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**Semiconductor Manufacturing International Corporation**  
**中芯國際集成電路製造有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 981)**

**REVISION OF THE EXISTING ANNUAL CAP  
FOR CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO SMNC FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 7 December 2017 and the circular of the Company dated 18 January 2018 in respect of the Continuing Connected Transactions in relation to the SMNC Framework Agreement.

On 6 December 2019, the Company (on behalf of itself and its subsidiaries (other than SMNC)) and SMNC (on behalf of itself and its subsidiaries) entered into the Amendment Agreement to revise the Existing Annual Cap.

In compliance with the Listing Rules, the Company has been monitoring the Continuing Connected Transactions. In view of the continuous growth and expansion of the business operations of SMNC (on behalf of itself and its subsidiaries), the Company expects that the Existing Annual Cap will not be sufficient. The Company has therefore proposed to revise the Existing Annual Cap with the Revised Annual Cap.

As the applicable percentage ratios (other than the profit ratio) set out in rule 14.07 of the Listing Rules in respect of the Revised Annual Cap are 5% or more but less than 25%, pursuant to rule 14A.76 of the Listing Rules, the Revised Annual Cap is subject to the reporting, announcement and Independent Shareholders' approval requirements.

In accordance with the Listing Rules, the Independent Board Committee has been established to advise and provide recommendation to the Independent Shareholders on the Amendment Agreement and the Revised Annual Cap and to advise the Independent Shareholders on how to vote.

Messis Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Amendment Agreement and the Revised Annual Cap.

## **GENERAL**

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the Amendment Agreement including the Revised Annual Cap. As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and its other associates (as defined in the Listing Rules) will abstain from voting on the ordinary resolution to approve the Amendment Agreement and any transactions contemplated thereunder. Apart from Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund, no other Shareholder will be required to abstain from voting on the resolutions at the EGM.

The Company expects to dispatch a circular on or before 23 January 2020 as time is needed to finalise the contents therein to the Shareholders. The circular contains, among other things, (i) further details on the Amendment Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 7 December 2017 and the circular of the Company dated 18 January 2018 in respect of the Continuing Connected Transactions contemplated under the SMNC Framework Agreement.

On 6 December 2019, the Company (on behalf of itself and its subsidiaries (other than SMNC)) and SMNC (on behalf of itself and its subsidiaries) entered into the Amendment Agreement to revise the Existing Annual Cap.

## **AMENDMENT AGREEMENT**

### **Date**

6 December 2019

## Parties

- (i) The Company (on behalf of itself and its subsidiaries (other than SMNC)); and
- (ii) SMNC (on behalf of itself and its subsidiaries)

## Subject matter

Pursuant to the Amendment Agreement, the parties have agreed to revise the Existing Annual Cap such that the maximum annual transaction value for the transfer of assets between the Company and SMNC contemplated under the SMNC Framework Agreement shall be adjusted from US\$200 million (or its equivalent in other currencies) to US\$550 million (or its equivalent in other currencies) for the year ending 31 December 2020.

Saved for the said revision, all other terms of the SMNC Framework Agreement including the applicable pricing policies shall remain unchanged and the SMNC Framework Agreement remains valid and enforceable.

The existing annual caps for (i) the transfer of assets contemplated under the SMNC Framework Agreement for the year ending 31 December 2019 and (ii) the purchase and sale of goods, rendering of or receiving services, leasing of assets, provision of technical authorization or licensing and provision of guarantee contemplated under the SMNC Framework Agreement for the years ending 31 December 2019 and 31 December 2020 shall remain unchanged.

## HISTORICAL TRANSACTION FIGURES AND ANNUAL CAPS

The annual transaction value in respect of the transfer of assets between the Company and SMNC contemplated under the SMNC Framework Agreement, together with the relevant annual caps, are as follows:

<b>Period</b>	<b>Total Transaction Value (US\$)</b>	<b>Annual Caps (US\$)</b>
For the year ended 31 December 2018	—	200 million (or its equivalent in other currencies)
For the ten months ended 31 October 2019	—	200 <sup>(1)</sup> million (or its equivalent in other currencies)

*Note:*

- (1) Represents the annual cap for the year ending 31 December 2019.

## REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAP

In compliance with the Listing Rules, the Company has been monitoring the Continuing Connected Transactions. In view of the continuous growth and expansion of the business operations of SMNC (on behalf of itself and its subsidiaries), the Company expects that the Existing Annual Cap will not be sufficient. The Company has therefore proposed to revise the Existing Annual Cap with the Revised Annual Cap.

Details of the Existing Annual Cap, which will be replaced with the Revised Annual Cap pursuant to the Amendment Agreement, are as follows:

<b>Period</b>	<b>Existing Annual Cap (US\$)</b>	<b>Revised Annual Cap (US\$)</b>
For the year ending 31 December 2020	200 million (or its equivalent in other currencies)	550 million (or its equivalent in other currencies)

As at the date of this announcement, the Company confirms that the relevant existing annual caps for Continuing Connected Transactions are not exceeded.

The Revised Annual Cap has been determined by the Company, after arm's length negotiation between the Company and SMNC with reference to the market price, having taken into account of (i) the anticipated future expansion in the scope and scale of the transfer of assets between the Company and SMNC for the financial year ending 31 December 2020; and (ii) the business plans of the Group.

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from the Independent Financial Adviser) consider that the entering into of the Amendment Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal or better commercial terms and the terms of the Amendment Agreement including the Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATION

As at the date of this announcement, China IC Fund holds approximately 15.77% interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited. Accordingly, it is a connected person of the Company at the issuer level pursuant to the Listing Rules. As at the date of this announcement, the registered capital of SMNC is held as to approximately 51% and 32% by the Group and China IC Fund, respectively. SMNC is therefore a connected subsidiary of the Company as defined under rule 14A.16 of the Listing Rules and thus a connected person of the Company under the Listing Rules.

Pursuant to rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the applicable requirements before the relevant Existing Annual Cap is exceeded. As the applicable percentage ratios (other than the profit ratio) set out in rule 14.07 of the Listing Rules in respect of the Revised Annual Cap for the transfer of assets are 5% or more but less than 25%, pursuant to rule 14A.76 of the Listing Rules, the Revised Annual Cap is subject to the reporting, announcement and Independent Shareholders' approval requirements. Such transactions also constitute disclosable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Continuing Connected Transactions are also subject to the annual review requirements set out in rule 14A.55 and rule 14A.56 of the Listing Rules.

In accordance with the Listing Rules, the Independent Board Committee has been established to advise and provide recommendation to the Independent Shareholders on the Amendment Agreement and the Revised Annual Cap and to advise the Independent Shareholders on how to vote.

Messis Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Amendment Agreement and the Revised Annual Cap.

## **INFORMATION ABOUT THE PARTIES**

### **Information on the Company**

The Company is one of the leading foundries in the world, is Mainland China's most advanced and largest foundry, broadest in technology coverage, and most comprehensive in semiconductor manufacturing services. The Company provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 14 nanometer. Headquartered in Shanghai, China, the Company has an international manufacturing and service base. In China, the Company has a 300mm wafer fabrication facility (fab), a 200mm fab and a majority-owned joint-venture 300mm fab for advanced nodes (under construction) in Shanghai; a 300mm fab and a majority-owned 300mm fab for advanced nodes in Beijing; 200mm fabs in Tianjin and Shenzhen; and a majority-owned joint-venture 300mm bumping facility in Jiangyin. The Company also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan China, and a representative office in Hong Kong China.

### **Information on SMNC**

SMNC is a joint venture company established in the PRC pursuant to the joint venture agreement dated 3 June 2013, the equity capital of which is owned as to 12.5% by SMIC Beijing, 13% by SMIC Investment, 25.5% by SMIC Holdings and 32% by China IC Fund. The remaining equity capital of SMNC is owned by Zhongguancun Development Group\* (中關村發展集團股份有限公司), which is an important carrier for Beijing Municipal government to build the Zhongguancun National Innovation

Demonstration Zone, Beijing Industrial Developing Investment Management Co., Ltd.\* (北京工業發展投資管理有限公司), which is a wholly-owned subsidiary of Beijing State-owned Assets Management Co., Ltd., Beijing Semiconductor Manufacturing and Equipment Equity Investment Center (Limited Partnership)\* (北京集成電路製造和裝備股權投資中心(有限合夥)), which is the Beijing government sponsored fund for the semiconductor sector in China and managed by CGP Investment, and E-Town Capital and none of them owns 10% or more equity capital of SMNC. SMNC is primarily engaged in manufacturing and trading of semiconductor products.

## **GENERAL**

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the Amendment Agreement including the Revised Annual Cap. As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and its other associates (as defined in the Listing Rules) will abstain from voting on the ordinary resolution to approve the Amendment Agreement and any transactions contemplated thereunder. Apart from Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund, no other Shareholder will be required to abstain from voting on the resolutions at the EGM.

The Company expects to dispatch a circular on or before 23 January 2020 as time is needed to finalise the contents therein to the Shareholders. The circular contains, among other things, (i) further details on the Amendment Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

No Director was considered to have a material interest in the Amendment Agreement on the date of the Board meeting authorising the Amendment Agreement which would have required the Director to abstain from voting at the relevant Board meeting.

## **DEFINITIONS**

In this announcement the following words have the following meanings unless the context requires otherwise:

“Amendment Agreement”	the amendment agreement to the SMNC Framework Agreement entered into between the Company (on behalf of itself and its subsidiaries (other than SMNC)) and SMNC (on behalf of itself and its subsidiaries) on 6 December 2019 to revise the Existing Annual Cap;
“CGP Investment”	Beijing CGP Investment Co., Ltd* (北京盛世宏明投資基金管理有限公司), a company established in the PRC;

“China IC Fund”	China Integrated Circuit Industry Investment Fund Co., Ltd.* (國家集成電路產業投資基金股份有限公司), a company established under the laws of the PRC;
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the SMNC Framework Agreement, which include the purchase and sale of goods, rendering of or receiving services, leasing of assets, transfer of assets, provision of technical authorisation or licensing and provision of guarantee;
“Director(s)”	the director(s) of the Company;
“E-Town Capital”	Beijing E-Town International Investment & Development Co., Ltd.* (北京亦莊國際投資發展有限公司), a company established in the PRC;
“EGM”	the extraordinary general meeting of the Company proposed to be held to approve, among other things, the Amendment Agreement and the Revised Annual Cap;
“Existing Annual Cap”	the existing annual cap for the transfer of assets between the Company and SMNC contemplated under the SMNC Framework Agreement, which amounted to US\$200 million (or its equivalent in other currencies) for the year ending 31 December 2020;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board that consists of all independent non-executive Directors who have no direct or indirect interest in the Amendment Agreement other than, where applicable, being a Shareholder;

“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendment Agreement and the Revised Annual Cap;
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Amendment Agreement and the Revised Annual Cap, which shall include Shareholders other than Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund (as defined in the Listing Rules) in relation to the Amendment Agreement and the Revised Annual Cap;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China (for the purposes of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan);
“Revised Annual Cap”	the revised annual cap for the transfer of assets between the Company and SMNC contemplated under the SMNC Framework Agreement (as amended by the Amendment Agreement), which amounted to US\$550 million (or its equivalent in other currencies) for the year ending 31 December 2020;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shares”	ordinary shares of par value US\$0.004 each in the capital of the Company listed on the Stock Exchange;
“SMIC Beijing”	Semiconductor Manufacturing International (Beijing) Corporation* (中芯國際集成電路製造(北京)有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company;
“SMIC Holdings”	SMIC Holdings Corporation* (中芯國際控股有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company;



“SMIC Investment”	SMIC Investment (Shanghai) Corporation* (中芯集電投資(上海)有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company;
“SMNC”	Semiconductor Manufacturing North China (Beijing) Corporation* (中芯北方集成電路製造(北京)有限公司), a company established under the laws of the PRC pursuant to the joint venture agreement dated 3 June 2013;
“SMNC Framework Agreement”	the framework agreement entered into between the Company (on behalf of itself and its subsidiaries (other than SMNC)) and SMNC (on behalf of itself and its subsidiaries) on 6 December 2017 in relation to the Continuing Connected Transactions with a term commencing on 1 January 2018 and ending on 31 December 2020 and subject to the terms and conditions provided therein;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“U.S.” or “United States”	the United States of America;
“US\$”	United States dollar, the lawful currency of the United States; and
“%”	per cent.

By order of the Board  
**Semiconductor Manufacturing International Corporation**  
**Gao Yonggang**  
*Executive Director, Chief Financial Officer and Joint Company Secretary*

Shanghai, PRC, 6 December 2019

As at the date of this announcement, the directors of the Company are:

**Executive Directors**

ZHOU Zixue (*Chairman*)

ZHAO Haijun (*Co-Chief Executive Officer*)

LIANG Mong Song (*Co-Chief Executive Officer*)

GAO Yonggang (*Chief Financial Officer and Joint Company Secretary*)

**Non-executive Directors**

CHEN Shanzhi

ZHOU Jie

REN Kai

LU Jun

TONG Guohua

**Independent Non-executive Directors**

William Tudor BROWN

CONG Jingsheng Jason

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

YOUNG Kwang Leei

\* *For identification purposes only*