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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  
RENEWAL OF THE FRAME FOUNDRY AGREEMENT**

Reference is made to the announcement dated 29 January 2018 issued by the Company in relation to, among other things, the Frame Foundry Agreement entered into between the Company and Shanghai Belling in connection with the Company's production of wafers for Shanghai Belling, which expired on 7 November 2018.

In order to continue the transactions contemplated under the Frame Foundry Agreement for a further period of one year commencing from 8 November 2018 to 7 November 2019, the Company and Shanghai Belling entered into the New Frame Foundry Agreement for a term of one year commencing from 8 November 2018 to 7 November 2019.

As the date of this announcement, as Shanghai Belling is a subsidiary of Huada Semiconductor and Huada Semiconductor has become a substantial shareholder of the Company since 28 December 2017, 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 New 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 constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules, in respect of the Proposed Cap under the Product Sales Transactions, for the period from 8 November 2018 to 7 November 2019 exceeds 0.1% but is less than 5%, the continuing connected transactions under the New Frame Foundry Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement dated 29 January 2018 issued by the Company in relation to, among other things, the Frame Foundry Agreement entered into between the Company and Shanghai Belling in connection with the Company's production of wafers for Shanghai Belling, which expired on 7 November 2018.

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## **DETAILS OF THE NEW FRAME FOUNDRY AGREEMENT**

Particulars of the New Frame Foundry Agreement are set out as follows:-

### *New Frame Foundry Agreement*

Parties:	Shanghai Belling (as the buyer); The Company (as the supplier).
Date:	Dated and effective on 8 November 2018.
Term:	One year (from 8 November 2018 to 7 November 2019).
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 offered by Independent Third Parties manufacturers in the market , prevailing costs of the Company's suppliers in respect of the materials and supplies 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 Sales Transactions**

The Company shall continue to implement its standard pricing policy to ensure consideration receivable by the Company and the pricing basis of the transactions contemplated under the New Frame Foundry 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 Sales 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 Sales 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 amount under the Frame Foundry Agreement for the period between 8 November 2015 and 7 November 2018**

The historical revenues derived from products sold to Shanghai Belling under transactions contemplated under the Frame Foundry Agreement amounted, in aggregate, as follows:-

<i>Relevant Period</i>	<i>Approved Cap (RMB)</i>	<i>Sales Amount (RMB)</i>
For the period between 8 November 2015 and 31 December 2015	Not applicable	1,629,753
For the period between 1 January 2016 and 31 December 2016	Not applicable	13,528,860
For the period between 1 January 2017 and 27 December 2017	Not applicable	16,557,063
For the period between 28 December 2017 and 7 November 2018	34,000,000	25,270,523

**Proposed Cap for the period between 8 November 2018 and 7 November 2019**

It is expected that the Proposed Cap in respect of the New Frame Foundry Agreement for the period between 8 November 2018 and 7 November 2019 will not exceed, in aggregate, RMB34,000,000.

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 8 November 2018 to 7 November 2019; (iii) the existing market price of semiconductor wafers; and (iv) that 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 New Frame Foundry Agreement and thus such transactions contemplated thereunder will provide revenue for the Company.

Mr. Dong Haoran, being a non-executive Director, is currently the General Manager of Huada Semiconductor and the Chairman of Shanghai Belling, has a material interest in the transactions contemplated under the New Frame Foundry Agreement and therefore he has abstained from voting on the relevant Board resolutions of the Company.

Mr. Xu Ding, being a non-executive Director, is currently the Investment Director of Huada Semiconductor, has a material interest in the transactions contemplated under the New Frame Foundry Agreement and therefore he has abstained from voting on the relevant Board resolutions 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 New Frame Foundry Agreement and therefore he has abstained from voting on the relevant Board resolutions of the Company.

Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the New Frame Foundry Agreement or is required to abstain from voting on the relevant Board resolutions of the Company.

The Directors (including Independent Non-Executive Directors) are of the view that, the New Frame Foundry Agreement, as well as the transactions contemplated thereunder, have been entered into in the ordinary and usual course of business of the Company, and they are on normal commercial terms, that they will be implemented in accordance with the terms contained therein, and that the terms, as well as the Proposed Cap, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the date of this announcement, as Shanghai Belling is a subsidiary of Huada Semiconductor and Huada Semiconductor has become a substantial shareholder of the Company since 28 December 2017, 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 New 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 constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules, in respect of the Proposed Cap under the Product Sales Transactions for the period from 8 November 2018 to 7 November 2019 exceeds 0.1% but is less than 5%, the continuing connected transactions under the New Frame Foundry Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **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

"associates"	has the meaning ascribed thereto under the Listing Rules.
"Board"	the board of directors of the Company.
"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 Shareholders"	the shareholder(s) of the Company other than Huada Semiconductor and its associates.
"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.
"New Frame Foundry Agreement"	the frame foundry agreement entered into between the Company and Shanghai dated 8 November 2018
"PRC"	The People's Republic of China.
"Product Sales Transactions"	the transactions contemplated under the New Frame Foundry Agreement.
"Proposed Cap"	the proposed cap for revenue generated from sales of products under the New Frame Foundry Agreement for the period between 8 November 2018 and 7 November 2019.

“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.
“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.
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules.

**Shareholders and potential investors generally should exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.**

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

Shanghai, the PRC, 8 November 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 Dong Haoran, David Damian French, Kang Hui, Xu Ding, Yuan Yipei and Lu Ning; and the independent non-executive directors of the Company are Chen Enhua, Jiang Shoulei, Jiang Qingtang and Pu Hanhu.*