philips Cooperation Agreement,
- (c) Technology Transfer and Cooperation Agreement, and
- (d) Philips Identification Licensing Agreement.

**11. MISCELLANEOUS**

1. The qualified accountant of the Company is Mr. JING Wei. Mr. JING is a member of Chinese Institute of Certified Public Accountants and a member of Association of Chartered Certified Accountants.
2. The joint company secretaries of the Company are Mr. JING Wei and Mr. NGAI Wai Fung. Mr. NGAI is a fellow of The Hong Kong Institute of Chartered Secretaries.
3. The registered office of the Company is at No. 385 Hong Cao Road, Shanghai, PRC. The principal place of business of the Company in Hong Kong is at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. The Hong Kong H-share Register and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
4. In the event of any inconsistency, the English text of this circular prevails over the Chinese text.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Advanced Semiconductor Manufacturing Corporation Limited (the “**Company**”) will be held on 24 November 2008 at 11:00 a.m. (or any adjournment thereof) at Digital Conference Room, 2nd Floor, Ramada Shanghai Caohejing Hotel, No.509 Caobao Road, Shanghai, the People’s Republic of China (the “**EGM**”) for the purpose of considering and, if thought fit, passing the following resolutions:

### AS ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Company’s entering into of the NXP Foundry Services Agreement renewed in accordance with the automatic renewal mechanism set out in the Philips Foundry Services Agreement dated 1 January 2002 entered into between the Company and Philips Semiconductors, a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for identification purpose, for a period for three years commencing from 1 January 2009 to 31 December 2011 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Company’s entering into of the NXP Cooperation Agreement renewed in accordance with the automatic renewal mechanism set out in the Philips Cooperation Agreement dated 29 May 2002 entered into between the Company and Philips Semiconductors, a copy of which marked “B” has been produced to the meeting and signed by the Chairman of the meeting for identification purpose, for a period for three years commencing from 1 January 2009 to 31 December 2011 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the relevant annual caps for the three years ending 31 December 2011 contemplated under the NXP Foundry Services Agreement and the NXP Cooperation Agreement being RMB373.8 million, RMB363.0 million and RMB366.0 million respectively, be and are hereby approved; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (d) the directors of the Company be and are hereby authorized on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the NXP Foundry Services Agreement and the NXP Cooperation Agreement and the annual caps and the transactions thereby contemplated.”

2. **“THAT**

- (a) the Technology Transfer and Cooperation Agreement dated 12 January 2005 entered into between the Company and Philips B.V. (the former name of NXP B.V.), a copy of the agreement marked “C” has been produced to the meeting and signed by the Chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and that the duration of the agreement in excess of three years, which in accordance with Rule 14A.35 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, has been confirmed by the Independent Financial Adviser (as defined in the Circular) that is of normal business practice for contracts of that type to be of such duration, be and is hereby approved, confirmed and ratified;
- (b) the Company’s entering into of the NXP Identification Licensing Agreement renewed in accordance with the automatic renewal mechanism set out in the Philips Identification Licensing Agreement dated 29 May 2002 entered into between the Company and Philips Semiconductors, a copy of which marked “D” has been produced to the meeting and signed by the Chairman of the meeting for identification purpose, for a period for three years commencing from 1 January 2009 to 31 December 2011 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the relevant annual caps for the three years ending 31 December 2011 contemplated under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement being RMB20.2 million, RMB19.6 million and RMB19.8 million respectively, be and are hereby approved; and
- (d) the directors of the Company be and are hereby authorized on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement and the annual caps and the transactions thereby contemplated.”

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

Shanghai, the PRC, 9 October 2008

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

#### (1) Closure of register of members and eligibility for attending the EGM

To determine the list of Shareholders who have the right to attend the EGM, the register of members will be closed from 25 October 2008 to 24 November 2008 (both days inclusive) during which period, no transfer of Share will be effected. Shareholders whose names appear on the register of members of the Company on 24 November 2008 are entitled to attend the EGM.

Holders of H-shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H-share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 24 October 2008.

#### (2) Proxy

Any Shareholder who is entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one (1) or more persons (whether such person is a Shareholder or not) as his proxies to attend and vote on his behalf.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or under the hand of a director or an authorized person or a duly authorised attorney of the legal entity. The letter of authorisation shall contain the number of the Shares to be represented by the proxy. If several persons are authorised as the proxies of the Shareholder, the letter of authorisation shall specify the number of Shares to be represented by each proxy.

The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority shall be deposited at Computershare Hong Kong Investor Services Limited (in respect of holders of H-shares) or at the Company's Board Secretariat (in respect of holders of non-H-shares) in person or by post not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). The address of Computershare Hong Kong Investor Services Limited is Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The address of the Company's Board Secretariat is 385 Hong Cao Road, Shanghai, PRC.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(3) **Reply Slip**

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited for holder of H-shares or to the Company's Board Secretariat for holder of non-H-shares on or before 4 November 2008.

(4) **Other business**

The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.