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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)**

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
SJ CAYMAN FRAMEWORK AGREEMENT**

**SJ CAYMAN FRAMEWORK AGREEMENT**

Reference is made to the Company's announcements dated 29 December 2016 and 25 July 2018 in relation to the 2016 Framework Agreement. As the 2016 Framework Agreement will expire on 31 December 2019 and the transactions contemplated thereunder will continue to be entered into on a recurring basis, on 26 December 2019, the Company and SJ Cayman entered into the SJ Cayman Framework Agreement in relation to the Continuing Connected Transactions with a term commencing on 1 January 2020 and ending on 31 December 2022 and subject to the terms and conditions provided therein.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, China IC Fund holds approximately 15.77% equity 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 under the Listing Rules. As at the date of this announcement, the Company holds approximately 55.97% equity interest in SJ Cayman and China IC Fund holds approximately 29.36% equity interest in SJ Cayman through its wholly-owned subsidiary, Xun Xin. SJ Cayman 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.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) is more than 0.1% and less than 5%, the transactions contemplated under the SJ Cayman Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and annual review requirements but exempt from the circular and the Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **SJ CAYMAN FRAMEWORK AGREEMENT**

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### **Summary of Principal Terms of the SJ Cayman Framework Agreement**

- Execution date: 26 December 2019
- Effective period and termination: Three years commencing on 1 January 2020 and ending on 31 December 2022. Two months before the expiry date of the SJ Cayman Framework Agreement, the parties will negotiate whether to renew the SJ Cayman Framework Agreement.
- Parties: (i) the Company on behalf of itself and its subsidiaries (other than SJ Cayman, SJ Hong Kong and SJ Jiangyin); and  
(ii) SJ Cayman on behalf of itself and its wholly-owned subsidiaries SJ Hong Kong and SJ Jiangyin.

### **Continuing Connected Transactions**

#### ***Type of transaction***

The Company and SJ Cayman agree to enter into one or more of the following types of Continuing Connected Transactions with each other:

1. Purchase and sale of spare parts and raw materials;
2. Rendering of or receiving services including, without limitation, (a) processing and testing service; (b) procurement service; (c) research, development and experiment support service; and (d) comprehensive administration, logistics, production management and IT service;

3. Leasing of assets, such as plant, office premises and equipment;
4. Transfer of assets; and
5. Provision of technical authorisation or licensing by the Company to SJ Cayman.

### **Pricing of the Continuing Connected Transactions**

The price of the Continuing Connected Transactions will be determined in accordance with the following general principles in ascending order:

- (1) the price prescribed or approved by state or local price control department (if any);
- (2) a reasonable price in accordance with the industry guided price for a particular type of service or product issued by the relevant industry association (if any);
- (3) the comparable local market price, which shall be determined after arm's length negotiation between both parties of the contract with reference to (a) the market price charged by independent third parties for comparable product or services at the same time and in the same region; and (b) the lowest quotation that the purchaser can obtain by way of public tender. The Company will obtain at least two quotations or tenders from independent third parties before agreeing upon the applicable price;
- (4) where there is no comparable local market price, the price based on the principle of cost plus a fair and reasonable profit rate, being the aggregate sum of (a) the actual reasonable cost; and (b) a fair and reasonable profit rate. The expected range of profit is from 5% to 10%, which is in line with the industry and not lower than the profit rate charged by the Company or SJ Cayman (as applicable) to independent third parties (to the extent available).

As to the price prescribed by the state or local price control department, the fees apply to water, electricity, gas and communication services involved in providing procurement service and comprehensive administration, logistics, production management and IT service, which are relevant to the cost of such services are determined by prices published from time by time by the relevant PRC government authority. Under the Pricing Law of the PRC, the state may implement state-prescribed or guidance price for specific goods and services if necessary, such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guidance price becomes available to the Continuing Connected Transactions in the future, the parties will execute such price first in accordance with pricing principle (1) above.

Based on the above general principles and the actual circumstances when entering into the SJ Cayman Framework Agreement, the parties further agree to the following specific pricing policies for the Continuing Connected Transactions. If any particular Continuing Connected Transactions are not covered by the following policies, or any of the following policies no longer applies, the parties will use the above general principles to determine the price for the relevant transaction.

**Type of Continuing**

**Connected Transactions**

**Pricing policy**

**I. Purchase and sale of spare parts and raw materials**

- |  |  |
|--|--|
| 1. Mutual purchase and sale of spare parts   | The market purchase price of spare parts, with the relevant transportation fees borne by the purchaser, with reference to market price (see general pricing principle (3) above)   |
| 2. Mutual purchase and sale of raw materials | The market purchase price of raw materials, with the relevant transportation fees borne by the purchaser, with reference to market price (see general pricing principle (3) above) |

**II. Rendering of or receiving services**

- |   |  |
|---|--|
| 1. Mutual rendering of processing and testing service                       | With reference to market price (see general pricing principle (3) above)   |
| 2. Rendering of procurement service by the Company to SJ Cayman             | Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of procurement department expenses according to working hours |
| 3. Mutual rendering of research, development and experiment support service | With reference to market price (see general pricing principle (3) above)   |

**Type of Continuing  
Connected Transactions**

**Pricing policy**

- |   |   |
|---|---|
| 4. Rendering of comprehensive administration, logistics, production management and IT service by the Company to SJ Cayman | Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of labour cost and relevant resources consumption according to the proportion of working hours or workload, with reference to market price provided by independent third parties |
|---|---|

**III. Leasing of assets**

- |  |   |
|--|---|
| 1. Leasing of plant and office by the Company to SJ Cayman | With reference to market price (see general pricing principle (3) or principle (4) above) |
| 2. Mutual leasing of equipment                             | With reference to market price (see general pricing principle (3) above)                  |

**IV. Transfer of assets**

- |                              |  |
|------------------------------|--|
| 1. Mutual transfer of assets | With reference to market price (see general pricing principle (3) above) |
|------------------------------|--|

**V. Provision of technical  
authorisation or licensing**

- |  |  |
|--|--|
| 1. Provision of technical authorisation or licensing by the Company to SJ Cayman | With reference to market price (see general pricing principle (3) above) |
|--|--|

Category IV and Category V transactions (i.e. transfer of assets and provision of technical authorisation or licensing) will be settled in accordance with the relevant agreement for each transaction. All other types of transactions will be settled regularly based on actual circumstances. The Company will monitor closely as an ongoing process to ensure the proposed annual caps are not exceeded.

Considering the clear general principles and the detailed pricing policies, the Directors (including the independent non-executive Directors) are of the view that the methods and procedures are sufficient to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and its minority Shareholders.

## Payment

The consideration of the Continuing Connected Transactions will be paid in accordance with the relevant implementation agreements to be entered into for each transaction, the terms of which will be on normal commercial terms or better, and will be funded by the relevant parties' internal resources.

## Other Terms

The terms of the SJ Cayman Framework Agreement are subject to applicable laws and regulations including the requirements of any regulatory authorities (including but not limited to the Stock Exchange).

## THE ANNUAL CAPS AND BASIS OF DETERMINATION

### Historical Transaction Amounts

The historical transaction amounts between the Company and SJ Cayman for the transactions contemplated under the 2016 Framework Agreement are as follows:

<b>Transactions</b>	<b>For the Year Ended 31 December 2017 <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i></b>	<b>For the Year Ended 31 December 2018 <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i></b>	<b>From 1 January 2019 to 31 October 2019 <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i></b>
Supply of goods and services, leasing of assets, transfer of assets and provision of technical authorisation or licensing by the Company	0.9	6.5	8.6
Supply of goods and services, leasing of assets and transfer of assets by SJ Cayman	20.8	45.7	33.1

## Annual Caps

The Annual Caps for the Continuing Connected Transactions between the parties are set out below:

Transactions	For the year ending 31 December		
	2020	2021	2022
	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
	<i>(or its equivalent in other currencies)</i>	<i>(or its equivalent in other currencies)</i>	<i>(or its equivalent in other currencies)</i>
Supply of goods and services, leasing of assets, transfer of assets and provision of technical authorisation or licensing by the Company	19	23	28
Supply of goods and services, leasing of assets and transfer of assets by SJ Cayman	70	91	118

In arriving at the Annual Caps, the Company has considered the historical transaction amounts between the Company and SJ Cayman, which are set out above, as well as reasonable factors such as the historical transaction amount, the expected occurrences of the Continuing Connected Transactions in light of current market conditions of the semiconductor industry and the technological capability of the Company well as the Company's historical revenues.

## REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company considers that the entering into of the SJ Cayman Framework Agreement and the Continuing Connected Transactions contemplated thereunder with SJ Cayman will continue to bring the Company an effective and complete wafer turn-key solution.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SJ Cayman Framework Agreement, including the Annual Caps are fair and reasonable, and the entering into of the SJ Cayman Framework Agreement and the Continuing Connected 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 was considered to have a material interest in the SJ Cayman Framework Agreement on the date of the Board meeting authorizing the SJ Cayman Framework Agreement which would have required the Director to abstain from voting at the relevant Board meeting.

## **IMPLICATIONS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES**

As at the date of this announcement, China IC Fund holds approximately 15.77% equity 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 under the Listing Rules. As at the date of this announcement, the Company holds approximately 55.97% equity interest in SJ Cayman and China IC Fund holds approximately 29.36% equity interest in SJ Cayman through its wholly-owned subsidiary, Xun Xin. SJ Cayman 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.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) is more than 0.1% and less than 5%, the transactions contemplated under the SJ Cayman Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and annual review requirements but exempt from the circular and the Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION**

### **Information of 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 of SJ Cayman, SJ Hong Kong and SJ Jiangyin

Established in August, 2014, SJ Cayman is an exempted company incorporated with limited liability in the Cayman Islands and is owned as to 55.97%, 29.36%, 8.63% and 5.87% by the Company, China IC Fund, JCET Group Co., Ltd and QUALCOMM Incorporated, respectively. JCET Group (SHA: 600584) is a leading global semiconductor system integration packaging and test provider. QUALCOMM Incorporated (NASDAQ: QCOM) is a global leader in the development and commercialization of foundational technologies for the wireless industry.

Each of SJ Cayman and SJ Hong Kong is an investment holding company. SJ Cayman wholly owns SJ Hong Kong, which in turn wholly owns SJ Jiangyin. SJ Jiangyin was founded in November 2014 in Jiangyin, Jiangsu province of the PRC. SJ Jiangyin will serve as the leading play Middle-End-Of-Line (MEOL) entity that focuses on advanced bumping production. Complementing nearby advanced back-end assembly infrastructure, SJ Jiangyin aims to be an important key to forming a local integrated circuit ecosystem, providing a convenient one-stop service to supply high quality and efficient chips for local and international customers, as well as help strengthen their global competitiveness.

## DEFINITIONS

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

“2016 Framework Agreement”	the framework agreement entered into between the Company and SJ Cayman on 27 December 2016 in relation to supply of goods and services, transfer of assets and provision of technical authorisation or licensing and subject to the terms and conditions provided therein and amended by the amendment agreement entered into between the parties on 25 July 2018 in relation to the revision of annual caps;
“Annual Caps”	the proposed annual caps for each of the year ending 31 December 2020, 2021 and 2022 in relation to each type of the Continuing Connected Transactions which are more fully set out in the sub-section headed “The Annual Caps and Basis of Determination — Annual Caps” in this announcement;
“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 transactions in relation to the supply of goods and services, leasing of assets, transfer of assets and provision of technical authorisation or licensing contemplated under the SJ Cayman Framework Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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 purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan);
“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;
“SJ Cayman”	SJ Semiconductor Corporation, an exempted company incorporated with limited liability in the Cayman Islands;
“SJ Cayman Framework Agreement”	the connected transaction framework agreement entered into between the Company and SJ Cayman on 26 December 2019 in relation to supply of goods and services, transfer of assets and provision of technical authorisation or licensing and subject to the terms and conditions provided therein;
“SJ Hong Kong”	SJ Semiconductor (HK) Limited (中芯長電半導體(香港)有限公司), a company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of SJ Cayman;
“SJ Jiangyin”	SJ Semiconductor (Jiangyin) Corporation* (中芯長電半導體(江陰)有限公司), a wholly foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of SJ Hong Kong;
“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;
“Xun Xin”	Xun Xin (Shanghai) Investment Co. Ltd.* (巽鑫(上海)投資有限公司), a limited liability company incorporated in the PRC and a wholly- owned subsidiary of China IC Fund; 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 27 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 purpose only*