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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)

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION
PROPOSED CAPITAL CONTRIBUTION AND DEEMED DISPOSAL
OF EQUITY INTEREST IN SMSC**

**PROPOSED CAPITAL CONTRIBUTION AND DEEMED DISPOSAL OF
EQUITY INTEREST**

References are made to the Company's announcement dated 30 January 2018 and circular dated 6 March 2018 in relation to the capital contribution to the Registered Capital of SMSC by SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund which resulted in the increase in the registered capital of SMSC from US\$210 million to US\$3.5 billion.

On 15 May 2020, SMIC Holdings and SMIC Shanghai entered into the Share Transfer Agreement. Pursuant to the Share Transfer Agreement, SMIC Shanghai agreed to transfer all its equity interests held in SMSC to SMIC Holdings, and SMIC Holdings agreed to pay SMIC Shanghai a consideration of US\$155 million. Prior to the completion of such transfer, the Company was 50.1% interested in SMSC through SMIC Holdings and SMIC Shanghai. After the completion of such transfer, the Company will be 50.1% interested in SMSC through SMIC Holdings.

On 15 May 2020, SMIC Holdings entered into the New JV Agreement and the New Capital Contribution Agreement with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II to amend the previous joint venture agreement. Pursuant to the New JV Agreement and the New Capital Contribution Agreement, SMIC Holdings agreed to make further capital contribution and China IC Fund II and Shanghai IC Fund II, as new shareholders of SMSC, agreed to make capital contribution of US\$1.5 billion and US\$750 million respectively into the Registered Capital of SMSC.

As a result of the Capital Contribution: (i) the Registered Capital of SMSC will be increased from US\$3.5 billion to US\$6.5 billion; (ii) the Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.515%; (iii) SMSC will be owned as to 14.562%, 23.077%, 12.308% and 11.538% by China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund holds approximately 15.02% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited as at the date of this announcement, it is a connected person of the Company under the Listing Rules. Shanghai IC Fund is also a connected person of the Company by way of it being a substantial shareholder (as defined in the Listing Rules) of SMSC. The Company's entering into of the New JV Agreement and the New Capital Contribution Agreement with, among others, China IC Fund and Shanghai IC Fund constitutes a connected transaction under Chapter 14A of the Listing Rules.

Pursuant to the Joint Venture Agreement and the New Capital Contribution Agreement, as a result of the Capital Contribution, the Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.515%, which constitutes a deemed disposal for the Company under Chapter 14 of the Listing Rules.

As certain applicable percentage ratios calculated pursuant to rules 14.07 and 14.15(2) of the Listing Rules in respect of the New JV Agreement and the New Capital Contribution Agreement exceed 5% but are less than 25%, the entering into the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and a non-exempt connected transaction subject to reporting, announcement and the Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, an Independent Board Committee will be established to advise and provide recommendation to the Independent Shareholders on the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

Messis Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder.

GENERAL

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the New JV Agreement and the New Capital Contribution Agreement. As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund will abstain from voting on the ordinary resolutions to approve the New JV Agreement and the New Capital Contribution Agreement. 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 this resolution at the EGM.

No Director is considered to have a material interest in the New JV Agreement and the New Capital Contribution Agreement which would have required the Director to abstain from voting at the Board meeting authorising the New JV Agreement and the New Capital Contribution Agreement.

The Company expects to dispatch a circular to the Shareholders on or before 6 June 2020 as time is needed to finalize the contents therein containing, among other things, (i) further details on the New JV Agreement and the New Capital Contribution 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 together with (iv) a notice convening the EGM.

References are made to the Company's announcement dated 30 January 2018 and circular dated 6 March 2018 in relation to the capital contribution to the Registered Capital of SMSC by SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund which resulted in the increase in the registered capital of SMSC from US\$210 million to US\$3.5 billion.

On 15 May 2020, SMIC Holdings and SMIC Shanghai entered into the Share Transfer Agreement. Pursuant to the Share Transfer Agreement, SMIC Shanghai agreed to transfer all its equity interests held in SMSC to SMIC Holdings, and SMIC Holdings agreed to pay SMIC Shanghai a consideration of US\$155 million. Prior to the completion of such transfer, the Company was 50.1% interested in SMSC through SMIC Holdings and SMIC Shanghai. After the completion of such transfer, the Company will be 50.1% interested in SMSC through SMIC Holdings.

On 15 May 2020, SMIC Holdings entered into the New JV Agreement and the New Capital Contribution Agreement with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II to amend the previous joint venture agreement. Pursuant to the New JV Agreement and the New Capital Contribution Agreement, SMIC Holdings agreed to make further capital contribution and China IC Fund II and Shanghai IC Fund II, as new shareholders of SMSC, agreed to make capital contribution of US\$1.5 billion and US\$750 million respectively into the Registered Capital of SMSC.

As a result of the Capital Contribution: (i) the Registered Capital of SMSC will be increased from US\$3.5 billion to US\$6.5 billion; (ii) the Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.515%; (iii) SMSC will be owned as to 14.562%, 23.077%, 12.308% and 11.538% by China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively.

SUMMARY OF PRINCIPAL TERMS OF THE NEW JV AGREEMENT

Date:

15 May 2020

Parties:

- (a) SMIC Holdings
- (b) China IC Fund
- (c) China IC Fund II
- (d) Shanghai IC Fund
- (e) Shanghai IC Fund II

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, China IC Fund II and Shanghai IC Fund II and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Business Scope of SMSC

SMSC is principally engaged in wafer manufacturing, wafer probing and bumping, technology development, design service, mask manufacturing, assembly and final testing of integrated circuits and sales of self-manufactured products, wholesale, import/export of relevant abovementioned products, commission agent (except auctions), and the provision of relevant complementary services. SMSC has established and built up large-scale manufacturing capacity with a focus on 14 nanometer and more advanced

process and manufacturing technologies. SMSC has reached a manufacturing capacity of 6,000 14 nanometer wafers per month and aims to reach a manufacturing capacity of 35,000 14 nanometer and below wafers per month.

Total Investment under the New JV Agreement

The total investment in SMSC by the parties under the New JV Agreement is US\$9.059 billion. The parties will contribute in aggregate US\$6.5 billion of the total investment as Capital Contribution in the following manner:

- (a) SMIC Holdings has committed to contribute US\$2.5035 billion, representing 38.515% of the enlarged Registered Capital after the Capital Contribution. US\$1.7535 billion has been contributed prior to the entering into of the New JV Agreement;
- (b) Shanghai IC Fund has committed to contribute US\$800 million, representing 12.308% of the enlarged Registered Capital after the Capital Contribution. US\$800 million has been contributed prior to the entering into of the New JV Agreement;
- (c) Shanghai IC Fund II has committed to contribute US\$750 million, which is outstanding, representing 11.538% of the enlarged Registered Capital after the Capital Contribution;
- (d) China IC Fund has committed to contribute US\$946.5 million, representing 14.562% of the enlarged Registered Capital after the Capital Contribution. US\$946.5 million has been contributed prior to the entering into of the New JV Agreement; and
- (e) China IC Fund II has committed to contribute US\$1.5 billion, which is outstanding, representing 23.077% of the enlarged Registered Capital after the Capital Contribution.

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 SMSC. According to the unaudited accounts of SMSC, as at 31 December 2019, SMSC has total assets and total equity of approximately US\$3,941.5 million and US\$3,393.2 million, respectively. The consideration was determined with reference to the future business prospects and development potential of SMSC. SMSC is a 12-inch wafer fab with advanced process capability built in line with the schedule of the Company's 14 nanometre and below advanced technology node research and development and mass production. The 14 nanometre technology could be applied on mainstream mobile platforms, automotive, Internet of Things and cloud computing, which are also fast growing applications. According to the Company's development plan, the 12-inch wafer fab will be built by joint venture partnership with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II and the Company could speed up the introduction of advanced manufacturing process and products. Majority of the amount

of the Capital Contribution will be utilised as the capital expenditure in accordance with the development plan and allow the Group to develop the high-end and fast growing product stream, which would bring more growth opportunities to the Group and is essential to maintain the Group's competitiveness. The difference between the total investment of US\$9.059 billion and enlarged Registered Capital after the Capital Contribution of US\$6.5 billion is intended to be funded through debt financing from domestic or overseas banks or other financial institutions or non-financial institutions or shareholders' loans.

Shanghai IC Fund and China IC Fund have fulfilled their respective capital contribution commitments, pursuant to the Joint Venture Agreement and the 2018 Capital Contribution Agreement.

SMIC Holdings has fulfilled its Capital Contribution commitment in respect of US\$1.7535 billion pursuant to the Joint Venture Agreement and the 2018 Capital Contribution Agreement. SMIC Holdings shall complete all of its outstanding contributions of US\$750 million prior to 31 December 2020.

SMIC Holdings, China IC Fund II and Shanghai IC Fund II shall complete all of its outstanding contributions prior to 31 December 2020.

The cash capital contribution of SMIC Holdings will be funded by the internal cash flow. The Capital Contributions will be used by SMSC as capital expenditure and working capital. The cash capital contribution will increase the audited consolidated net asset value of the Group as at 31 December 2019 of approximately US\$10,197.9 million by approximately US\$2,250.0 million.

Composition of the Board and the Supervisory Board of SMSC and General Management

The board of directors of SMSC will comprise seven directors. SMIC Holdings is entitled to appoint four directors in total. Shanghai IC Fund is entitled to appoint one director in total. China IC Fund is entitled to appoint one director in total. China IC Fund II is entitled to appoint one director in total. SMIC Holdings is entitled to nominate the chairman of the board of directors of SMSC, who will also act as the legal representative of SMSC.

The supervisory board of SMSC will comprise five members with one member to be appointed by China IC Fund who will be nominated and elected as the chairman of the supervisory board, one member to be appointed by Shanghai IC Fund, one member to be appointed by Shanghai IC Fund II and two members will be elected by the employees of SMSC.

The Company will be responsible for managing the daily operations of SMSC.

Pre-Emptive Rights of Shareholders

Pursuant to the New JV Agreement, in case of any proposed transfer of equity interest to third party(ies), subject to certain exceptions, each of the parties to the New JV Agreement shall have a pre-emptive right to subscribe for the equity interest which any party to the New JV Agreement intends to transfer to any third party, on pro rata basis among the remaining non-transfer parties and on terms not harsher than terms of transfer to third party(ies). The party(ies) that intend to transfer shares to third party(ies) are required to notify the parties of such proposed transfer of equity interest. In case of any further contribution to the Registered Capital, each party shall be entitled to a pro rata portion of such proposed Registered Capital contribution equivalent to the respective percentage of the Registered Capital then owned by each of the parties immediately prior to the proposed Registered Capital contribution.

Other Terms

The term of operation of SMSC will be 50 years from the date of its establishment. The parties will decide whether to extend the term of operation of SMSC at least six months prior to the expiry date of the term of operation, subject to the approval of the relevant PRC authorities.

The New JV Agreement will, after being agreed and signed by the parties, be subject to the approval by Independent Shareholders at the EGM. After obtaining the approval by the Independent Shareholders at the EGM, the New JV Agreement will become effective and binding on the parties. The obligations of the parties under the New JV Agreement are subject to compliance with applicable laws (including those of regulatory authorities (including but not limited to the Stock Exchange)). The Joint Venture Agreement will be superseded by the New JV Agreement on the date of the New JV Agreement taking effect.

SUMMARY OF PRINCIPAL TERMS OF THE NEW CAPITAL CONTRIBUTION AGREEMENT

Date:

15 May 2020

Parties:

- (a) SMIC Holdings
- (b) China IC Fund
- (c) China IC Fund II
- (d) Shanghai IC Fund
- (e) Shanghai IC Fund II

(f) SMSC

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, China IC Fund II and Shanghai IC Fund II and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subscription of Registered Capital

The registered capital of SMSC will increase from US\$3.5 billion to US\$6.5 billion. In respect of the increase of US\$3 billion, the parties have agreed that SMIC Holdings will contribute the amount of US\$750 million in cash, Shanghai IC Fund II will contribute the RMB equivalent of US\$750 million in cash (calculated at the middle exchange rate of RMB to US\$ as announced by the People's Bank of China on the date of the contribution), China IC Fund II will contribute the RMB equivalent of US\$1.5 billion in cash (calculated at the middle exchange rate of RMB to US\$ as announced by the People's Bank of China on the date of the contribution), while China IC Fund and Shanghai IC Fund will give up the rights to subscribe for the capital contribution. SMIC Holdings, China IC Fund II and Shanghai IC Fund II shall complete all of its contributions prior to 31 December 2020.

Other Terms

The New Capital Contribution Agreement will, after being agreed and signed by the parties, together with the transactions contemplated thereunder, be subject to the approval by the Independent Shareholders at the EGM. Upon obtaining the regulatory approvals and approval by the Independent Shareholders at the EGM, the New Capital Contribution Agreement will become effective and binding on the parties.

GENERAL INFORMATION ABOUT SMSC

SMSC was established on 1 December 2016. According to the audited accounts of SMSC prepared in accordance with IFRS, as at 31 December 2019, SMSC has total assets and total equity of approximately US\$3,941.5 million and US\$3,393.2 million, respectively. The net loss (before and after taxation) of SMSC for the year ended 31 December 2019 and 31 December 2018 is approximately US\$93.8 million and US\$49.5 million, respectively. SMSC will continue to be a subsidiary of the Company following completion of the transactions contemplated under the New JV Agreement and the New Capital Contribution Agreement since SMIC Holdings will be entitled to appoint the majority of the directors in SMSC's board of directors and veto certain material matters discussed at a general meeting of SMSC at its sole discretion. Following the completion, the Company will have effective control over SMSC and accordingly the financial results of SMSC will be consolidated into the consolidated financial statements of the Group under the relevant accounting policy. The deemed disposal as a result of the Capital Contribution will not result in the recognition of any gain or loss in profit or loss of the Group.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

SMSC is expected to build up large-scale manufacturing capacity focusing on 14-nanometer and more advanced process and manufacturing technologies. The 14-nanometer and more advanced technology can be applied on mainstream mobile platforms, automotive and cloud computing. In anticipation of the fast development in the high-potential fields of 5G smart phone, high-speed railway, intelligent electricity grid, ultra-high definition video and security system, there will be vast market space for the application of the 14-nanometer and more advanced technology.

In anticipation of the surge in market demand for advanced process, SMSC aims to increase its manufacturing capacity from 6,000 wafers per month to 35,000 wafers per month to meet the future wafer production needs. SMSC will continue increasing its manufacturing capacity, utilisation rate and profitability.

The Group's overall plan for SMSC to focus on developing 14-nanometer and below manufacturing capacity will improve the overall equipment utilisation of the Group and increase production efficiency given the better consolidation of resources within the Group. The Group considers the development of 14-nanometer and below manufacturing capability a strategic decision to strengthen its leading marking position in terms of advanced nodes products manufacturing.

China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II mainly invest in the value chain of integrated circuit industry via various approaches, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. Such partnership with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II through the New JV Agreement and the New Capital Contribution Agreement could speed up the introduction of advanced manufacturing process and products with the support of the industry funds. This will also relieve the Company from spending large amount of cash investment caused by the expansion of advanced production capacity.

The Company believes that such partnership with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II through the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and beneficial to the sustainable development of the Company. The Directors (excluding independent non-executive Directors whose view will be given after taking into account the advice from the independent financial adviser) consider that it is in the best interests of the Company and the Shareholders as a whole to enter into the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder; the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable; and the entering into of the New JV Agreement, the New Capital Contribution 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.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund holds approximately 15.02% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited as at the date of this announcement, it is a connected person of the Company under the Listing Rules. Shanghai IC Fund is also a connected person of the Company by way of it being a substantial shareholder (as defined in the Listing Rules) of SMSC. The Company's entering into of the New JV Agreement and the New Capital Contribution Agreement with, among others, China IC Fund and Shanghai IC Fund constitutes a connected transaction under Chapter 14A of the Listing Rules.

Pursuant to the New JV Agreement and the New Capital Contribution Agreement, as a result of the Capital Contribution, the Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.515%, which constitutes a deemed disposal for the Company under Chapter 14 of the Listing Rules.

As certain applicable percentage ratios calculated pursuant to rules 14.07 and 14.15(2) of the Listing Rules in respect of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder exceed 5% but are less than 25%, the entering into the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and a non-exempt connected transaction subject to reporting, announcement and the Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, an Independent Board Committee will be established to advise and provide recommendation to the Independent Shareholders on the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

Messis Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder.

GENERAL

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the New JV Agreement, the New Capital Contribution Agreement and any transactions contemplated thereunder.

As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund will abstain from voting on the ordinary resolution to approve the New JV Agreement and the New Capital Contribution Agreement. As at the date of this announcement, Xinxin (Hongkong) Capital Co., Limited was holding 797,054,907

Shares and representing approximately 15.02% of the total issued share capital of the Company. 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 relevant resolutions at the EGM.

No Director is considered to have a material interest in the New JV Agreement and the New Capital Contribution Agreement which would have required the Director to abstain from voting at the Board meeting authorising the New JV Agreement and the New Capital Contribution Agreement.

The Company expects to dispatch a circular to the Shareholders on or before 6 June 2020 as time is needed to finalize the contents therein containing, among other things, (i) further details on the New JV Agreement and the New Capital Contribution 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 together with (iv) a notice convening the EGM.

INFORMATION ABOUT THE PARTIES

The Company and SMIC Holdings

SMIC and its subsidiaries collectively constitute 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. SMIC Group provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 14 nanometer. Headquartered in Shanghai, China, SMIC Group has an international manufacturing and service base. In China, SMIC has a 300mm wafer fabrication facility (fab), a 200mm fab and a majority-owned joint-venture 300mm fab for advanced nodes 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. SMIC Group also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan China, and a representative office in Hong Kong. SMIC Shanghai is a wholly-owned subsidiary of the Company established in the PRC. SMIC Holdings, as a multinational company's regional headquarters, was formed in 2015 and is a wholly-owned subsidiary of the Company.

China IC Fund

China IC Fund, incorporated in September 2014, mainly invests in the value chain of integrated circuit industry via equity investment, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. Fund investors include, among others, Ministry of Finance of the PRC (as the single

largest investor), CDB Capital, China National Tobacco Corporation, Beijing Yizhuang International Investment and Development Co., Ltd. and Sino IC Capital Co., Ltd. (which also acts as the fund manager).

China IC Fund II

China IC Fund II, incorporated in October 2019, mainly invests in the value chain of integrated circuit industry via equity investment, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. Fund investors include, among others, the Ministry of Finance of the PRC (as the single largest investor), CDB Capital and Sino IC Capital Co., Ltd. (which also acts as the fund manager).

Shanghai IC Fund

Shanghai IC Fund is the local integrated circuit industry investment fund established by Shanghai municipal government to implement the national integrated circuit development program and Shanghai municipal IC industry development strategy, the investors of which include Shanghai's important state-owned investment groups, industrial groups and financial institutions and China IC Fund, with a total amount of 1st phase investment of RMB28.5 billion and is the largest state-owned integrated circuit industry investment fund in Shanghai. Under the guidance of the Shanghai IC industry leading group, Shanghai IC Fund commissioned Shanghai IC Industry Investment Fund Management Co., Ltd.* for market-oriented operation and professional management, with IC manufacturing industry being its focused and core investment, and to invest and build industrial star enterprises in Shanghai and China and enhance corporate value and accelerate the coordinated development of integrated circuit industry chain.

Shanghai IC Fund II

Shanghai IC Fund II is an industry investment fund officially established in May 2020 focusing on the investment in high-quality projects in the integrated circuit industry in Shanghai. The shareholders of the fund currently include a number of well-known investment groups in Shanghai and surrounding regions such as Shanghai Technology Venture Capital (Group) Co., Ltd. The fund focus on those enterprises specialized in IC chip manufacturing in Shanghai and invests in quality enterprises and projects in Shanghai's integrated circuit industry chain. The fund commissioned Shanghai IC Industry Investment Fund Management Co., Ltd.* to promote the growth and development of invested companies through market-oriented operation and professional management, aiming to establish industry-leading enterprise in Shanghai and the PRC.

DEFINITIONS

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

“2018 Capital Contribution Agreement”	the capital contribution agreement entered into among SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund on 30 January 2018 in relation to the capital contribution to the registered capital of SMSC by SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund which resulted in the increase in the registered capital of SMSC from US\$210 million to US\$3.5 billion;
“associates”	shall have the meaning assigned to it under the Listing Rules;
“Board”	the board of Directors;
“Capital Contribution”	the capital contribution to the Registered Capital by SMIC Holdings, China IC Fund II and Shanghai IC Fund II which will result in the increase in the Registered Capital from US\$3.5 billion to US\$6.5 billion;
“China IC Fund”	國家集成電路產業投資基金股份有限公司 (China Integrated Circuit Industry Investment Fund Co., Ltd.*), a company established under the laws of the PRC;
“China IC Fund II”	國家集成電路產業投資基金二期股份有限公司 (China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.*), 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;
“EGM”	the extraordinary general meeting of the Company proposed to be held to approve, among other things, the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the international Accounting Standards Board;
“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 New JV Agreement or the New Capital Contribution Agreement other than, where applicable, being a Shareholder;
“Independent Shareholders”	in relation to the New JV Agreement and the New Capital Contribution Agreement, Shareholders other than Xinxin (Hong Kong) Capital Co., Limited and other associates of China IC Fund;
“Joint Venture Agreement”	the joint venture agreement entered into among SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund on 30 January 2018 in relation to the capital contribution to the registered capital of SMSC by SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund which resulted in the increase in the registered capital of SMSC from US\$210 million to US\$3.5 billion;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Messis Capital”	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 and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder;
“New Capital Contribution Agreement”	the capital contribution agreement entered into among SMIC Holdings, Shanghai IC Fund, Shanghai IC Fund II, China IC Fund and China IC Fund II on 15 May 2020 in relation to the Capital Contribution;
“New JV Agreement”	the joint venture agreement entered into among SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II on 15 May 2020 in relation to the Capital Contribution;

“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);
“Registered Capital”	the registered capital of SMSC;
“Shanghai IC Fund”	上海集成電路產業投資基金股份有限公司 (Shanghai Integrated Circuit Industry Investment Fund*), a company established under the laws of the PRC and is owned as to approximately 10.53% by China IC Fund;
“Shanghai IC Fund II”	上海集成電路產業投資基金(二期)有限公司 (Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.*), a company established under the laws of the PRC;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shares”	ordinary shares of par value US\$0.004 each in the share capital of the Company;
“Share Transfer Agreement”	the share transfer agreement entered into between SMIC Holdings and SMIC Shanghai dated 15 May 2020 in relation to the transfer of all the equity interests in SMSC held by SMIC Shanghai from SMIC Shanghai to SMIC Holdings;
“SMIC Holdings”	SMIC Holdings Corporation (中芯國際控股有限公司*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“SMIC Shanghai”	中芯國際集成電路製造(上海)有限公司 (Semiconductor Manufacturing International (Shanghai) Corporation*), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company;
“SMSC”	中芯南方集成電路製造有限公司 (Semiconductor Manufacturing South China Corporation*), a Chinese-foreign joint venture established under the laws of the PRC and a non wholly-owned subsidiary of the Company whose registered capital prior to the Capital Contribution is US\$3.5 billion, of which 50.1% is indirectly owned by the Company, 27.04% is owned by China IC Fund and 22.86% is owned by Shanghai IC Fund;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“United States”	the United States of America;

“US\$” United States dollar, the lawful currency of the United States;
“%” per cent.

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

Shanghai, PRC

15 May 2020

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*