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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)

CONNECTED TRANSACTION
CAPITAL CONTRIBUTION IN SEMICONDUCTOR
TECHNOLOGY INNOVATION CENTER (BEIJING) CO., LTD

THE CAPITAL CONTRIBUTION

On 23 December 2019, the Joint Venture Company, SMIC Holdings, E-Town Capital and SMNC entered into the Joint Venture Agreement, pursuant to which (i) SMIC Holdings has agreed to make cash contribution of RMB99 million into the registered capital of the Joint Venture Company, representing approximately 66% of the enlarged registered capital of the Joint Venture Company; (ii) E-Town Capital has agreed to make cash contribution of RMB50 million into the registered capital of the Joint Venture Company, representing approximately 33.33% of the enlarged registered capital of the Joint Venture Company; and (iii) SMNC has agreed to the Capital Contribution to be made by SMIC Holdings and E-Town Capital into the registered capital of the Joint Venture Company.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund holds approximately 15.77% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited, it is a connected person of the Company at the issuer level under 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. As the registered capital of the Joint Venture Company is held as to 100% by SMNC prior to the Capital Contribution, the Joint Venture Company is therefore a connected subsidiary of the Company as defined under rule 14A.16 of the Listing Rules. SMIC Holdings' entering into of the Joint Venture Agreement with SMNC, the Joint Venture Company and E-Town Capital constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios stipulated under rule 14.07 of the Listing Rules in respect of the Joint Venture Agreement exceed 0.1% but are less than 5%, the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

CAPITAL CONTRIBUTION IN SEMICONDUCTOR TECHNOLOGY INNOVATION CENTER (BEIJING) CO., LTD

On 23 December 2019, the Joint Venture Company, SMIC Holdings, E-Town Capital and SMNC entered into the Joint Venture Agreement, pursuant to which (i) SMIC Holdings has agreed to make cash contribution of RMB99 million into the registered capital of the Joint Venture Company, representing approximately 66% of the enlarged registered capital of the Joint Venture Company; (ii) E-Town Capital has agreed to make cash contribution of RMB50 million into the registered capital of the Joint Venture Company, representing approximately 33.33% of the enlarged registered capital of the Joint Venture Company; and (iii) SMNC has agreed to the Capital Contribution to be made by SMIC Holdings and E-Town Capital into the registered capital of the Joint Venture Company.

JOINT VENTURE AGREEMENT

The key terms of the Joint Venture Agreement are set out below:

Date

23 December 2019 (after trading hours)

Parties

1. The Joint Venture Company;
2. SMIC Holdings;
3. SMNC; and
4. E-Town Capital.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, E-Town Capital and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company prior to the Capital Contribution.

Subscription of Registered Capital

- i. SMIC Holdings has agreed to make cash contribution of RMB99 million into the registered capital of the Joint Venture Company, representing approximately 66% of the enlarged registered capital of the Joint Venture Company;
- ii. E-Town Capital has agreed to make cash contribution of RMB50 million into the registered capital of the Joint Venture Company, representing approximately 33.33% of the enlarged registered capital of the Joint Venture Company;
- iii. SMNC has agreed to the Capital Contribution to be made by SMIC Holdings and E-Town Capital into the registered capital of the Joint Venture Company. Its shareholding in the Joint Venture Company will decrease from 100% of the registered capital of the Joint Venture Company to approximately 0.67% of the enlarged registered capital of the Joint Venture Company.

SMIC Holdings and E-Town Capital shall complete their respective cash contribution within 15 business days from the day of completion of change of industry and commerce registration and approval by or filing with the regulatory authority with respect to the Capital Contribution. The parties' performance of the Capital Contribution obligations will lead to an increase in the registered capital of the Joint Venture Company from RMB1 million to RMB150 million. The cash contributions will be applied by the Joint Venture Company to industry chain construction, technology innovation and working capital.

The consideration was arrived at after arm's length negotiation among the parties with reference to the net asset value, future business prospects and development potential of the Joint Venture Company. SMIC Holdings intends to fund its contribution through internal resources.

Composition of the Board of Directors and the Appointment of Supervisor of the Joint Venture Company

The board of directors of the Joint Venture Company will comprise three directors, with two directors to be appointed by SMIC Holdings, one director to be appointed by E-Town Capital. The chairman will be appointed by SMIC Holdings, and the vice-chairman will be appointed by E-Town Capital.

The board of supervisors of the Joint Venture Company will comprise three supervisors, with one supervisor to be appointed by each of SMIC Holdings and E-Town Capital and one employee-representative-supervisor to be elected at the employee representatives' meeting. The chairman will be elected by a simple majority vote at the supervisors' board meeting.

Transfer of Equity Interest in the Joint Venture Company

Subject to other requirements under the PRC law or in the Joint Venture Agreement, any transfer of equity interest in the Joint Venture Company by SMIC Holdings which may result in a decrease in the combined shareholding of SMIC Holdings and SMNC in the Joint Venture Company to less than 50% of the registered capital of the Joint Venture Company or SMIC Holdings' loss of actual control in the Joint Venture Company, or any trust arrangement by SMIC Holdings which may result in SMIC Holdings' loss of actual control in the Joint Venture Company, will require prior written consent from E-Town Capital. E-Town Capital is entitled to require the party(ies) to such transfer of equity interest to purchase its proportionate equity interest in the Joint Venture Company on the same terms offered by such party(ies).

In the event that any party under the Joint Venture Agreement proposes to transfer any equity interest to any third party(ies), each of the non-transferring parties under the Joint Venture Agreement will have a pre-emptive right to purchase the equity interest which such party to the Joint Venture Agreement intends to transfer to such third party(ies) on terms not less favourable than the terms offered to such third party(ies).

E-Town Capital is entitled to transfer all or part of its equity interest in the Joint Venture Company to E-Town Capital's affiliated companies, connected persons and/or any state-owned investment corporate founded or designated by the State-owned Assets Supervision and Administration Office of the Beijing Economic-Technological Development Area* (北京經濟技術開發區國有資產管理辦公室). SMIC Holdings and SMNC shall waive their pre-emptive rights.

Other terms

The term of operation of the Joint Venture Company is 20 years from the date of its establishment (being 25 September 2017). Subject to approval from the board of directors of the Joint Venture Company, the parties to the Joint Venture Agreement will decide whether to extend the term of operation of the Joint Venture Company six months prior to the expiry date of the term of operation.

CHANGES IN SHAREHOLDING AND REGISTERED CAPITAL

As at the date of this announcement, SMNC is owned as to approximately 51% by the Group and the Joint Venture Company is owned as to 100% by SMNC. Pursuant to the Joint Venture Agreement, the Joint Venture Company will be owned as to approximately 66% by SMIC Holdings, approximately 33.33% by E-Town Capital and approximately 0.67% by SMNC. The Joint Venture Company will remain as a subsidiary of the Company after the completion of the Capital Contribution pursuant to the Joint Venture Agreement. Details of the changes in the shareholding and registered capital of the Joint Venture Company are set out in the table below:

Shareholder of the Joint Venture Company	Prior to the Joint Venture Agreement		Pursuant to the Joint Venture Agreement			
	Actual amount contributed (RMB million)	Shareholding (%)	Capital Commitment (RMB million)	Outstanding Capital Contribution obligation (RMB million)	Capital Contributed (assuming no outstanding Capital Contribution obligation) (RMB million)	Shareholding (assuming no outstanding Capital Contribution obligation) (%)
SMIC Holdings	0	0	99	99	99	66
SMNC	1	100	0	0	1	0.67
E-Town Capital	0	0	50	50	50	33.33
Total	1	100	149	149	150	100

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Company's factory in Beijing is currently the largest 12-inch foundry by production capacity in the mainland China, and there is a strong demand for deeper cooperation with industrial chain enterprises. The Joint Venture Company can support the Group's better development in the future in terms of broadening supply chain channels and improving supply chain comprehensive capabilities. The Capital Contribution will help the Joint Venture Company carry out related business with industrial chain enterprises and build an integrated circuit industry ecosystem centering on Beijing for serving the Group, improving the Group's production line efficiency and reducing production line construction and operation costs.

The Directors (including independent non-executive Directors) consider that it is in the best interests of the Company and the Shareholders as a whole for SMIC Holdings to enter into the Joint Venture Agreement and the transactions contemplated thereunder; the terms of the Joint Venture Agreement are fair and reasonable; and the entering into of the Joint Venture Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

No Director is considered to have a material interest in the Joint Venture Agreement which would have required the Director to abstain from voting at the board meeting authorising the Joint Venture Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund holds approximately 15.77% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited, it is a connected person of the Company at the issuer level under 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. As the registered capital of the Joint Venture Company is held as to 100% by SMNC prior to the Capital Contribution, the Joint Venture Company is therefore a connected subsidiary of the Company as defined under rule 14A.16 of the Listing Rules. SMIC Holdings' entering into of the Joint Venture Agreement with SMNC, the Joint Venture Company and E-Town Capital constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios stipulated under rule 14.07 of the Listing Rules in respect of the Joint Venture Agreement exceed 0.1% but are less than 5%, the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE JOINT VENTURE COMPANY

The Joint Venture Company was established by SMNC on 25 September 2017 and is a subsidiary of the Company.

The Joint Venture Company is led by the Group, through leveraging on the regional industry base in Beijing, linked the industry chain upstream and downstream enterprises to form an industry chain cooperation platform. Taking Beijing as the localization base, the Joint Venture Company constructs the Group's integrated circuit industry ecology to improve the Group's production line efficiency and reduce construction & operation costs of production lines.

FINANCIAL INFORMATION OF THE JOINT VENTURE COMPANY

The net profit (before and after taxation) of the Joint Venture Company for the period since its incorporation on 25 September 2017 to 31 December 2017, for the financial year ended 31 December 2018 and for the eleven months ended 30 November 2019 are set out as follows:

	Since its incorporation on 25 September 2017 to 31 December 2017 (audited) (RMB)	For the year ended 31 December 2018 (audited) (RMB)	From 1 January 2019 to 30 November 2019 (unaudited) (RMB)
Net Profit (Loss) before taxation	0	(113,958)	(274,755)
Net Profit (Loss) after taxation	0	(113,958)	(274,755)

According to the unaudited accounts prepared by the Joint Venture Company under the Generally Accepted Accounting Principles of the PRC, the total assets, total liabilities and net assets of the Joint Venture Company as of 30 November 2019 amounted to approximately RMB5,339,787, RMB4,644,651 and RMB695,136, respectively.

INFORMATION ABOUT THE PARTIES

The Company and SMIC Holdings

The Company is one of the leading foundries in the world and 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. SMIC Holdings is a wholly-owned subsidiary of the Company principally functioning as an investment holding platform.

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.

E-Town Capital

E-Town Capital was founded in February 2009, as a State-owned investment corporation for scientific and technological innovation and industrial improvements in the Beijing Economic-Technological Development Area, by providing innovative financial services in response to development demands. It uses government resources and its own market strength to develop diverse industrial investment and financial service and create intelligent industrial clusters.

DEFINITIONS

“Capital Contribution”	the proposed capital contribution in the Joint Venture Company by SMIC Holdings and E-Town Capital pursuant to the Joint Venture Agreement;
“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;

“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;
“Group”	the Company and its subsidiaries;
“Joint Venture Agreement”	the joint venture agreement entered into among the Joint Venture Company, SMIC Holdings, SMNC and E-Town Capital dated 23 December 2019;
“Joint Venture Company”	Semiconductor Technology Innovation Center (Beijing) Co., Ltd* (北方集成電路技術創新中心(北京)有限公司), a joint venture incorporated in the PRC, which is owned as to 100% by SMNC before the Capital Contribution;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, but for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“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 joint venture company established under the laws of the PRC pursuant to the joint venture agreement dated 3 June 2013 and is owned as to approximately 51% by the Group; and

“Stock Exchange” The Stock Exchange of Hong Kong Limited.

By order of the Board
Semiconductor Manufacturing International Corporation
Gao Yonggang

Executive Director, Chief Financial Officer and Joint Company Secretary

Shanghai, 23 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*