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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)

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60 OF THE LISTING RULES

This announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

Reference is made to the announcement dated 14 December 2017 issued by the Company in relation to a share transfer agreement entered into between COAMC and Huada Semiconductor on 7 December 2017, relating to the Share Transfer. Upon the completion of the Share Transfer on 28 December 2017, Huada Semiconductor became a substantial shareholder of the Company.

As the date of this announcement, Huada Semiconductor has a 25.47% equity interest in Shanghai Belling. On 16 January 2018, the Company received a letter from Shanghai Belling stating that, amongst other things, Huada Semiconductor has the right (which it has exercised) to appoint the majority of directors to the board of Shanghai Belling. As a result, Shanghai Belling is considered to be a subsidiary undertaking of Huada Semiconductor, and also a subsidiary of Huada Semiconductor.

As Shanghai Belling is a subsidiary of Huada Semiconductor and Huada Semiconductor is a substantial shareholder of the Company, Shanghai Belling has become a connected person of the Company by virtue of Rule 14A.07 of the Listing Rules with effect from 28 December 2017.

As such, the Frame Foundry Agreement entered into between the Company and Shanghai Belling in connection with the Company's production of wafers for Shanghai Belling and the transactions contemplated thereunder have become continuing connected transactions of the Company under the Listing Rules with effect from 28 December 2017. Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable annual reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the continuing connected transactions contemplated under the Frame Foundry Agreement.

The Company will comply in full with all applicable reporting and disclosure under Chapter 14A of the Listing Rules upon any variation or renewal of such agreement.

INTRODUCTION

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CONTINUING CONNECTED TRANSACTIONS BETWEEN SHANGHAI BELLING AND THE COMPANY

Background

On 8 November 2015, Shanghai Belling and the Company entered into the Frame Foundry Agreement, whereby the Company manufactures 5, 6 and 8 inch semiconductor wafers for Shanghai Belling. Particulars of the Frame Foundry Agreement are set out as follows:-

Frame Foundry Agreement

Parties:	Shanghai Belling (as the buyer); The Company (as the supplier).
Date:	Dated and effective on 8 November 2015.
Term:	Three years (from 8 November 2015 to 7 November 2018).

Product supplied:	The Company manufactures 5, 6 and 8 inch semiconductor wafers for Shanghai Belling.
Pricing basis:	Prices for finished semiconductor wafers are mutually agreed between the parties after arms' length negotiation between the parties with reference to the market price of similar type of products or similar products or similar products offered by Independent Third Parties manufacturers in the market , prevailing costs of the Company's suppliers in respect of the materials and suppliers relevant to the manufacturing of the products, the process costs relevant to the manufacturing of the products, the minimum acceptable product yields.
Payment terms:	Unless as otherwise agreed between the parties, the payment for the relevant products shall be made prior to the shipment

Internal control procedures over the pricing basis of the Product Sale Transactions

As the Product Sale Transactions have become continuing connected transactions under the Listing Rules, before entering into any implementation agreements for any specific transaction contemplated under the Frame Foundry Agreement on or after 28 December 2017, the Company shall implement its standard pricing policy to ensure consideration receivable by the Company and the pricing basis of the transactions contemplated under such agreement will be on market terms and are no less favourable than those available to Independent Third Parties, including:-

- (a) The sales and procurement units of the Company are required to submit costs and transaction records relating to the sale transactions of identical or similar products to Independent Third Parties for internal assessment and evaluation by the finance department of the Company; and
- (b) The finance department of the Company will periodically review the profit margins earned from the Product Sale Transactions as compared to the profit margins earned from the sale of similar products to Independent Third Parties on the market.

By implementing the above procedures, the Board considers that the Company has established sufficient internal control measures to ensure the pricing basis of the Product Sale Transactions will be on market terms and on normal commercial terms and will be fair and reasonable as a whole to the Company.

Historical sales amounts under the Frame Foundry Agreement for the period between 8 November 2015 and 27 December 2017

The historical revenues derived from products sold to Shanghai Belling under the Product Sale Transactions amounted, in aggregate, as follows:-

<i>Relevant Period</i>	<i>Sales Amount (RMB)</i>
For the period between 8 November 2015 and 31 December 2015	1,629,753
For the period between 1 January 2016 and 31 December 2016	13,528,860
For the period between 1 January 2017 and 27 December 2017	16,557,063

Proposed Cap for the period between 28 December 2017 and 7 November 2018

It is expected that the Proposed Cap in respect of the Frame Foundry Agreement for the period between 28 December 2017 and 7 November 2018 will not exceed, in aggregate, RMB 34,000,000.

The Proposed Cap was determined based on (i) the historical amount of the relevant purchase made by Shanghai Belling from the Company for the same period last year; (ii) an estimated purchase made by Shanghai Belling from the Company for the period from 28 December 2017 to 7 November 2018; (iii) the existing market price of semiconductor wafers; (iv) the likely increase in revenue due to Shanghai Belling may place further reliance on the Company's manufacturing capacity for manufacturing of semiconductor wafers. Should the actual purchase amount exceed the Proposed Cap, the Company will revise the cap in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The aforementioned continuing connected transactions between the Company and Shanghai Belling were entered into in the ordinary and usual course of business of the Company. The Company will receive foundry service fees for such transactions under the Frame Foundry Agreement and thus such transactions contemplated thereunder will increase the total revenue of the Company.

Mr. Lu Ning, being a non-executive Director, is currently the Vice President of Shanghai Belling, has a material interest in the transactions contemplated under the Frame Foundry Agreement and therefore he has abstained from voting on Board resolutions of the Company relating to the Frame Foundry Agreement and transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Frame Foundry Agreement or is required to abstain from voting on the Board resolution relating to the Frame Foundry Agreement and transactions contemplated thereunder.

The Directors (including Independent Non-Executive Directors) are of the view that the transactions contemplated under the aforesaid agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the announcement dated 14 December 2017 issued by the Company in relation to a share transfer agreement entered into between COAMC and Huada Semiconductor on 7 December 2017, relating to the Share

Transfer. Upon the completion of the Share Transfer on 28 December 2017, Huada Semiconductor became a substantial shareholder of the Company.

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As Shanghai Belling is a subsidiary of Huada Semiconductor and that Huada Semiconductor is a substantial shareholder of the Company, Shanghai Belling has become a connected person of the Company by virtue of Rule 14A.07 of the Listing Rules with effect from 28 December 2017.

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INFORMATION ABOUT THE PARTIES

The Company's primary activities are the manufacture and sale of 5, 6 and 8 inch semiconductor wafers.

Shanghai Belling is listed in Shanghai Stock Exchange (Stock Code: 600171), which mainly provides integrated circuits ("IC") designing services, with a focus on IC chips designing services and IC relevant products and applications development.

DEFINITIONS

"Board"	the board of directors of the Company.
"COAMC"	China Orient Asset Management Co., Limited (中國東方資產管理股份有限公司).
"Companies Ordinance"	the Companies Ordinance (Chapter 622, Laws of Hong Kong).
"Company"	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 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.

“Frame Foundry Agreement”	the frame foundry agreement entered into between the Company and Shanghai Belling dated 8 November 2015.
“Directors”	the directors of the Company.
“Huada Semiconductor”	Huada Semiconductor Co., Limited (華大半導體有限公司), a substantial Shareholder of the Company.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Independent Non-Executive Directors”	the independent non-executive Directors of the Company.
“Independent Third Parties”	third parties which are independent of the Company and connected persons of the Company.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“PRC”	The People’s Republic of China.
“Product Sale Transactions”	the transactions contemplated under the Frame Foundry Agreement.
“Proposed Cap”	the proposed cap for revenue generated from sales of products under the Frame Foundry Agreement for the period between 28 December 2017 and 7 November 2018.
“RMB”	Renminbi, the lawful currency of the PRC (except Hong Kong, the Macau Special Administrative Region and Taiwan).
“Shanghai Belling”	Shanghai Belling Co., Ltd. (上海貝嶺股份有限公司).
“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.
“Share Transfer”	the transactions relating to the disposal of 179,303,000 domestic Shares of the Company by COAMC to Huada Semiconductor.
“Shareholder(s)”	holder(s) of the Shares in the registers of members of the Company as from time to time.
“subsidiary”	has the meaning ascribed to it under the Listing Rules.
“subsidiary undertaking”	has the meaning ascribed to it under the Companies Ordinance.
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules.

By order of the Board
Advanced Semiconductor Manufacturing Corporation Limited
HONG Feng
Executive Director & Chief Executive Officer

Shanghai, the PRC, 29 January 2018

As at the date of this announcement, the executive director of the Company is Hong Feng, the non-executive directors of the Company are Zhu Jian, David Damian French, Kang Hui, Yuan Yipei and Lu Ning; and the independent non-executive directors of the Company are Chen Enhua, Jiang Shoulei, Jiang Qingtang and Pu Hanhu.