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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 CAPS FOR CONTINUING  
CONNECTED TRANSACTIONS  
IN RELATION TO SMSC FRAMEWORK AGREEMENT**

Reference is made to the announcements of the Company dated 6 December 2019 and 13 February 2020 and the circular of the Company dated 21 January 2020 in respect of the Continuing Connected Transactions in relation to the SMSC Framework Agreement entered into between the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC (a non wholly-owned subsidiary of the Company).

On 31 August 2020 (after trading hours), the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC entered into the Amendment Agreement to revise the Existing Annual Caps.

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 SMSC, the Company expects that the Existing Annual Caps will not be sufficient. The Company has therefore proposed to revise the Existing Annual Caps with the Revised Annual Caps.

As the applicable percentage ratios set out in rule 14.07 of the Listing Rules in respect of the Revised Annual Caps for the transfer of assets are 5% or more but less than 25%, the Revised Annual Caps for the transfer of assets constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are 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 rules 14A.55 and 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 Caps 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 Caps.

## **GENERAL**

At the EGM, an ordinary resolution will be proposed to the Independent Shareholders to approve the Amendment Agreement including the Revised Annual Caps. 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 the transactions contemplated thereunder. As China IC Fund II and Shanghai IC Fund are connected persons of the Company and each of China IC Fund II and Shanghai IC Fund holds approximately 1.66% and 0.24% shareholding in the Company, respectively, China IC Fund II and Shanghai IC Fund and their associates will also abstain from voting on the ordinary resolution to approve the Amendment Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as set out above, no other Shareholder will be required to abstain from voting on the resolutions at the EGM.

The Company expects to dispatch a circular to the Shareholders on or around 20 October 2020 as time is needed to finalise the contents therein. The circular will contain, 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 announcements of the Company dated 6 December 2019 and 13 February 2020 and the circular of the Company dated 21 January 2020 in respect of the Continuing Connected Transactions contemplated under the SMSC Framework Agreement entered into between the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC (a non wholly-owned subsidiary of the Company).

On 31 August 2020 (after trading hours), the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC entered into the Amendment Agreement to revise the Existing Annual Caps.

## **AMENDMENT AGREEMENT**

### **Date**

31 August 2020

### **Parties**

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

### **Subject matter**

Pursuant to the Amendment Agreement, the parties have agreed to revise the Existing Annual Caps such that the maximum annual transaction value for the transfer of assets between the Company and SMSC contemplated under the SMSC Framework Agreement shall be adjusted from US\$90 million (or its equivalent in other currencies) and US\$104 million (or its equivalent in other currencies) to US\$239 million (or its equivalent in other currencies) and US\$658 million (or its equivalent in other currencies) for the year ending 31 December 2020 and 31 December 2021, respectively.

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

Under the SMSC Framework Agreement, for the transfer of assets, the Company and/or its subsidiaries (other than SMSC) and SMSC both engage in the manufacturing of wafers. For certain processes in wafer manufacturing, the Company and/or its subsidiaries (other than SMSC) and SMSC can use the same equipment for production. Where required, SMSC may acquire equipment from the Company and/or its subsidiaries (other than SMSC) in order to meet production needs and optimise production efficiency.

The existing annual caps for 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 SMSC Framework Agreement for the years ending 31 December 2020 and 31 December 2021 shall remain unchanged.

## HISTORICAL TRANSACTION FIGURES AND ANNUAL CAPS

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

<b>Period</b>	<b>Total Transaction Value</b> <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i>	<b>Annual Cap</b> <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i>
For the seven months ended 31 July 2020	45.57	90 <sup>(1)</sup>

*Note:*

(1) Represents the annual cap for the year ending 31 December 2020.

## 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 SMSC, the Company expects that the Existing Annual Caps will not be sufficient. The Company has therefore proposed to revise the Existing Annual Caps with the Revised Annual Caps.

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

<b>Period</b>	<b>Existing Annual Cap</b> <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i>	<b>Revised Annual Cap</b> <i>(US\$ million)</i> <i>(or its equivalent in other currencies)</i>
For the year ending 31 December 2020	90	239
For the year ending 31 December 2021	104	658

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 Caps have been determined by the Company, after arm's length negotiation between the Company and SMSC 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 SMSC for the financial years ending 31 December 2020 and 31 December 2021; 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 Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, China IC Fund holds approximately 10.36% shareholding 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. The registered capital of SMSC is owned as to approximately 38.515%, 14.562%, 23.077%, 12.308% and 11.538% by the SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively. SMSC is regarded as a subsidiary of the Company since SMIC Holdings is 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. The Company has effective control over SMSC and accordingly the financial results of SMSC is consolidated into the consolidated financial statements of the Group under the relevant accounting policy. Each of China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II is also a connected person of the Company by way of being a substantial shareholder (as defined in the Listing Rules) of SMSC. SMSC is 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 Caps are exceeded. As the applicable percentage ratios set out in rule 14.07 of the Listing Rules in respect of the Revised Annual Caps for the transfer of assets are 5% or more but less than 25%, the Revised Annual Caps for the transfer of assets constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are 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 rules 14A.55 and 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 Caps 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 Caps.

## **INFORMATION ABOUT THE PARTIES**

### **Information on the Company**

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. The Group provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 14 nanometer. Headquartered in Shanghai, China, The 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. The Group also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan China, and a representative office in Hong Kong.

### **Information on SMSC**

SMSC is a joint venture company established in the PRC, the registered capital of which is owned as to 38.515%, 14.562%, 23.077%, 12.308% and 11.538% by SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively. 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.

#### *Shareholders of SMSC*

- i. 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. There are 16 fund investors in 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. There are 27 fund investors in China IC Fund II.
- iii. Shanghai IC Fund is the local integrated circuit industry investment fund of Shanghai, 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.
- iv. 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 fund focuses on those enterprises specialized in IC chip manufacturing in Shanghai and invests in quality enterprises and projects in integrated circuit industry chain.

For further details about the shareholders of SMSC, please refer to the circular of the Company dated 6 June 2020.

## **GENERAL**

At the EGM, an ordinary resolution will be proposed to the Independent Shareholders to approve the Amendment Agreement including the Revised Annual Caps. 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 the transactions contemplated thereunder. As China IC Fund II and Shanghai IC Fund are connected persons of the Company and each of China IC Fund II and Shanghai IC Fund holds approximately 1.66% and 0.24% shareholding in the Company, respectively, China IC Fund II and Shanghai IC Fund and their associates will also abstain from voting on the ordinary resolution to approve the Amendment Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as set out above, no other Shareholder will be required to abstain from voting on the resolution at the EGM.

The Company expects to dispatch a circular to the Shareholders on or around 20 October 2020 as time is needed to finalise the contents therein. The circular will contain, 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 SMSC Framework Agreement entered into between the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC on 31 August 2020 to revise the Existing Annual Caps;
“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;
“China IC Fund II”	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (國家集成電路產業投資基金二期股份有限公司), a company established under the laws of the PRC;
“Company” or “SMIC”	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 and the Science and Technology Innovation Board of the Shanghai Stock Exchange;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the SMSC 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;
“EGM”	the extraordinary general meeting of the Company proposed to be held to approve, among other things, the Amendment Agreement and the Revised Annual Caps;
“Existing Annual Caps”	the existing annual caps for the transfer of assets between the Company and SMSC contemplated under the SMSC Framework Agreement, which amounted to US\$90 million (or its equivalent in other currencies) and US\$104 million (or its equivalent in other currencies) for the year ending 31 December 2020 and 31 December 2021, respectively;
“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 Caps;
“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 Caps, which shall include Shareholders other than Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund, China IC Fund II and Shanghai IC Fund and their associates;
“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 Caps”	the revised annual caps for the transfer of assets between the Company and SMSC contemplated under the SMSC Framework Agreement (as amended by the Amendment Agreement), which amounted to US\$239 million (or its equivalent in other currencies) and US\$658 million (or its equivalent in other currencies) for the year ending 31 December 2020 and 31 December 2021, respectively;
“Shanghai IC Fund”	Shanghai Integrated Circuit Industry Investment Fund Co., Ltd.* (上海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 and is owned as to approximately 10.53% by China IC Fund

“Shanghai IC Fund II”	Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (上海集成電路產業投資基金(二期)有限公司), 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 capital 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;
“SMSC”	Semiconductor Manufacturing South China Corporation* (中芯南方集成電路製造有限公司), a Chinese-foreign joint venture established under the laws of the PRC and a non wholly-owned subsidiary of the Company, the registered capital of which is owned as to 38.515%, 14.562%, 23.077%, 12.308% and 11.538% by SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively;
“SMSC Framework Agreement”	the framework agreement entered into between the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC on 6 December 2019 in relation to the Continuing Connected Transactions with a term commencing on 1 January 2020 and ending on 31 December 2021 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, 31 August 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*