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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Semiconductor Manufacturing International Corporation, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or other transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)*

**(Hong Kong Stock Exchange Stock Code: 981)**

**(Shanghai Stock Exchange Stock Code: 688981)**

- (1) RE-ELECTION OF DIRECTORS**
  - (2) RE-APPOINTMENT OF AUDITORS**
  - (3) PROPOSAL ON PROFIT DISTRIBUTION FOR THE YEAR 2022**
  - (4) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES**
  - (5) PROPOSED ADOPTION OF THE 2024 EQUITY INCENTIVE PLAN**
  - (6) PROPOSED ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION**
  - (7) PROPOSED AMENDMENTS TO THE POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF GENERAL MEETINGS**
  - (8) PROPOSED AMENDMENTS TO THE POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF BOARD MEETINGS**
  - (9) NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO A CONNECTED PERSON ON 5 SEPTEMBER 2022**
  - (10) NON-EXEMPTED CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023**
- AND**
- (11) NOTICE OF THE ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committees  
and the Independent Shareholders – FDB Financial Group Ltd**

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A letter from the Board is set out on pages 6 to 31 of this circular.

The notice convening the AGM of the Company to be held at Evergreen Laurel Hotel Shanghai at Conference Hall on the 2nd Floor, 1136 Zuchongzhi Road, Pu Dong New Area, Shanghai, People's Republic of China on 28 June 2023 at 2:00 p.m. is contained in this circular. Shareholders are advised to read the notice and to complete and return the enclosed form of proxy for use at the AGM in accordance with the instructions printed thereon.

Whether you are able to attend the AGM or not, please complete and return the enclosed form of proxy to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the AGM in person should you wish. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 28 June 2023 or, registered holders of the RMB Shares whose names appear on the register of members of RMB Shares on 21 June 2023, will be entitled to attend and vote at the AGM. Further announcement will be made by the Company on the website of the SSE regarding the record date and arrangements for holders of Shares listed on the STAR Market of the SSE in accordance with the requirements of the SSE.

2 June 2023

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE A</b> .....	32
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE B</b> .....	34
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE C</b> .....	36
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE D</b> .....	38
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	40
<b>APPENDIX I – DETAILS OF THE DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING</b> .....	55
<b>APPENDIX II – EXPLANATORY STATEMENT ON REPURCHASE MANDATE</b> . . .	60
<b>APPENDIX III – PRINCIPAL TERMS OF THE 2024 EQUITY INCENTIVE PLAN</b> . .	64
<b>APPENDIX IV – THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION</b> .	71
<b>APPENDIX V – POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF GENERAL MEETINGS</b> .....	110
<b>APPENDIX VI – POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF BOARD MEETINGS</b> .....	123
<b>APPENDIX VII – GENERAL INFORMATION</b> .....	130
<b>NOTICE OF THE ANNUAL GENERAL MEETING</b> .....	135

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## DEFINITIONS

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*In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein. Below definitions are arranged according to English alphabetical order.*

“2014 Equity Incentive Plan”	the 2014 equity incentive plan adopted by the Company pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 13 June 2013 and effective from 15 November 2013 upon its registration with the PRC State Administration of Foreign Exchange, a summary of which is set out in the annual report of the Company for the year ended 31 December 2013
“2014 Stock Option Plan”	the 2014 stock option plan adopted by the Company by way of a Shareholders’ resolution on 13 June 2013 which became effective from 15 November 2013
“2021 STAR Market Restricted Share Incentive Scheme”	the 2021 STAR Market restricted share incentive scheme adopted by the Company by way of a Shareholders’ resolution on 25 June 2021, a summary of which is set out in the circular of the 2021 first extra ordinary general meeting dated 8 June 2021
“2022 RSU Grant”	the grant of Restricted Share Units under the 2014 Equity Incentive Plan on 5 September 2022, details of which are set out in the “Letter from the Board – VII. GRANT OF RESTRICTED SHARE UNITS TO A CONNECTED PERSON ON 5 SEPTEMBER 2022” in this circular
“2023 RSU Grant”	the grant of Restricted Share Units under the 2014 Equity Incentive Plan on 1 April 2023, details of which are set out in the “Letter from the Board – VIII. GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023” in this circular
“2024 Equity Incentive Plan”	the 2024 equity incentive plan to be adopted by the Company by way of a Shareholder’s resolution at the AGM, a summary of which is set out in pages 64 to 70 of this circular
“AGM”	the annual general meeting of the Company to be held at Evergreen Laurel Hotel Shanghai at Conference Hall on the 2nd Floor, 1136 Zuchongzhi Road, Pu Dong New Area, Shanghai, the PRC on 28 June 2023 at 2:00 p.m.
“Articles of Association”	means the articles of association of the Company for the time being in force
“associate(s)”	has the meaning as ascribed to it in the Hong Kong Listing Rules

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## DEFINITIONS

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“Awards”	means a grant made pursuant to the terms of the 2024 Equity Incentive Plan to an eligible participant as defined in the 2024 Equity Incentive Plan in the form of Restricted Share Units or other awards
“Board”	the board of Directors
“Common Shares”	the common shares of US\$0.004 each in the share capital of the Company
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange and the STAR Market of the SSE
“Compensation Committee”	the compensation committee of the Board
“connected person(s)”	has the meaning ascribed thereto under Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Effective Date”	means the date on which the later of the following events will occur (i) approval by the Board; (ii) approval by the Shareholders at a general meeting; and (iii) registration of the relevant plan with the PRC State Administration of Foreign Exchange, pursuant to the relevant rules of the 2024 Equity Incentive Plan
“Existing Memorandum and Articles of Association”	the Amended and Restated Memorandum and Articles of Association of the Company adopted by special resolution passed at the extraordinary general meeting of the Company held on 1 June 2020 which became effective on 16 July 2020
“Group” or “SMIC Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

\* *For identification purpose only*

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## DEFINITIONS

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“Hong Kong Shares”	the existing common Shares which are listed on the Stock Exchange
“Independent Board Committee A”	an independent board committee of the Company comprising, Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony and Academician Liu Ming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the grants of Restricted Share Units under the 2022 RSU Grant to Academician Wu Hanming
“Independent Board Committee B”	an independent board committee of the Company comprising, Dr. Fan Ren Da Anthony, Academician Liu Ming and Academician Wu Hanming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the grants of Restricted Share Units under the 2023 RSU Grant to Professor Lau Lawrence Juen-Yee
“Independent Board Committee C”	an independent board committee of the Company comprising, Professor Lau Lawrence Juen-Yee, Academician Liu Ming and Academician Wu Hanming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the grants of Restricted Share Units under the 2023 RSU Grant to Dr. Fan Ren Da Anthony
“Independent Board Committee D”	an independent board committee of the Company comprising, Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony, Academician Liu Ming and Academician Wu Hanming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the grants of Restricted Share Units under the 2023 RSU Grant to the grantees (save as the members of the Independent Board Committee D) who are connected persons of the Company
“Independent Board Committees”	collectively, Independent Board Committee A, Independent Board Committee B, Independent Board Committee C and Independent Board Committee D
“Independent Financial Adviser”	FDB Financial Group Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser of the Company appointed to advise the Independent Board Committees and the Independent Shareholders in respect of the non-exempt connected transactions relating to the 2022 RSU Grant and the 2023 RSU Grant

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are not required under the Hong Kong Listing Rules to abstain from voting at the AGM to approve the non-exempt connected transactions relating to the 2022 RSU Grant and the 2023 RSU Grant
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to, among other things, allot and issue Hong Kong Shares, the details of which are set out as resolution numbered 5 in the notice of AGM at pages 135 to 143 of this circular
“Latest Practicable Date”	24 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Memorandum and Articles of Association”	the amended and restated memorandum of association and articles of association of the Company proposed to be adopted by the Shareholders at the AGM
“PRC”	the People’s Republic of China
“Preferred Shares”	preferred share(s) of US\$0.004 each in the share capital of the Company
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Hong Kong Shares, the details of which are set out as resolution numbered 6 in the notice of AGM at pages 135 to 143 of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Shares”	the Common Shares which are listed on the Science and Technology Innovation Board of the SSE and subscribed for and traded in RMB by investors in the PRC
“Restricted Shares”	RMB Share(s) to be granted to the awardees by the Company on such condition and at a price to be paid, determined in accordance with the relevant regulations of the CSRC relating to restricted shares, upon satisfaction of the conditions for grant and attribution of the Restricted Shares stipulated under the 2021 STAR Market Restricted Share Incentive Scheme
“Restricted Share Unites”	an unsecured promise of the Company to pay eligible individuals a specific number of Shares on a specified date pursuant to the share schemes, subject to all applicable laws, rules, regulations and the applicable vesting, transfer or forfeiture restrictions as set out in the relevant share schemes and the applicable award document

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## DEFINITIONS

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“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	shares of all classes in the capital of the Company (including but not limited to Common Shares and Preferred Shares) and warrants and other securities which carry a right to subscribe for or purchase shares of the Company
“Share Consolidation”	the consolidation of every ten (10) Hong Kong Shares of US\$0.0004 each in the issued share capital of the Company into one Hong Kong share of US\$0.004 each with effect from 7 December 2016
“Shareholder(s)”	the holder(s) of the Shares
“SSE”	the Shanghai Stock Exchange
“STAR Market”	the Science and Technology Innovation Board of the SSE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong
“US” or “United States”	the United States of America
“US\$”, “USD” or “US Dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

(Hong Kong Stock Exchange Stock Code: 981)

(Shanghai Stock Exchange Stock Code: 688981)

*Executive Directors:*

GAO Yonggang (Chairman)

LIU Xunfeng (Vice-chairman)

*Non-executive Directors:*

LU Guoqing

CHEN Shanzhi

YANG Lumin

*Independent Non-executive Directors:*

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

LIU Ming

WU Hanming

*Registered office:*

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY 1-1111

Cayman Islands

*Principal place of business:*

18 Zhangjiang Road

Pu Dong New Area

Shanghai 201203

People's Republic of China

2 June 2023

*To the Shareholders*

Dear Sir or Madam,

- (1) RE-ELECTION OF DIRECTORS
- (2) RE-APPOINTMENT OF AUDITORS
- (3) PROPOSAL ON PROFIT DISTRIBUTION FOR THE YEAR 2022
- (4) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES
- (5) PROPOSED ADOPTION OF THE 2024 EQUITY INCENTIVE PLAN
- (6) PROPOSED ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION
- (7) PROPOSED AMENDMENTS TO THE POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF GENERAL MEETINGS
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- (9) NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO A CONNECTED PERSON ON 5 SEPTEMBER 2022
- (10) NON-EXEMPTED CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023 AND
- (11) NOTICE OF THE ANNUAL GENERAL MEETING

### INTRODUCTION

Purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM in respect of, amongst other things, (i) the re-election of Directors; (ii) the re-appointment of auditors, (iii)

\* For identification purpose only



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## LETTER FROM THE BOARD

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the proposal for not making profit distribution to the Shareholders for the year 2022; (iv) the proposed grant to the Directors of the Issue Mandate and Repurchase Mandate; (v) the proposed adoption of the 2024 equity incentive plan; (vi) the proposed adoption of the New Memorandum and Articles of Association; (vii) the proposed amendments to the policy governing the procedures for the holding of general meetings; (viii) the proposed amendments to the policy governing the procedures for the holding of Board meetings; (ix) the grant of Restricted Share Units to a connected person on 5 September 2022; and (x) the grant of Restricted Share Units to connected persons on 1 April 2023.

### **I. RE-ELECTION OF DIRECTORS**

The Board currently consists of three Class I Directors, namely Dr. Gao Yonggang, Mr. Lu Guoqing, Academician Wu Hanming, four Class II Directors, namely Dr. Liu Xunfeng, Dr. Chen Shanzhi, Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony and two Class III Directors, namely Mr. Yang Lumin and Academician Liu Ming.

The following five Directors will retire and be re-elected at the AGM:

- (1) Class I Director, Dr. Gao Yonggang, shall retire from office at the AGM pursuant to Article 95 of the Articles of Association. Dr. Gao, being eligible, will offer himself for re-election as a Class I Director at the AGM;
- (2) Class I Director, Mr. Lu Guoqing, shall retire from office at the AGM pursuant to Article 95 of the Articles of Association. Mr. Lu, being eligible, will offer himself for re-election as a Class I Director at the AGM;
- (3) Class I Director, Academician Wu Hanming, whose initial appointment as a Director took effect from 11 August 2022, shall retire from office at the AGM pursuant to Article 132 of the Articles of Association. Academician Wu, being eligible, will offer himself for re-election as a Class I Director at the AGM. Academician Wu has provided an annual confirmation of independence to the Company, and confirmed that he has fully complied with each of the factors for assessing independence set out in rule 3.13 of the Hong Kong Listing Rules. Academician Wu has provided valuable contributions to the Company and demonstrated his ability to exercise independence of judgement and provide a balanced and objective view in relation to the Company's affairs which continue to be of significant contribution to the Company;
- (4) Class II Director, Dr. Liu Xunfeng, whose initial appointment as a Director took effect from 11 May 2023, shall retire from office at the AGM pursuant to Article 132 of the Articles of Association. Dr. Liu Xunfeng, being eligible, will offer himself for re-election as a Class II Director at the AGM; and
- (5) Class III Director, Mr. Yang Lumin, whose initial appointment as a Director took effect from 10 November 2022, will hold office until the AGM pursuant to Article 132 of the Articles of Association. Mr. Yang, being eligible, will offer himself for re-election as a Class III Director at the AGM.

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## LETTER FROM THE BOARD

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Details of the above-mentioned retiring Directors proposed to be re-elected at the AGM are set out in Appendix I to this circular.

### II. RE-APPOINTMENT OF AUDITORS

The Board proposes to re-appoint Ernst & Young and Ernst & Young Hua Ming LLP as the Company's auditors for the year 2023 effective until the conclusion of the next annual general meeting of the Company subject to the approval of the Shareholders at the AGM. The Board also proposes and recommends to the Shareholders to authorize the audit committee of the Board to fix the remuneration of Ernst & Young and Ernst & Young Hua Ming LLP as the auditors of the Company.

### III. PROPOSAL ON PROFIT DISTRIBUTION FOR THE YEAR 2022

The Company's profit distribution policy adopted pursuant to the ordinary resolution passed by the Shareholders on 1 June 2020 stipulates that the Company shall satisfy the following conditions when distributing cash dividends; ① the undistributed profits of the Company are positive; the profits and distributable profits (i.e. after-tax profits after the Company has covered the deficits and withdrawn for the reserved funds) of the Company in the relevant year are positive; the Company's cash flow will still be able to meet the needs of going concern and long-term development after distributing cash dividends; ② the auditor issues a standard unqualified audit report in respect of the financial statements of the Company for the relevant year; ③ the Company does not have any major investment plan or major cash expenditure in the coming twelve months. Major investment plan or major cash expenditure means that the cumulative expenditure of the proposed development projects, investments, acquisitions of assets or equipment in the coming twelve months reaches or exceeds 10% of the Company's latest audited net asset value; ④ such other cash dividend conditions specified in laws, regulations and regulatory documents.

The Company's capital expenditure in 2022 was approximately US\$6.35 billion. The capital expenditure in 2023 is expected to maintain roughly flat compared to 2022, which exceed 10% of the Company's audited net assets for 2022, and is mainly used for capacity expansion and the infrastructures for new fabs. In view of the large capital demand of the Company in 2023, in order to ensure the Company's normal production and operation and its needs of future development, the Board did not recommend the payment of the cash dividend for the year 2022, nor distribute bonus shares, nor transfer capital reserve fund to increase equity or any other forms of distribution.

The above proposal for not making profit distribution for the year 2022 was approved by a written resolution of the Board on 28 March 2023 and was also approved by the independent non-executive Directors. In light of the foregoing, an ordinary resolution will be proposed to the Shareholders at the AGM for consideration and, if thought fit, approval.

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## LETTER FROM THE BOARD

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### IV. GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

The existing general mandates to issue Hong Kong Shares and repurchase Hong Kong Shares will expire at the conclusion of the AGM. Accordingly, the following ordinary resolutions will be proposed at the AGM to seek the approval from Shareholders for the granting to the Directors of general mandates authorising them to:

- (i) allot, issue and otherwise deal with new Hong Kong Shares which will be listed on the Hong Kong Stock Exchange in such amount not exceeding 20% of the number of issued Hong Kong Shares of the Company as at the date of passing of such resolution (the “**Issue Mandate**”);
- (ii) repurchase Hong Kong Shares on the Hong Kong Stock Exchange in such amount not exceeding 10% of the number of issued Hong Kong Shares of the Company as at the date of passing of such resolution (the “**Repurchase Mandate**”); and
- (iii) subject to the passing of the ordinary resolutions to approve the Issue Mandate and the Repurchase Mandate at the AGM, extend the Issue Mandate by an amount representing the aggregate number of Hong Kong Shares repurchased under the Repurchase Mandate.

Subject to the passing of the ordinary resolutions to approve the Issue Mandate and the Repurchase Mandate at the AGM and on the basis that no further Hong Kong Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed to issue up to a maximum of 1,193,530,510 new Hong Kong Shares under the Issue Mandate and to repurchase up to a maximum of 596,765,255 Hong Kong Shares under the Repurchase Mandate.

An explanatory statement providing the requisite information regarding the Repurchase Mandate is set out in Appendix II to this circular.

### V. PROPOSED ADOPTION OF THE 2024 EQUITY INCENTIVE PLAN

As at the Latest Practicable Date, the Company had three share incentive schemes which are in force, namely, the 2014 Share Option Plan, the 2014 Equity Incentive Plan and the 2021 STAR Market Restricted Share Incentive Scheme.

In July 2022, the Stock Exchange published its consultation conclusions to its consultation paper “Proposed Amendments to Hong Kong Listing Rules relating to Share Schemes of Listed Issuers” (the “**Consultation Conclusions**”). Pursuant to the Consultation Conclusions, Chapter 17 of the Hong Kong Listing Rules will be amended to govern both share option schemes and share award schemes with effect from 1 January 2023 (“**New Chapter 17**”).

In light of the above, the Board has proposed (i) the adoption of the 2024 Equity Incentive Plan with terms prepared in accordance with the New Chapter 17; and (ii) the termination of the existing 2014 Share Option Plan and 2014 Equity Incentive Plan since the Effective Date of the 2024 Equity Incentive Plan.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had no plan to adopt any other share schemes. If the Company adopts any new share schemes in the future, the Company will comply with the requirements under New Chapter 17 and will ensure that the Scheme Mandate Limit of all share schemes of the Company will not exceed 10% of the total issued Share Capital of the Company as at the date of approval of such new scheme.

### **Adoption of the 2024 Equity Incentive Plan**

The Board has resolved to propose the adoption of the 2024 Equity Incentive Plan involving the grant of the new shares of the Company, in the form of restricted share units, which is subject to approval by Shareholders at the AGM pursuant to the New Chapter 17 and of the relevant regulatory authorities.

### ***Purposes and Objectives***

The purposes and objectives of the 2024 Equity Incentive Plan are (i) to attract, retain and motivate members of the Board and employees of the Group; (ii) to provide a means compensating them for the contributions to the growth and profits of the Group; and (iii) to allow such members of the Board and the employees of the Group to participate in such growth and profitability.

### ***Eligible Participants***

The eligible participants under the 2024 Equity Incentive Plan include any employees or directors of members of the Group and persons who are expected to become employees or directors of the Group to enter into employment or service contracts but effective no earlier than the date on which such individual begins to provide services to the Group (the “**Eligible Participants**”).

### ***Duration***

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2024 Equity Incentive Plan, the 2024 Equity Incentive Plan shall be valid and effective for a term of 10 years commencing from the Effective Date. The Directors consider that the duration of the 2024 Equity Incentive Plan will provide the Company with more flexibility in long-term planning of granting of the awards to certain Eligible Participants in a longer period in the future.

### ***Vesting Period***

Under the 2024 Equity Incentive Plan, the Awards shall vest no earlier than the first anniversary of the date on which the award is granted in general. However, the Compensation Committee may, at its discretion, determine a short vesting period in certain circumstances. Such circumstances only include:

- (i) where the Awards are subject to performance-based conditions and that the Compensation Committee or the Administrator (as defined in the 2024 Equity Incentive Plan) is satisfied that such performance-based conditions had been fulfilled at the time of the grant of the Award;
- (ii) where the Awards are granted in batches for administrative or compliance reasons;

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## LETTER FROM THE BOARD

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- (iii) where the Awards shall vest evenly over a period of 12 months or more;
- (iv) in cases of retirement, death, disability or a Change in Control (as defined in the 2024 Equity Incentive Plan) of the Company, the Compensation Committee may accelerate the vesting of the Awards at its sole discretion; or
- (v) where the Awards are granted to new joined employees to replace their loss of awards when leaving their previous employer and as part of their remuneration package.

The Compensation Committee is of the view that the discretion in allowing a shorter vesting period in each of the circumstances as detailed above is appropriate and is consistent with the Group's remuneration policy and is also in line with the requirements under the Hong Kong Listing Rules and market practice. Such discretion gives the Company more flexibility to (i) provide higher incentives when attracting talents; (ii) reward exceptional performers with accelerated vesting; and (iii) grant awards in exceptional circumstances where justified, which is in line with the purpose of the 2024 Equity Incentive Plan.

Moreover, the Compensation Committee has the authority to establish performance targets and/or clawback mechanism in relation to the granting of the Awards. The Directors are of the view that the flexibility given to the Compensation Committee in relation to the vesting period, performance targets and clawback mechanism will place the Group in a better position to reward its employees and retain human resources that are valuable to the growth and development of the Group as a whole.

### ***Scheme Mandate Limit***

The maximum number of Shares which may be allotted and issued in respect of all Awards to be granted under the 2024 Equity Incentive Plan, and awards to be granted under any other schemes of the Company (if any) shall not in aggregate exceed 10% of the Hong Kong Shares in issue as at the date of approval of the 2024 Equity Incentive Plan (the "**Scheme Mandate Limit**").

As at the Latest Practicable Date the total issued Shares of the Company was 7,925,055,274 Shares (comprising 5,967,652,554 Hong Kong Shares and 1,957,402,720 RMB Shares) and assuming that there is no change in the issued share capital of the Company before the AGM, the maximum number of Hong Kong Shares which may be allotted and issued in respect of all Awards to be granted under the 2024 Equity Incentive Plan, and options and awards to be granted under any other schemes of the Company is 596,765,255 Hong Kong Shares, representing 7.5% of the total issued Shares of the Company as at the Latest Practicable Date.

### **Conditions of the Adoption of the 2024 Equity Incentive Plan**

The adoption and effectiveness of the 2024 Equity Incentive Plan is conditional upon the occurrence of the following events, whichever is later, (i) the approval by the Board; (ii) the passing of an ordinary resolution by the Shareholders at the AGM to approve the adoption of the 2024 Equity Incentive Plan; and (iii) the registration of the relevant plan with the PRC State Administration of Foreign Exchange, pursuant to the relevant rules of the 2024 Equity Incentive Plan.

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## LETTER FROM THE BOARD

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Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Hong Kong Shares to be allotted and issued by the Company pursuant to the grant of Awards in accordance with the terms and conditions of the 2024 Equity Incentive Plan.

### **General Information in relation to the 2024 Equity Incentive Plan**

None of the Directors is a trustee or intended to be appointed as a trustee of the 2024 Equity Incentive Plan nor has a direct or indirect interest in the trustees as shall be appointed for the purpose of the 2024 Equity Incentive Plan.

As at Latest Practicable Date, the Company had not granted or proposed to grant or intended to grant any Awards under the 2024 Equity Incentive Plan.

A summary of the principal rules of the 2024 Equity Incentive Plan is set out in Appendix III to this circular. A copy of the 2024 Equity Incentive Plan will be made available for inspection at the AGM and will be published on the websites of Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.smics.com>) for not less than 14 days before the date of the AGM.

As at the Latest Practicable Date, no Shareholder had a material interest in the adoption of the 2024 Equity Incentive Plan. As such, no Shareholder is required to abstain from voting on the resolutions in relation thereto.

### **Termination of the 2014 Stock Option Plan and the 2014 Equity Incentive Plan**

Pursuant to the terms of the 2014 Stock Option Plan and the 2014 Equity Incentive Plan, the Board may terminate such two Plans at any time without necessary of asking for Shareholders' approval of the amendment unless required by applicable law. The Board has resolved to propose the termination of the existing 2014 Stock Option Plan and the 2014 Equity Incentive Plan. Such two plans will be automatically terminated on the Effective Date of the 2024 Equity Incentive Plan.

### ***2014 Stock Option Plan***

The 2014 Stock Option Plan was adopted by way of an ordinary resolution upon the approval of the Shareholders on 13 June 2013. Under the 2014 Stock Option Plan, the Compensation Committee were authorised to grant the Company's employees or to a trust established in connection with any employee benefit plan of the Company the options to subscribe for Hong Kong Shares. Details of the outstanding share options granted but not exercised are set out in the table below:

Grant date	Grantees	Exercise price at grant date per Share (HKD)	Number of share options granted under the 2014 Stock Option Plan	Stock options outstanding but not exercised as at the Latest Practicable	
				Date	Exercisable period
12 June 2014	Employees	6.40	1,304,349	53,229	12 June 2014 to 11 June 2024

## LETTER FROM THE BOARD

Grant date	Grantees	Exercise price at grant date per Share (HKD)	Number of share options granted under the 2014 Stock Option Plan	Stock options outstanding but not exercised as at the Latest Practicable	
				Date	Exercisable period
17 November 2014	Grantees that are connected persons	8.50	223,200	35,000	17 November 2014 to 16 November 2024
	Employees		8,745,555	819,148	
24 February 2015	Employees	7.08	1,117,550	16,000	24 February 2015 to 23 February 2025
20 May 2015	Employees	8.30	3,502,828	835,916	20 May 2015 to 19 May 2025
25 May 2016	Grantees that are connected persons	6.42	57,400	28,000	25 May 2016 to 25 May 2026
	Employees		1,313,247	2,450	
22 May 2017	Grantees that are connected persons	8.48	41,000	1,250	22 May 2017 to 21 May 2027
22 May 2017	Employee		1,358,659	5,687	
7 September 2017	Grantees that are connected persons	7.90	1,687,500	1,687,500	7 September 2017 to 6 September 2027
23 May 2018	Grantees that are connected persons	10.51	181,590	80,000	23 May 2018 to 22 May 2028
	Employees		18,649,744	4,578,832	
13 September 2018	Grantees that are connected persons	8.574	375,000	187,500	13 September 2018 to 12 September 2028
12 September 2019	Employees	9.82	1,035,500	65,500	12 September 2019 to 11 September 2029
25 May 2020	Grantees that are connected persons	18.10	1,944,675	1,815,512	25 May 2020 to 24 May 2030
	Employees		7,519,927	3,497,657	
9 September 2020	Employees	22.05	108,851	8,851	9 September 2020 to 8 September 2030
23 November 2020	Employees	23.00	3,574,049	2,558,625	23 November 2020 to 22 November 2030
31 May 2021	Grantees that are connected persons	24.50	838,409	838,409	31 May 2021 to 30 May 2031
	Employees		4,148,350	2,880,657	
15 September 2021	Employees	23.18	424,000	362,000	15 September 2021 to 14 September 2031
19 November 2021	Employees	22.41	4,394,342	3,608,308	19 November 2021 to 18 November 2031
Total		-	62,545,725	23,966,031	-

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## LETTER FROM THE BOARD

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As set out in the terms of the 2014 Stock Option Plan, if the plan is terminated by the Board prior to the expiry of the plan, no further stock options may be offered, but stock options that are granted before the termination shall remain outstanding and continue to vest and become exercisable in accordance with, and subject to the terms of the 2014 Stock Option Plan.

The maximum number of Hong Kong Shares that may be granted under the 2014 Stock Option Plan shall not, in the aggregate, exceed 320,737,712 Hong Kong Shares adjusted as impact of the Share Consolidation, representing 4.05% of the total issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the total number of Hong Kong Shares available for issue under the 2014 Stock Option Plan was 270,882,304, representing approximately 3.42% of the total issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Company had 23,966,031 share options granted pursuant to the 2014 Stock Option Plan which remained outstanding and not exercised.

Subject to any earlier termination in accordance with its rules, the 2014 Stock Option Plan shall remain in force for a period of 10 years commencing on 15 November 2013 when the 2014 Stock Option Plan was registered with the PRC State Administration of Foreign Exchange. As at the Latest Practicable Date, the 2014 Stock Option Plan had a remaining life of less than six months.

### *2014 Equity Incentive Plan*

The 2014 Equity Incentive Plan was adopted by way of an ordinary resolution upon the approval of the Shareholders on 13 June 2013. Under the 2014 Equity Incentive Plan, the Compensation Committee were authorised to grant the Company's employees or to a trust established in connection with any employee benefit plan of the Company the Restricted Share Units to subscribe for Hong Kong Shares.

The maximum number of Hong Kong Shares that may be granted under the 2014 Equity Incentive Plan shall not, in the aggregate, exceed 80,184,428 Hong Kong Shares adjusted as impact of the Share Consolidation, representing 1.01% of the total issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the total number of Hong Kong Shares available for issue under the 2014 Equity Incentive Plan was 10,689,643, representing approximately 0.13% of the total issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Company had 11,687,950 Restricted Share Units awarded pursuant to the 2014 Equity Incentive Plan which remained outstanding and not vested. Details of the Restricted Share Units granted but unvested are set out in the table below:

Grant date	Grantees	Number of Restricted	Restricted Share Units	Vesting period
		Share Units granted under the 2014 Equity Incentive Plan	granted but unvested as at the Latest Practicable Date	
25 May 2020	Grantees that are connected persons	766,545	138,103	1 March 2019 to 1 March 2024
	Employees	3,106,085	277,407	



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## LETTER FROM THE BOARD

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Grant date	Grantees	Number of Restricted Share Units granted under the 2014 Equity Incentive Plan	Restricted Share Units granted but unvested as at the Latest Practicable Date	Vesting period
23 November 2020	Employees	1,650,678	314,835	1 March 2020 to 29 September 2024
31 May 2021	Grantees that are connected persons	450,620	192,433	16 October 2021 to 1 March 2025
	Employees	2,276,979	693,906	
15 September 2021	Employees	165,000	87,750	1 April 2021 to 10 June 2025
19 November 2021	Employees	2,067,057	868,509	1 March 2021 to 27 September 2025
8 April 2022	Grantees that are connected persons	1,726,249	1,155,939	1 November 2021 to 1 March 2026
	Employees	5,831,677	3,448,977	
20 May 2022	Employees	119,970	89,978	4 January 2022 to 9 February 2026
5 September 2022	Grantees that are connected persons	277,500	277,500	Subject to approval from the Independent Shareholders, from the date of the
	Employees	173,610	157,028	Independent Shareholders approval to 28 June 2026
18 November 2022	Employees	566,670	500,340	29 August 2022 to 27 September 2026
1 April 2023	Grantees that are connected persons	937,889	561,442	Subject to approval from the Independent Shareholders, from the date of the
	Employees	5,548,204	2,923,803	Independent Shareholders approval to 1 April 2025
Total	-	25,664,733	11,687,950	-

The 2014 Equity Incentive Plan has no fixed duration and the Board may at any time and from time to time to terminate the 2014 Equity Incentive Plan and that the Company had determined that upon the termination of the plan, no further Restricted Share Units may be offered, but Restricted Share Units that are granted before the termination shall remain outstanding and continue to vest in accordance with, and subject to the terms of the 2014 Equity Incentive Plan.

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## LETTER FROM THE BOARD

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The rights and obligations of the grantees and the Company with respect to the Options and Restricted Unit Shares that have been granted or awarded pursuant to the 2014 Share Option Plan and the 2014 Equity Incentive Plan on or before the termination date as abovementioned shall survive the termination of the 2014 Share Option Plan and the 2014 Equity Incentive Plan and remain in full force and effect except otherwise provided for in such awarded documents which was delivered or made available to the grantees under the 2014 Share Option Plan and the 2014 Equity Incentive Plan.

### 2021 STAR Market Restricted Share Incentive Scheme

Other than the 2014 Share Option Plan and the 2014 Equity Incentive Plan, the Company also maintains the 2021 STAR Market Restricted Share Incentive Scheme as at the Latest Practicable Date.

Under the 2021 STAR Market Restricted Share Incentive Scheme, the total amount of RMB Shares (the “**Restricted Shares**”) that may be issued will not exceed 75,650,400 RMB Shares. On 19 July 2021 and 21 June 2022, as approved by the independent Shareholders, the Company had granted 67,535,200 Restricted Shares and 8,115,200 Restricted Shares, respectively, representing 100% of the total number of the Restricted Shares that were allowed to be issued under the 2021 STAR Market Restricted Share Incentive Scheme, to an aggregate of 4,616 awardees (the “**Restricted Share Awards**”). The awardees of the Restricted Share can exercise the right for a term of five years, i.e. from the date of the grant up to the last trading date of the 60th month . As at the Latest Practicable Date, no Restricted Shares were available to be issued nor granted under the 2021 STAR Market Restricted Share Incentive Scheme and 47,998,016 Restricted Shares remained outstanding and not vested. Restricted Shares that were granted but lapsed will not be available to be regranted. Details of the Restricted Shares granted but unvested are set out in the table below:

Grant date	Grantees	Number of Restricted Shares granted under the 2021 STAR Market Incentive Scheme	Restricted Shares granted but unvested as at the Latest Practicable Date	Vesting period
19 July 2021	Grantees that are connected persons	2,020,000	602,000	20 July 2022 to 17 July 2026
	Employees	65,515,200	40,198,816	
21 June 2022	Employees	8,115,200	7,197,200	22 June 2023 to 18 June 2027
Total	-	75,650,400	47,998,016	-

The Company will be required to adopt a new share scheme if it wishes to grant further RMB Shares in the future and such adoption will require the approval of independent Shareholders.

The Company considers that the termination of the 2021 STAR Market Restricted Share Incentive Scheme will not be appropriate. The validity period of the 2021 STAR Market Restricted Share Incentive Scheme had commenced on the date of grant of the Restricted Share Awards for a period of

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## LETTER FROM THE BOARD

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72 months. As at the Latest Practicable Date, the remaining life of the 2021 STAR Market Restricted Share Incentive Scheme was approximately 4 years and 4 months. As advised by the PRC legal advisors to the Company, the termination of the 2021 STAR Market Restricted Share Incentive Scheme will render all the granted but unvested Restricted Shares to lapse and will have a material adverse impact on the part of the awardees and the Company in terms of attracting and retaining talents. The Company is of the view that the lapse of the unvested Restricted Shares that were already granted to the awardees will cause the awardees to lose their expected income which may cause financial hardship on the part of the awardees. It will also greatly undermine the Company's integrity to the awardees which the awardees may have a reduced job satisfaction and may create high turnover of the awardees which will in turn bring a material impact on the Group. Therefore, the Directors are of the view that the 2021 STAR Market Restricted Share Incentive Scheme shall survive until all the Restricted Shares are vested to the awardees under the Restricted Share Awards.

In light of the above, the Company will therefore, not amend the terms of the 2021 STAR Market Restricted Share Incentive Scheme. The Company will undertake not to issue and grant further Restricted Shares under the 2021 STAR Market Restricted Share Incentive Scheme upon the Effective Date of the 2024 Equity Incentive Plan.

### VI. PROPOSED ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

As disclosed in the announcement of the Company dated 11 May 2023, the Board proposed to (i) bring the Existing Memorandum and Articles of Association in line with amendments made to the applicable laws of the Cayman Islands and the Hong Kong Listing Rules, in particular, the requirements under the Core Shareholder Protection Standards in the updated Appendix 3 to the Hong Kong Listing Rules with effect from 1 January 2022; and (ii) make certain amendments to the Existing Memorandum and Articles of Association (collectively the “**Proposed Amendments**”). Accordingly, the Board proposes to adopt the New Memorandum and Articles of Association in substitution for, and to the exclusion of, the Existing Memorandum and Articles of Association. The major areas of the Proposed Amendments that will be incorporated in the New Memorandum and Articles of Association are summarised below:

- (i) to provide that any person appointed by the Directors to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company, in alignment with Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules;
- (ii) to provide that an annual general meeting shall be held within six months after the end of the Company's financial year (unless a longer period would not infringe applicable laws, rules or regulations or the exchange rules) in alignment with Paragraph 14(1) of Appendix 3 to the Hong Kong Listing Rules;
- (iii) to provide that the Shareholders shall have the right to speak at any general meeting by making enquiries or statements, in alignment with Paragraph 14(3) of Appendix 3 to the Hong Kong Listing Rules;

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## LETTER FROM THE BOARD

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- (iv) to provide that the Shareholders who individually or collectively hold not less than 10% of the voting rights, on a one vote per Share basis, of the Company's Shares shall have the right to propose the holding of an extraordinary general meeting to the Board; and in the case of being declined by or receiving no feedback from the Board within ten days, the relevant Shareholders shall have the right themselves to convene and preside over an extraordinary general meeting, in alignment with Paragraph 14(5) of Appendix 3 to the Hong Kong Listing Rules;
- (v) to provide that the appointment, removal, and remuneration of the auditors of the Company shall be determined by ordinary resolution at the general meeting of the Company, in alignment with Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules; and
- (vi) to provide that unless otherwise determined by the Board, the financial year of the Company shall end on the 31st day of December in each year.

The full text of the New Memorandum and Articles of Association proposed to be adopted is set out in Appendix IV to this circular. The Chinese translation of the proposed New Memorandum and Articles of Association is for reference only. In case of any discrepancy or inconsistency between the English version and its Chinese translation, the English version shall prevail.

The legal advisers to the Company as to Hong Kong laws and Cayman Islands laws have respectively confirmed that the Proposed Amendments conform with the applicable requirements under the Listing Rules and do not contravene the applicable laws of the Cayman Islands. The Company confirms that there is nothing unusual about the Proposed Amendments for a Cayman Islands company listed on the Stock Exchange.

### **VII. PROPOSED AMENDMENTS OF THE POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF GENERAL MEETINGS**

In light of the Proposed Amendments, amendments shall also be made to the policy governing the procedures for the holding of general meetings. An ordinary resolution will be proposed at the AGM to approve the amendments of the policy governing the procedures for the holding of general meetings in order to satisfy the relevant requirements of laws, regulations and regulatory documents, including the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange (上海證券交易所科創板股票上市規則). The amendments shall take effect upon the approval to be obtained from the Shareholders at the AGM in respect of the Proposed Amendments. Details of the amendments are set out in Appendix V to this circular.

### **VIII. PROPOSED AMENDMENTS OF THE POLICY GOVERNING THE PROCEDURES FOR THE HOLDING OF BOARD MEETINGS**

In light of the Proposed Amendments, amendments shall also be made to the policy governing the procedures for the holding of Board meetings. An ordinary resolution will be proposed at the AGM to approve the amendments of the policy governing the procedures for the holding of general meetings in order to satisfy the relevant requirements of laws, regulations and regulatory documents, including the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the

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## LETTER FROM THE BOARD

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Shanghai Stock Exchange (上海證券交易所科創板股票上市規則). The amendments shall take effect upon the approval to be obtained from the Shareholders at the AGM in respect of two Proposal Amendments. Details of the amendments are set out in Appendix VI to this circular.

### IX. GRANT OF RESTRICTED SHARE UNITS TO A CONNECTED PERSON ON 5 SEPTEMBER 2022

Reference is made to the announcement of the Company dated 5 September 2022, in which the Company announced that on 5 September 2022, the Board proposed to grant 277,500 Restricted Share Units to Academician Wu Hanming (“**Academician Wu**”), an independent non-executive Director, who is a connected person of the Company, under the 2014 Equity Incentive Plan, subject to the Independent Shareholders’ approval at the AGM.

Accordingly, subject to the Independent Shareholders’ approval at the AGM, 277,500 Restricted Share Units are to be granted as follows:

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$19.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Academician Wu	Independent non-executive Director	277,500	5,461,200	277,500 Restricted Share Units to be granted will vest over a period of three years at the rate of 33%, 33% and 34% for each 12-month period commencing on 11 August 2022	Restricted Share Units were granted to Academician Wu for his appointment as the independent non-executive Director of the Company

Each of the Restricted Share Units to be granted to Academician Wu under the 2014 Equity Incentive Plan represents the right to receive a Hong Kong Share on the date it vests.

In accordance with the terms of the 2014 Equity Incentive Plan, the 2022 RSU Grant will be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands (which is the par value of the Common Shares to be issued pursuant thereto).

#### Impact on the shareholding structure of the Company

In respect of the impact of the shareholding structure of the Company of the 2022 RSU Grant, please refer to the section headed “VIII. GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023”.

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## LETTER FROM THE BOARD

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### **Market Value**

Based on the closing price of HK\$19.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the underlying Shares in relation to the Restricted Share Units under the 2022 RSU Grant amounts to approximately HK\$5,461,200.

### **Information about the Company**

The Company and its subsidiaries are one of the leading foundries in the world and is the front runner in manufacturing capability, manufacturing scale, and comprehensive service in the Chinese Mainland. SMIC Group provides semiconductor foundry and technology services to global customers on 0.35 micron to FinFET process node technologies. Headquartered in Shanghai, China, SMIC Group has an international manufacturing and service base, with three 8-inch wafer fabrication facilities (fabs) and four 12-inch fabs in Shanghai, Beijing, Tianjin and Shenzhen, and three 12-inch fabs under construction in Shanghai, Beijing and Tianjin. 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, China.

### **Reasons for and Benefits of the 2022 RSU Grant**

The 2022 RSU Grant is part of the Company's remuneration system, the purpose of which is to closely align the interests and benefits of and risk sharing among the Shareholders, the Company and the employees in order to maximise the motivation of the Directors.

The 2022 RSU Grant to Academician Wu aim to provide sufficient incentives to attract and motivate Academician Wu to remain with the Company, to strive for the future development of the Group and to enhance Shareholder value through further aligning the interests of Academician Wu with the Company. As disclosed in the announcement of the Company dated 11 August 2022 in relation to the appointment of Academician Wu as the independent non-executive Director, it was disclosed that Academician Wu was entitled to, among others, 277,500 Restricted Share Units as part of his remuneration package which was determined based on the Company's Policy on Directors' and Senior Management's Remuneration and with reference to the recommendation from the compensation committee of the Board. Academician Wu has established experience in the integrated circuit industry and has made outstanding contributions to the industry and the Company is of the view that his experience and his independent view is beneficial to the Group. The Company is also of the view that the 2022 RSU Grant to Academician Wu will be able to provide him with an attractive remuneration package to Academician Wu to remain with the Group and to provide his independent judgment and advice to the Board to achieve better development in the future which will in turn enhance Shareholder value.

Furthermore, there will not be substantial cash outflow by the Company under the 2022 RSU Grant. In this regard, the Directors (including the independent non-executive Directors) consider that the terms of the 2022 RSU Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Specific Mandate to Issue New Hong Kong Shares**

The Restricted Share Units granted under the 2022 RSU Grant will be issued under the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 for the issue of the Hong Kong Shares under the 2014 Equity Incentive Plan. The Listing Committee of the Stock Exchange has previously granted its approval for the listing of, and permission to deal in, Hong Kong Shares to be issued under the 2014 Equity Incentive Plan, subject to the fulfilment of all other conditions of the 2014 Equity Incentive Plan.

### **Implications under the Hong Kong Listing Rules**

Academician Wu is an independent non-executive Director and hence a connected person of the Company. The grant of 277,500 Restricted Share Units to Academician Wu and any transactions contemplated thereunder (including the allotment and issue of any new Hong Kong Shares thereunder) constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to reporting, announcement and the Independent Shareholders' approval requirements.

Prior to the 2022 RSU Grant, Academician Wu and his associates were not interested in any Shares in the Company. Pursuant to Chapter 14A of Hong Kong Listing Rules, Academician Wu and his associates are required to abstain from voting on the resolutions at the AGM to approve the 2022 RSU Grant. To the best of the Directors' knowledge, information and belief, there are no Shareholders having any material interest in the 2022 RSU Grant. Accordingly, no Shareholders are required to abstain from voting at the AGM on the relevant resolution approving the 2022 RSU Grant.

Save as for Academician Wu, none of the other Directors had any material interest in the 2022 RSU Grant and therefore none of the other Directors was required to abstain from voting on the relevant Board resolutions in respect of the 2022 RSU Grant.

### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee A, collectively comprising Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony and Academician Liu Ming, all being the independent non-executive Directors, had been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the 2022 RSU Grant.

The Company has been appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committee A and the Independent Shareholders in this regard. The Independent Board Committee A, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the 2022 RSU Grant to Academician Wu are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee A recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM. The letter from the Independent Board Committee A to the Independent Shareholders is set out on pages 32 to

## LETTER FROM THE BOARD

33 of this circular. The letter from FDB Financial Group Limited, the Independent Financial Adviser, to the Independent Board Committee A and the Independent Shareholders is set out on pages 40 to 54 of this circular.

### X. GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023

Reference is made to the announcement of the Company dated 2 April 2023, in which the Company announced that on 1 April 2023, among others, the Company granted 937,889 Restricted Share Units to 10 eligible individuals, who are connected persons of the Company, under the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM.

Accordingly, subject to the Independent Shareholders' approval at the AGM, 937,889 Restricted Share Units are to be granted as follows:

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$19.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Dr. Gao Yonggang	Chairman of the Board and executive Director	159,565	3,140,239	(i) 79,783 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders;  (ii) 47,870 Restricted Share Units will vest on 1 April 2024; and  (iii) 31,912 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Dr. Gao for his contribution on development planning and key matters of the Group and as the chairman of the Board and the executive Director of the Company
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	92,500	1,820,400	Subject to the approval by the Independent Shareholders at the AGM, 92,500 Restricted Share Units will vest on 1 January 2024.	Restricted Share Units were granted to Professor Lau for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company



## LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$19.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date		Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
			(HK\$)	Vesting Schedule	
Dr. Fan Ren Da Anthony	Independent non-executive Director	92,500	1,820,400	Subject to the approval by the Independent Shareholders at the AGM, 92,500 Restricted Share Units will vest on 1 January 2024.	Restricted Share Units were granted to Mr. Fan for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company
Dr. Zhao Haijun	Co-Chief executive Officer	159,565	3,140,239	(i) 79,783 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders; (ii) 47,870 Restricted Share Units will vest on 1 April 2024; and (iii) 31,912 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Dr. Zhao for his contribution on the corporate management and operation of the Group as the co-chief executive officer of the Company
Dr. Liang Mong Song	Co-Chief executive Officer	159,565	3,140,239	(i) 79,783 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders; (ii) 47,870 Restricted Share Units will vest on 1 April 2024; and (iii) 31,912 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Dr. Liang for his contribution on the research and development and corporate management of the Group and as the co-chief executive officer of the Company

## LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$19.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date		Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
			914,766	(HK\$)		
Dr. Wu Junfeng	Subsidiary Director	46,482	914,766	(HK\$)	(i) 23,241 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders;  (ii) 13,945 Restricted Share Units will vest on 1 April 2024; and  (iii) 9,296 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Dr. Wu for his contribution for the management of financial function of the Group and as the Subsidiary Director of the Company
Mr. Zhang Xin	Subsidiary Director	45,953	904,355	(HK\$)	(i) 22,977 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders;  (ii) 13,786 Restricted Share Units will vest on 1 April 2024; and  (iii) 9,190 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Mr. Zhang for his contribution for the overall operation and engineering matters of the Group and as the Subsidiary Director of the Company
Mr. John Peng	Subsidiary Director	61,062	1,201,700	(HK\$)	(i) 30,531 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders;  (ii) 18,319 Restricted Share Units will vest on 1 April 2024; and  (iii) 12,212 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Mr. Peng for his contribution for the global sales of the products the Group and overseeing the marketing and promotion functions of the Group and as the Subsidiary Director of the Company

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## LETTER FROM THE BOARD

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Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$19.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date		Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
			Vesting Schedule	(HK\$)	
Mr. Lin Hsin-Fa	Subsidiary Director	91,385	1,798,457	(i) 45,693 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders; (ii) 27,416 Restricted Share Units will vest on 1 April 2024; and (iii) 18,276 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Mr. Lin for his contribution for the research and development and its production and operation and as the Subsidiary Director of the Company
Dr. Wang Yong	Subsidiary Director	29,312	576,860	(i) 14,656 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders; (ii) 8,794 Restricted Share Units will vest on 1 April 2024; and (iii) 5,862 Restricted Share Units will vest on 1 April 2025.	Restricted Share Units were granted to Dr. Wang for his contribution for the management of the financing and accounting functions of the Group and as the Subsidiary Director of the Company

Each of the Restricted Share Units to be granted to the abovementioned 10 grantees under the 2014 Equity Incentive Plan represents the right to receive a Hong Kong Share on the date it vests.

In accordance with the terms of the 2014 Equity Incentive Plan, the 2023 RSU Grant will be made at HK\$0.031 per Hong Kong Share.

### **Vesting Schedule of the 2023 RSU Grant**

#### ***(i) Grant of Restricted Share Units to the two independent non-executive Directors***

Subject to the approval by the Independent Shareholders at the AGM, the 92,500 Restricted Share Units granted to each of the independent non-executive Director will vest on 1 January 2024.

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## LETTER FROM THE BOARD

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The vesting period for the grant of all the Restricted Share Units to these two independent non-executive Director is shorter than 12 months because this grant forms part of their remuneration package and has been approved by the Compensation Committee, therefore their date of grant would have been earlier if not for certain administrative requirements. The Compensation Committee is of the view that such arrangement aligns with the purpose of the 2014 Equity Incentive Plan as it retains and motivates the Directors for their contributions to the growth and profits of the Company

**(ii) *Grant of Restricted Share Units to the other eight connected persons***

Subject to the approval by the Independent Shareholders at the AGM, the Restricted Share Units granted to the other eight connected persons are as follows:

- (a) 376,447 Restricted Share Units immediately vest on the date of approval obtained from the Independent Shareholders;
- (b) 225,870 Restricted Share Units will vest on 1 April 2024; and
- (c) 150,572 Restricted Share Units will vest on 1 April 2025.

The vesting period for the grant of part of the Restricted Share Units to these eight connected persons is shorter than 12 months because this grant forms part of their remuneration package for the year 2022 and the granting is subject to the fulfillment of the relevant performance targets for the year 2022 and such conditions had been fulfilled as at the date of this announcement. Such arrangement has been approved by the Compensation Committee. The Compensation Committee approved this arrangement and believed that aligns with the purpose of the 2014 Equity Incentive Plan as it retains and motivates the relevant grantees for their contributions to the growth and profits of the Company.

## LETTER FROM THE BOARD

### Impact on the shareholding structure of the Company

The following table shows the changes in the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately upon the completion of the 2022 RSU Grant and the 2023 RSU Grant:

Name of Shareholders	As at the		Immediately after the		Immediately after the		Immediately after the	
	Latest Practicable Date		completion of the 2022		completion of the 2023		completion of the 2022 RSU	
	RSU Grant		RSU Grant		RSU Grant		Grant and the 2023	
	Total interests	%	Total interests	%	Total interests	%	Total interests	%
	in the Shares	(Note 1)	in the Shares	(Note 2)	in the Shares	(Note 3)	in the Shares	(Note 4)
<b>Connected person who is grantee under the 2022 RSU Grant and the 2023 RSU Grant (Note 5)</b>								
Dr. Gao Yonggang	-	-	-	-	159,565	0.0020	159,565	0.0020
Professor Lau Lawrence Juen-Yee	-	-	-	-	92,500	0.0012	92,500	0.0012
Dr. Fan Re Da Anthony	312,877	0.0039	312,877	0.0039	405,377	0.0051	405,377	0.0051
Academician Wu Hanming	-	-	277,500	0.0035	-	0.0000	277,500	0.0035
Dr. Zhao Haijun	-	-	-	-	159,565	0.0020	159,565	0.0020
Dr. Liang Mong Song	-	-	-	-	159,565	0.0020	159,565	0.0020
Dr. Wu Junfeng	-	-	-	-	46,482	0.0006	46,482	0.0006
Mr. Zhang Xin	69,127	0.0009	69,127	0.0009	115,080	0.0015	115,080	0.0015
Mr. John Peng	-	-	-	-	61,062	0.0008	61,062	0.0008
Mr. Lin Hsin-Fa	29,907	0.0004	29,907	0.0004	121,292	0.0015	121,292	0.0015
Dr. Wang Yong	17,285	0.0002	17,285	0.0002	46,597	0.0006	46,597	0.0006
<b>Other Shareholders</b>								
Substantial Shareholders	1,806,538,254	22.7953	1,806,538,254	22.7945	1,806,538,254	22.7926	1,806,538,254	22.7918
Public Shareholders (Note 6)	6,118,087,824	77.1993	6,118,087,824	77.1966	6,118,087,824	77.1901	6,118,087,824	77.1874
Total	<u>7,925,055,274</u>	<u>100.0000</u>	<u>7,925,332,774</u>	<u>100.0000</u>	<u>7,925,993,163</u>	<u>100.0000</u>	<u>7,926,270,663</u>	<u>100.0000</u>

**Notes:**

- Based on 7,925,055,274 Shares in issue as at the Latest Practicable Date.
- Based on 7,925,332,774 Shares in issue upon completion of the 2022 RSU Grant.
- Based on 7,925,993,163 Shares in issue upon completion of the 2023 RSU Grant.
- Based on 7,926,270,663 Shares in issue upon completion of both the 2022 RSU Grant and the 2023 RSU Grant.
- Inclusive of the interests or short positions of the Directors and the chief executive officer in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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## LETTER FROM THE BOARD

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6. Inclusive of (i) the interests or short positions of the substantial shareholders (“**Substantial Shareholders**”) in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and its subsidiaries and (ii) the interests of other Shareholders who are neither Directors or Chief Executive Officer nor Substantial Shareholders.

### **Market Value**

Based on the closing price of HK\$19.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the underlying Shares in relation to the Restricted Share Units under the 2023 RSU Grant amounts to approximately HK\$18,457,656.

### **Information about the Company**

Please refer to sub-section headed “Information about the Company” on page 20 of this circular.

### **Reasons for and Benefits of the 2023 RSU Grant**

The 2023 RSU Grant is part of the Company’s remuneration system, the purpose of which is to closely align the interests and benefits of and risk sharing among the Shareholders, the Company and the employees in order to recognize contributions rendered by the Directors and the employees of the Group; and provide sufficient incentives to attract and motivate the grantees to remain with the Company, to strive for the future development of the Group and to enhance Shareholder value through further aligning the interests of the grantees with the Company. The entitlement of the award of Restricted Share Units is with reference to the performance and/or contributions made to the Group.

Furthermore, there will not be substantial cash outflow by the Company under the 2023 RSU Grant. In this regard, the Directors (including the independent non-executive Directors) consider that the terms of the 2023 RSU Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Specific Mandate to Issue New Hong Kong Shares**

The Restricted Share Units granted under the 2023 RSU Grant will be issued under the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 for the issue of the Hong Kong Shares under the 2014 Equity Incentive Plan. The Listing Committee of the Stock Exchange has previously granted its approval for the listing of, and permission to deal in, Hong Kong Shares to be issued under the 2014 Equity Incentive Plan, subject to the fulfilment of all other conditions of the 2014 Equity Incentive Plan.

### **Implications under the Hong Kong Listing Rules**

As the 10 grantees are Directors, chief executives and Subsidiaries Directors, therefore are connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. The grant of 937,889 Restricted Share Units to the 10 connected persons of the Company and any transactions

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## LETTER FROM THE BOARD

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contemplated thereunder (including the allotment and issue of any new Hong Kong Shares thereunder) constitutes non-exempt connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are thus subject to reporting, announcement and the Independent Shareholders' approval requirements.

Pursuant to Chapter 14A of Hong Kong Listing Rules, the 10 connected persons of the Company and their respective associates are required to abstain from voting on their respective resolutions at the AGM to approve the 2023 RSU Grant. As at the Latest Practicable Date, Dr. Fan Ren Da Anthony, Mr. Zhang Xin, Mr. Lin Hsin-Fa and Dr. Wang Yong are interested in 312,877 Hong Kong Shares, 69,127 Hong Kong Shares, 29,907 Hong Kong Shares and 17,285 Hong Kong Shares, respectively, representing approximately 0.0039%, 0.0009%, 0.0004% and 0.0002% of the total issued share capital of the Company as at the Latest Practicable Date, and therefore required to abstain from voting on their respective resolutions at the AGM to approve the 2023 RSU Grant. Save as disclosed above, to the best of the Directors' knowledge, information and belief, there are no other Shareholders having any material interest in the 2023 RSU Grant. Accordingly, no other Shareholders are required to abstain from voting at the AGM on the relevant resolutions approving the 2023 RSU Grant.

Save as for the Directors who are grantees under the 2023 RSU Grant namely, Dr. Gao Yonggong, Professor Lau Lawrence Juen-Yee and Dr. Fan Ren Da Anthony, none of the other Directors had a material interest in the 2023 RSU Grant and therefore none of the other Directors was required to abstain from voting on the Board resolutions in respect of the 2023 RSU Grant.

### **Independent Board Committees and Independent Financial Adviser**

The following independent board committees have been formed for the 2023 RSU Grant in accordance with Chapter 14A of the Hong Kong Listing Rules:

- (1) the Independent Board Committee B, comprising Dr. Fan Ren Da Anthony, Academician Liu Ming and Academician Wu Hanming to advise the grants of the Restricted Share Units under the 2023 RSU Grant to Professor Lau Lawrence Juen-Yee;
- (2) the Independent Board Committee C, comprising Professor Lau Lawrence Juen-Yee, Academician Liu Ming and Academician Wu Hanming and to advise the grants of the Restricted Share Units under the 2023 RSU Grant to Dr. Fan Ren Da Anthony; and
- (3) the Independent Board Committee D, comprising Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony, Academician Liu Ming and Academician Wu Hanming and to advise the grants of the Restricted Share Units under the 2023 RSU Grant to the grantees (save as the members of the Independent Board Committee D) who are connected persons of the Company.

The Company has been appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committees B, C and D and the Independent Shareholders in this regard. The Independent Board Committees B, C and D having taken into account the advice of the Independent Financial Adviser, considers that the terms of the 2023 RSU Grant to the 10 connected persons of the Company are fair and reasonable and in the interests of the Company so far

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## LETTER FROM THE BOARD

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as the Independent Shareholders are concerned. Accordingly, the Independent Board Committees B, C and D recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM. The letter from the Independent Board Committees B, C and D to the Independent Shareholders is set out on pages 34 to 39 of this circular. The letter from FDB Financial Group Limited, the Independent Financial Adviser, to the Independent Board Committees B, C and D and the Independent Shareholders is set out on pages 40 to 54 of this circular.

### GENERAL

Your attention is drawn to the appendices to this circular.

The full text of the resolutions referred to above is set out in the notice of AGM, attached at pages 135 to 143 of this circular.

### RECOMMENDATIONS

The Directors (including independent non-executive Directors) are of the opinion that the proposed resolutions set out in the notice of AGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (save in respect of any particular resolution relating to a Director himself/herself) recommend the Shareholders to vote in favour of the proposed resolutions as set out in the notice of AGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules and the SSE for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### ANNUAL GENERAL MEETING

The voting at the AGM will be taken by a poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the Hong Kong Listing Rules as soon as possible.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

Abstentions will be counted for the purpose of determining the presence or absence of a quorum, but will not be counted for the purpose of determining the number of votes cast on a given proposal.



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## LETTER FROM THE BOARD

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A form of proxy for the AGM is enclosed with this circular. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the AGM. The completion of a form of proxy will not preclude you from attending and voting at the AGM in person.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 June 2023 to 28 June 2023 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for attending and voting at the AGM, all transfers of Hong Kong Shares, accompanied by the relevant certificates, must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 21 June 2023. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 28 June 2023 or, registered holders of the RMB Shares whose names appear on the register members of RMB Shares on 21 June 2023, will be entitled to attend and vote at the annual general meeting. Further announcement will be made by the Company on the website of the SSE regarding the record date and arrangements for holders of Shares listed on the Science and Technology Innovation Board of the SSE in accordance with the requirements of the SSE.

### MISCELLANEOUS

This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular shall prevail over the Chinese text.

This circular, together with the notice of the AGM and the proxy form, have also been posted on the websites of the Company and the Stock Exchange respectively.

By order of the Board  
**Semiconductor Manufacturing International Corporation**  
**Guo Guangli**  
*Company Secretary/Board Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE A

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*The following is a full text of the letter from the Independent Board Committee A to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**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)*

**(Hong Kong Stock Exchange Stock Code: 981)**

**(Shanghai Stock Exchange Stock Code: 688981)**

2 June 2023

*To the Independent Shareholders,*

Dear Sirs or Madam,

### **NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO A CONNECTED PERSON ON 5 SEPTEMBER 2022**

We refer to the circular dated 2 June 2023 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee A to advise you in relation to: (i) whether the 2022 RSU Grant to Academician Wu Hanming are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolution regarding such 2022 RSU Grant, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee A and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 31 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 40 to 54 of the Circular.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE A

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Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the 2022 RSU Grant are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the 2022 RSU Grant to Academician Wu Hanming to be presented at the AGM.

Yours faithfully,

**Independent Board Committee A**

**LAU Lawrence Juen-Yee**

**FAN Ren Da Anthony**

**LIU Ming**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE B

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*The following is a full text of the letter from the Independent Board Committee B to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



### 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)*

**(Hong Kong Stock Exchange Stock Code: 981)**

**(Shanghai Stock Exchange Stock Code: 688981)**

2 June 2023

*To the Independent Shareholders,*

Dear Sirs or Madam,

### **NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023**

We refer to the circular dated 2 June 2023 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee B to advise you in relation to: (i) whether the 2023 RSU Grant to Professor Lau Lawrence Juen-Yee are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolution regarding such 2023 RSU Grant, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee B and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 31 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 40 to 54 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the 2023 RSU Grant to Professor Lau Lawrence Juen-Yee are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

\* *For identification purpose only*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE B**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the 2023 RSU Grant to Professor Lau Lawrence Juen-Yee to be presented at the AGM.

Yours faithfully,

**Independent Board Committee B**

**FAN Ren Da Anthony**

**LIU Ming**

**WU Hanming**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE C

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*The following is a full text of the letter from the Independent Board Committee C to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



### 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)*

**(Hong Kong Stock Exchange Stock Code: 981)**

**(Shanghai Stock Exchange Stock Code: 688981)**

2 June 2023

*To the Independent Shareholders,*

Dear Sirs or Madam,

### **NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023**

We refer to the circular dated 2 June 2023 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee C to advise you in relation to: (i) whether the 2023 RSU Grant to Dr. Fan Ren Da Anthony are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolution regarding such 2023 RSU Grant, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee C and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 31 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 40 to 54 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the 2023 RSU Grant to Dr. Fan Ren Da Anthony are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

\* *For identification purpose only*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE C**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the 2023 RSU Grant to Dr. Fan Ren Da Anthony to be presented at the AGM.

Yours faithfully,

**Independent Board Committee C**

**LAU Lawrence Juen-Yee**

**LIU Ming**

**WU Hanming**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE D

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*The following is a full text of the letter from the Independent Board Committee D to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**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)*

**(Hong Kong Stock Exchange Stock Code: 981)**

**(Shanghai Stock Exchange Stock Code: 688981)**

2 June 2023

*To the Independent Shareholders,*

Dear Sirs or Madam,

**NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO GRANT OF  
RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023**

We refer to the circular dated 2 June 2023 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee D to advise you in relation to: (i) whether the 2023 RSU Grant to the grantees (save as the members of the Independent Board Committee D) who are connected persons of the Company are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolution regarding such 2023 RSU Grant, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee D and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 31 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 40 to 54 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the 2023 RSU Grant to the grantees (save as the members of the Independent Board Committee D) who are connected persons of the Company are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

\* *For identification purpose only*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE D

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the 2023 RSU Grant to the grantees (save as the members of the Independent Board Committee D) who are connected persons of the Company to be presented at the AGM.

Yours faithfully,

**Independent Board Committee D**

**LAU Lawrence Juen-Yee**

**FAN Re Da Anthony**

**LIU Ming**

**WU Hanming**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from the Independent Financial Adviser, FDB Financial Group Limited, to the Independent Board Committees and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



FDB Financial Group Ltd  
豐展金融集團有限公司

2 June 2023

*To: The Independent Board Committees and the Independent Shareholders of  
Semiconductor Manufacturing International Corporation*

Dear Sir/Madam,

**(1) CONNECTED TRANSACTIONS IN RELATION TO GRANT OF  
RESTRICTED SHARE UNITS TO A CONNECTED PERSON ON 5  
SEPTEMBER 2022 AND  
(2) CONNECTED TRANSACTIONS IN RELATION TO GRANT OF  
RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 1 APRIL 2023**

### INTRODUCTION

We, FDB Financial Group Limited, refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in relation to (i) the grant and issue of new Hong Kong Shares under 2022 RSU Grant to a connected person on 5 September 2022, and (ii) the grant and issue of new Hong Kong Shares under 2023 RSU Grant to connected persons on 1 April 2023, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 2 June 2023 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

For the 2022 RSU Grant, subject to the Independent Shareholders’ approval at the AGM, 277,500 Restricted Share Units are to be granted to a connected person of the Company. Each Restricted Share Unit represents the right to receive a Hong Kong Share on the date it vests. The number of new Hong Kong Shares to be issued under 2022 RSU Grant represents approximately 0.0035% of the total issued share capital of the Company as at the Latest Practicable Date.

For the 2023 RSU Grant, subject to the Independent Shareholders’ approval at the AGM, a total of 937,889 Restricted Share Units are to be granted to 10 connected persons of the Company. Each Restricted Share Unit represents the right to receive a Hong Kong Share on the date it vests. The number of new Hong Kong Shares to be issued under 2023 RSU Grant represents approximately 0.0118% of the total issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Each of the grantees is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Since the 2014 Equity Incentive Plan is not a share scheme that is required to comply with Chapter 17 of the Listing Rules, the 2022 RSU Grant and 2023 RSU Grant do not qualify for exemption under Rule 14A.92. Accordingly, the 2022 RSU Grant and 2023 RSU Grant (collectively, the “**RSU Grants**”) constitute non-exempt connected transactions of the Company, and is subject to reporting, announcement, and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules respectively.

As at the Latest Practicable Date, Dr. Fan Ren Da Anthony, Mr. Zhang Xin, Mr. Lin Hsin-Fa and Dr. Wang Yong are interested in 312,877 Hong Kong Shares, 69,127 Hong Kong Shares, 29,907 Hong Kong Shares and 17,285 Hong Kong Shares, respectively, representing approximately 0.0039%, 0.0009%, 0.0004% and 0.0002% of the total issued share capital of the Company as at the Latest Practicable Date, and therefore required to abstain from voting on their respective resolutions at the AGM to approve the 2023 RSU Grant. Save as disclosed above, to the best of the Directors’ knowledge, information and belief, no other Shareholders is required to abstain from voting on the relevant resolutions to approve, among other things, the 2022 RSU Grant and 2023 RSU Grant at the AGM.

### **Independent Board Committee for the 2022 RSU Grant**

The Independent Board Committee A, collectively comprising Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony, and Academician Liu Ming, all being the independent non-executive Directors, had been formed to advise the grant of the Restricted Share Units under the 2022 RSU Grant to Academician Wu Hanming.

### **Independent Board Committees for the 2023 RSU Grant**

The following independent board committees have been formed for the 2023 RSU Grant in accordance with Chapter 14A of the Hong Kong Listing Rules:

- (1) the Independent Board Committee B, comprising Dr. Fan Ren Da Anthony, Academician Liu Ming and Academician Wu Hanming to advise the grants of the Restricted Share Units under the 2023 RSU Grant to Professor Lau Lawrence Juen-Yee;
- (2) the Independent Board Committee C, comprising Professor Lau Lawrence Juen-Yee, Academician Liu Ming and Academician Wu Hanming and to advise the grants of the Restricted Share Units under the 2023 RSU Grant to Dr. Fan Ren Da Anthony; and
- (3) the Independent Board Committee D, comprising Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony, Academician Liu Ming and Academician Wu Hanming and to advise the grants of the Restricted Share Units under the 2023 RSU Grant to the grantees (save as the members of the Independent Board Committee D) who are connected persons of the Company.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders as to whether the terms of the 2022 RSU Grant and 2023 RSU Grant are fair and reasonable, and whether such grant is on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

Except for being appointed as the independent financial adviser by the Company and the relevant services rendered in relation to the following transactions in the past two years, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence:

<b>Date of the relevant circular</b>	<b>Nature of the transactions</b>
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8 June 2021	Connected transaction – proposed issue of new RMB shares to connected persons under the 2021 STAR market restricted share incentive scheme pursuant to specific mandate
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1 June 2022	Connected transactions in relation to (1) proposed grant of Hong Kong shares of restricted share units to connected persons on 31 May 2021 and (2) proposed grant of Hong Kong shares of restricted share units to connected persons on 8 April 2022
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Apart from normal professional fees payable to us in connection with the previous appointment mentioned above as well as this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's annual report for the two years ended 31 December 2022 (the "**2021 Annual Report**" and "**2022 Annual Report**"); (ii) 2014 Equity Incentive Plan; (iii) the announcements dated 5 September 2022 and 2 April 2023; and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts, and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the management and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position, or future prospects of the Company or any of its subsidiaries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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This letter is issued to the Independent Shareholders solely in connection for their consideration of the grant and issue of Restricted Share Units carrying the right to receive Hong Kong Share by the awardees under the 2014 Equity Incentive Plan and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinions regarding the RSU Grants, we have considered the following factors and reasons:

(1) **Background of and reasons for the RSU Grants**

*Information of the Company*

The Company and its subsidiaries are one of the leading foundries in the world and are the front runners in manufacturing capability, manufacturing scale, and comprehensive service in China. Set out below is a summary of the financial information of the Company for the years ended 31 December 2021 (“FY2021”) and 2022 (“FY2022”), as extracted from the 2021 and 2022 Annual Report:

	For the year ended 31 December	
	2021	2022
	USD'000	USD'000
	(audited)	(audited)
Revenue	5,443,112	7,273,284
Gross Profit	1,675,770	2,761,648
Net Profit	1,775,158	2,198,082

The Company’s revenue increased from approximately USD5,443.1 million for FY2021 to approximately USD7,273.3 million for FY2022, representing an increase of approximately 33.6%. The Company’s net profit increased from approximately USD1,775.2 million for FY2021 to approximately USD2,198.1 million for FY2022. With reference to the 2022 Annual Report, such increase was primarily due to increase in wafer shipment and higher average selling price for FY2022.

*Principal terms of the RSU Grants*

In accordance with the 2014 Equity Incentive Plan, 277,500 and 937,889 Restricted Share Units are to be granted under the 2022 RSU Grant and 2023 RSU Grant respectively. Details of the grantees under the RSU Grants are as follows:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Number of Restricted Share Units to be granted	Market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule
<b>2022 RSU Grant</b>						
Academician Wu	Independent non-executive Director	For his appointment as the independent non-executive Director of the Company	277,500	5,461,200	0.0035%	vest over a period of three years at the rate of 33%, 33% and 34% for each 12-month period commencing on 11 August 2022
<b>2023 RSU Grant</b>						
Dr. Gao Yonggang	Chairman of the Board and executive Director	For his contribution on development planning and key matters of the Group and as the chairman of the Board and the executive Director of the Company	159,565	3,140,239	0.0020%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	Providing independent advice on operations and management of the Group	92,500	1,820,400	0.0012%	vest on 1 January 2024
Dr. Fan Ren Da Anthony	Independent non-executive Director	Providing independent advice on operations and management of the Group	92,500	1,820,400	0.0012%	vest on 1 January 2024
Dr. Zhao Haijun	Co-chief executive Officer	Responsible for corporate management and operation of the Group	159,565	3,140,239	0.0020%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025
Dr. Liang Mong Song	Co-chief executive Officer	Responsible for research and development and corporate management of the Group	159,565	3,140,239	0.0020%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Number of Restricted Share Units to be granted	Market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule
Dr. Wu Junfen	Subsidiary Director	Responsible for management of financial function of the Group	46,482	914,766	0.0006%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025
Mr. Zhang Xin	Subsidiary Director	Responsible for overall operation and engineering matters of the Group	45,953	904,355	0.0006%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025
Mr. John Peng	Subsidiary Director	Responsible for global sales of the products and overseeing the marketing and promotion functions of the Group	61,062	1,201,700	0.0008%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025
Mr. Lin Hsin-Fa	Subsidiary Director	Responsible for research and development and its production and operation	91,385	1,798,457	0.0012%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025
Dr. Wang Yong	Subsidiary Director	Responsible for the management of the financing and accounting functions of the Group	29,312	576,860	0.0004%	50 % immediately vest on the date of approval obtained from the Independent Shareholders; 30% will vest on 1 April 2024; 20% will vest on 1 April 2025

*Note:* The market value of the Restricted Share Units to be granted as at the Latest Practicable Date for each of the grantees is calculated based on their respective number of Restricted Share Units to be granted times the closing price of HK\$19.68 per Share as at the Latest Practicable Date.

### ***Reasons for and benefits of the RSU Grants***

With reference to the Letter from the Board, the RSU Grants are part of the Company's remuneration system, the purpose of which is to closely align the interests and benefits of and risk sharing among the Shareholders, the Company, and the employees in order to recognize contributions rendered by

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Directors and the employees of the Group. The RSU Grants aim to provide sufficient incentives to attract and motivate the grantees to remain with the Company, to strive for the future development of the Group and to enhance Shareholder value through further aligning the interests of the grantees with the Company. We understand from the Company that the chief executive officers and Directors have contributed in areas such as group management and operations, research and development, financial management, and marketing of products, and they play an instrumental role in steering the Group's strategic direction for business growth. In light of the positive financial performance of the Company achieved in FY2022 as discussed in the section headed "Information of the Company", we are of the view that incentives and rewards shall be provided to chief executive officers and Directors of the Company in recognition of their contributions to the Company's business performance and motivate them to work towards improving the Company's future development.

With reference to the Letter from the Board, the Restricted Share Units were granted to independent non-executive Directors for their contribution on providing independent advice on operations and management of the Group. We are of the view that the grant of Restricted Share Units serves as an incentive for all the independent non-executive Directors to actively engage and work collaboratively with the Company by providing independent professional advices using their valuable industry knowledge. It also highlights the company's commitment to attract and retain grantees to remain with the Group.

We have conducted searches on the website of the Stock Exchange and noticed that there are 42 grant of share awards or restricted share units to the management and core personnel of the respective companies (including both connected and non-connected persons) as announced from 1 March 2023 to 31 March 2023. Based on our independent research, we are of the view that it is a common market practice to offer incentives to senior management by granting share awards or restricted share units.

Having considered that (i) the RSU Grants are to recognize and reward the grantees' contributions to the Company's development; (ii) the grantees are senior management and core personnel which are critical to the future development of the Company; (iii) it is a common market practice to grant share awards or restricted share units to motivate and retain employees; and (iv) the dilution effect on the shareholding interests of the existing Shareholders of the Company is immaterial as discussed in the section headed "(3) Dilution effect on the existing Shareholders' shareholding" below, we are of the view that the RSU Grants are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Independent Shareholders as a whole.

### (2) Comparable analysis of the RSU Grants

To assess the fairness and reasonableness of the terms of the RSU Grants, we have conducted searches on the grant of share awards (including restricted share units) to connected persons announced by companies listed on the Main Board of the Stock Exchange with market capitalisation between HK\$20 billion to HK\$200 billion which we consider to be of comparable size to the Company from 1 January 2023 to 31 March 2023 (the "**Review Period**"), being three months prior to the date of the announcement of the 2023 RSU Grant. We consider the Review Period to be fair and representative as it provides a reasonable number of samples to reflect the latest market practice of similar transactions.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of 8 companies (the “**Comparables**”) based on the above selection criteria. Although the Comparables might have different principal business activities, profitability and financial position as compared with those of the Company, and the conditions of the grant of the Comparables also vary, we consider that the Comparables can provide us a general reference of companies listed on the Main Board of the Stock Exchange granting share awards. Set out below are the summaries of the share awards or restricted shares granted by the Comparables during the Review Period:

Company (Stock code)	Date of announcement	Number of connected person(s) receiving share award or restricted share units	Market value of the share award or restricted share units granted to each individual connected person(s) as at the date of grant (A) HK\$'000	Percentage of shares (to be) granted to each individual connected person(s) to the total issued share capital as at the date of relevant announcement (B) %	Percentage of total number of shares (to be) granted to the connected person(s) to the total issued share capital as at the date of relevant announcement (C) %	Vesting date/period
ASMPT Limited (522)	30/3/2023	2	5,226 to 8,961	0.0200% to 0.0300%	0.0500%	15 December 2023
Innovent Biologics, Inc. (1801)	30/3/2023	2	23,484 to 85,172	0.0437% to 0.1584%	0.2020%	75% shall vest on March 30, 2026 25% shall vest on March 30, 2027
Fosun International Limited (656)	29/3/2023	10	142 to 15,921	0.0003% to 0.0341%	0.1063%	33% on 29 March 2024 33% on 29 March 2025 34% on 29 March 2026
KE Holdings Inc. (2423)	29/3/2023	1	669	0.0004%	0.0004%	Fully vested on the date of grant
KANZHUN LIMITED (2076)	28/3/2023	1	6,626	0.0128%	0.0128%	Vest in equal portions on each of the first, second, third and fourth anniversary of the date of the grants
Standard Chartered PLC (2888)	14/3/2023	2	21,157 to 33,095	0.0093% to 0.0146%	0.0239%	Vest pro rata over years 3 to 7 with an additional retention period of 12 months
Zai Lab Limited (9688)	6/3/2023	1	5,850	0.0187%	0.0187%	One-third of 18,332 ADSs shall vest on each anniversary of the date of grant for the next three years
Genscript Biotech Corporation (1548)	18/1/2023	5	417	0.0007%	0.0035%	Vested in three batches and that the last batch of the RSA Shares A will be vested on 17 December 2025
	<b>Max</b>		<b>85,172</b>	<b>0.1584%</b>	<b>0.2000%</b>	
	<b>Min</b>		<b>142</b>	<b>0.0004%</b>	<b>0.0004%</b>	
	<b>Average</b>		<b>10,081</b>	<b>0.0172%</b>	<b>0.0520%</b>	
<b>The Company (981)</b>	<b>2022 RSU Grant</b>		<b>4,201</b>	<b>0.0035%</b>	<b>0.0035%</b>	

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Company (Stock code)	Date of announcement	Number of connected person(s) receiving share award or restricted share units	Market value of the share award or restricted share units granted to each individual connected person(s) as at the date of grant (A) HK\$'000	Percentage of shares (to be) granted to each individual connected person(s) to the total issued share capital as at the date of relevant announcement (B) %	Percentage of total number of shares (to be) granted to the connected person(s) to the total issued share capital as at the date of relevant announcement (C) %	Vesting date/period
	2023 RSU Grant		545 to 2,968	0.0004% - 0.0020%	0.0118%	

***Number of Restricted Share Units to be granted***

As shown in column B of the above table, the percentage of Shares to be granted to each individual connected person to total issued shares of the Company was approximately 0.0035% under the 2022 RSU Grant and ranged from approximately 0.0004% to 0.0020% under the 2023 RSU Grant, which is within the range of approximately 0.0004% to 0.1584% of that of the Comparables. As shown in column C of the above table, the percentage of total number of Hong Kong Shares to be granted to total issued shares of the Company of approximately 0.0035% and 0.0118% under 2022 RSU Grant and 2023 RSU Grant respectively are lower than the average of that of the Comparables of 0.0520%.

In addition, column A of the above table shows that the market value of the share award or restricted share units granted by the Comparables to each of their individual connected person as at the date of grant ranged from approximately HK\$0.14 million to HK\$85.17 million, with an average of approximately HK\$10.08 million. The market value of the Restricted Share Units to be granted to each individual connected person as at the date of grant under the 2022 RSU Grant and 2023 RSU Grant was approximately HK\$4.20 million and ranged from approximately HK\$0.55 million to HK\$2.97 million respectively, both of which are lower than the average and fall within the range of the Comparables.

Considered that the size and market value of the RSU Grants to each individual connected person are smaller than the average of the Comparables, we concur with the Directors' view that the Company is not over-rewarding the grantees in terms of the number of Restricted Share Units to be granted.

***Vesting period***

As illustrated in the table, other than those vested immediately, the vesting period of the Comparables ranged from approximately nine months to seven years, with each vesting tranche ranging from approximately 25% to 75%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The vesting period for the grant of Restricted Share Units to two connected grantees being independent non-executive Directors, namely Professor Lau Lawrence Juen-Yee and Dr. Fan Ren Da Anthony, are shorter than 12 months, and has been approved by the Compensation Committee. We understand that the Company may allocate share awards in batches throughout the year due to its administrative arrangement, whereas certain share awards which were originally planned for earlier distribution had to be postponed until the following year due to administrative reasons. Considered that (i) the vesting period may be adjusted to account for the delay and become less than 12 months; and (ii) the Compensation Committee has the flexibility to set a suitable vesting period based on the Company's circumstances, we are of the view that a vesting period of less than 12 months is fair and reasonable. For the remaining nine connected grantees under the RSU Grants, the vesting period for their grant of Restricted Share Units is up to three years which is within the range of the Comparables.

Having considered that (i) size and market value of the RSU Grants to each individual connected person are smaller than the average of the Comparables; (ii) the vesting period is in line with the Company's remuneration policy and is within the range of the Comparables, we are of the view that the terms and size of the RSU Grants are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (3) Dilution effect on the existing Shareholders' shareholding

As at the Latest Practicable Date, the Company had 7,925,055,274 Shares in issue. As per 2022 RSU Grant, the grant of 277,500 Restricted Share Units, represent approximately 0.0035% of the total issued share capital of the Company as at the Latest Practicable Date. As per 2023 RSU Grant, the grant of 937,889 Restricted Share Units, representing approximately 0.0118% of the total issued share capital of the Company as at the Latest Practicable Date. With reference to the section headed "Impact on the shareholding structure of the Company" in this Circular, the shareholding interests of public Shareholders will be slightly diluted from (i) approximately 77.1993% to 77.1966% and (ii) approximately 77.1993% to 77.1901% of the total issued share capital of the Company as at the Latest Practicable Date immediately after the completion of the 2022 RSU Grant and the 2023 RSU Grant respectively. As such, the Directors are of the view and we concur that the RSU Grants represent minimal dilution to the public Shareholders.

### (4) Fairness and reasonableness of the remuneration package

The Company is principally engaged in the manufacture and sale of semiconductor products. To access the fairness and reasonableness of the RSU Grants on top of the remuneration, we have identified, with best efforts, 3 companies (the "Reference Companies") which we consider to be an exhaustive and representative list of comparable companies based on the following selection criteria: (i) the companies are listed on the Main Board of the Stock Exchange; (ii) the companies are principally engaged in semiconductor industry with over 50% of revenue generated from manufacturing and sales of semiconductor and/or integrated circuits products; and (iii) the companies had a market capitalization of over HK\$1 billion as at the Latest Practicable Date. We have made reference to and considered their respective remuneration of the executive directors, chief executive officers and independent non-executive directors based on its latest annual report. Although the Reference Companies are engaged in semiconductor industry, it should be noted that the financial performance, scale of operation, market capitalization and remuneration composition of the Reference Companies may be different from that of the Company.

Set out below is a summary of the remuneration of the executive directors, chief executive officers and independent non-executive directors of the Reference Companies:

Company Name (Stock code)	Name	Position	Percentage of the total remuneration	
			Total remuneration for the year ended 31 December 2022 <i>(Note 1)</i>	to the total operating expenses for the year ended 31 December 2022 <i>(Note 2)</i>
Hua Hong Semiconductor Limited (1347)	Mr. Junjun Tang	Executive director and chief executive	USD724,000	0.052%
Hua Hong Semiconductor Limited (1347)	Mr. Stephen Tso Tung Chang	Independent non-executive director	USD78,000	0.006%
Hua Hong Semiconductor Limited (1347)	Mr. Kwai Huen Wong, JP	Independent non-executive director	USD78,000	0.006%
Hua Hong Semiconductor Limited (1347)	Mr. Long Fei Ye	Independent non-executive director	USD78,000	0.006%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name (Stock code)	Name	Position	Percentage of the total remuneration	
			Total remuneration for the year ended 31 December 2022 <i>(Note 1)</i>	to the total operating expenses for the year ended 31 December 2022 <i>(Note 2)</i>
Solomon Systech (International) Limited (2878)	Mr. Wang Wah Chi, Raymond	Executive director and chief executive officer	USD756,000	0.458%
Solomon Systech (International) Limited (2878)	Mr. Leung Heung Ying	Independent non-executive director	USD55,000	0.033%
Solomon Systech (International) Limited (2878)	Mr. Sheu Wei Fu	Independent non-executive director	USD52,000	0.032%
Solomon Systech (International) Limited (2878)	Dr. Chan Philip Ching Ho	Independent non-executive director	USD53,000	0.032%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Jiang Guoxing	Executive director	RMB300,000	0.019%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Shi Lei	Executive director	RMB4,112,531	0.255%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Yu Jun	Executive director	RMB2,936,980	0.182%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Ms. Cheng Junxia	Executive director	RMB1,401,050	0.087%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Guo Li	Independent non-executive director	RMB200,004	0.012%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Cao Zhongyong	Independent non-executive director	RMB200,004	0.012%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Cai Minyong	Independent non-executive director	RMB116,669	0.007%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Mr. Wang Pin	Independent non-executive director	RMB83,335	0.005%
Shanghai Fudan Microelectronics Group Company Limited (1385)	Ms. Zou Fuwen <i>(Note 3)</i>	Independent non-executive director	RMB116,669	0.007%
		<b>Overall</b>	<b>Max</b>	<b>0.458%</b>
			<b>Min</b>	<b>0.005%</b>
			<b>Average</b>	<b>0.080%</b>
		<b>Executive director and/or chief executive officer</b>	<b>Max</b>	<b>0.458%</b>
			<b>Min</b>	<b>0.019%</b>
			<b>Average</b>	<b>0.176%</b>
		<b>Independent non-executive director</b>	<b>Max</b>	<b>0.033%</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name (Stock code)	Name	Position	Total remuneration for the year ended 31 December 2022	Percentage of the total remuneration to the total operating expenses for the year ended 31 December 2022
			(Note 1)	(Note 2)
			Min	0.005%
			Average	0.016%

*Notes:*

1. Total remuneration includes salaries and other allowances, performance-related bonus, equity-settled share option expense, retirement benefit scheme contributions as extracted from the latest annual reports of the respective companies.
2. Total operating expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses.
3. Ms. Zou Fuwen was appointed as independent non-executive director with effect from 2 June 2022 and hence the figure did not reflect the annual remuneration. Therefore, the amount is not meaningful and excluded for our analysis.

We have assessed the estimated recalculated remuneration of the grantees, including the estimated expenses of the Restricted Share Units vested in first batch. Based on the audited remuneration of the grantees and the audited total operating expenses for the year ended 31 December 2022 as provided by the Company, the estimated percentage of the recalculated remuneration of the grantees to the total operating expenses for the year 2022 are as follow:

Name	Position	Estimated expenses for the RSU Grants	Remuneration for the year ended 31 December 2022	Recalculated remuneration for the year ended 31 December 2022	Percentage of the recalculated remuneration to the total operating expenses
		(Note 1) (USD'000) A	(Note 2) (USD'000) B	(USD'000) C = A + B	(Note 3)
<b>2022 RSU Grant</b>					
Academician Wu	Independent non-executive Director	237	27	264	0.005%
<b>2023 RSU Grant</b>					
Dr. Gao Yonggang	Chairman of the Board and executive Director	205	1,548	1,753	0.030%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Name	Position	Estimated expenses for the RSU Grants (Note 1) (USD'000) A	Remuneration for the year ended 31 December 2022 (Note 2) (USD'000) B	Recalculated remuneration for the year ended 31 December 2022 (USD'000) C = A + B	Percentage of the recalculated remuneration to the total operating expenses (Note 3)
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	237	83	320	0.006%
Dr. Fan Ren Da Anthony	Independent non-executive Director	237	88	325	0.006%
Dr. Zhao Haijun	Co-chief executive officer	205	1,549	1,754	0.030%
Dr. Liang Mong Song	Co-chief executive officer	205	1,540	1,745	0.030%
Other awardees 5 awardees		38 to 117	NA (Note 4)	NA (Note 4)	Within the range of the Reference Companies

*Notes:*

- The estimated expenses for each of the awardees is calculated based on the closing market price per Share of HK\$19.68 as at the Latest Practicable Date times the number of Shares vested in the first batch based on the average exchange rate of HK\$1=US\$0.13 for illustrative purpose only. For the avoidance of doubt, the aforesaid value may be different from the reported share-based payment expenses to be included in the Company's annual reports.
- Remuneration includes salaries and other allowances, performance-related bonus, equity-settled share option expense, retirement benefit scheme contributions as extracted from the 2022 Annual Report and management accounts provided by the Company.
- Total operating expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses. The total operating expenses amounted to approximately USD5,773 million for the year ended 31 December 2022.
- The information is not disclosed for confidential reason.

***Executive Directors' and/or chief executive officers' remuneration comparison***

The percentage of the recalculated remuneration (C) of the executive Director and chief executive officer to the total operating expenses was approximately 0.030%, which is within the range of approximately 0.019% to 0.458% of the executive directors and/or chief executive of the Reference Companies and lower than the average of approximately 0.176%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Independent non-executive Directors' remuneration comparison*

The percentage of the recalculated remuneration (C) of the independent non-executive Directors to the total operating expenses ranged from approximately 0.005% to 0.006%, which is within the range of approximately 0.005% to 0.033% of the independent non-executive directors of the Reference Companies and lower than the average of approximately 0.016%.

### *Subsidiary Directors' remuneration comparison*

As there is limited disclosure on the remuneration of subsidiary directors, we have made reference to the overall statistics of the Reference Companies instead. The percentage of the recalculated remuneration (C) of the Company's subsidiary Directors to the total operating expenses is within the range of the Reference Companies.

In view that (i) the percentage of the recalculated remuneration of the grantees to the total operating expenses are in line with those of the Reference Companies; and (ii) the total remunerations of the grantees represent an insignificant portion of the total operating expenses of the Company and hence the financial impact of the such grant will be minimal, we are of the view that the RSU Grants as part of the remunerations to the grantees are fair and reasonable so far as the Independent Shareholders are concerned.

Save for the expenses relating to the allotment and issue of the Restricted Share Units, there will be no substantial cash outflow by the Company under the RSU Grants.

## RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the RSU Grants are in the ordinary and usual course of business of the Group; and (ii) the terms are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committees to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,  
For and on behalf of  
**FDB Financial Group Limited**

**Wallace Cheung**  
*Executive Director*

*Note: Mr. Wallace Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of FDB Financial Group Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in the corporate finance industry.*



*The following sets out the details of the Directors who shall retire and, being eligible, offer themselves for re-election at the AGM pursuant to the Existing Memorandum and Articles of Association.*

**Dr. Gao Yonggang, aged 58, Chairman of the Board, Executive Director**

Dr. Gao Yonggang was appointed as a non-executive Director on 23 June 2009, and currently serves as the Chairman of the Board, an executive Director, and also a director or chairman of several subsidiaries and affiliated companies of the Company. Dr. Gao is currently the chairman of JCET Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 600584), and an independent director of iRay Technology Company Limited (a company listed on Shanghai Stock Exchange: 688301), and also a standing committee member of the Accounting Society of China, a founding director of the Hong Kong Independent Non-Executive Director Association, a vice president of the China Federation of Electronics and Information Industry and a standing committee member of China Center for International Economic Exchanges, etc. Dr. Gao has more than 30 years of experience in the area of corporate management and served as chief person in charge of finance or corporate in various enterprises or organizations. Dr. Gao was the Chief Accountant of China Academy of Telecommunications Technology, and the Chairman of Datang Telecom Group Finance Co., Ltd. Dr. Gao holds a Ph.D. in management from Nankai University.

Dr. Gao will enter into a service contract with the Company immediately after being re-elected in the AGM, the term of which will commence on the date of the re-election, subject to re-election by the Shareholders in the subsequent annual general meetings of the Company in accordance with the Articles of Associations. The service contract of Dr. Gao shall continue in force after being re-elected until terminated by the occurrence of the circumstances specified in the said service contract. As chairman of the Board and an executive Director, Dr. Gao is currently entitled to an annual cash compensation of RMB3.34 million and annual incentive. Among which, the annual incentives will be determined by the Board with reference to the performance of the Group and his personal performance according to the Company's Policy on Directors' and Senior Management's Remuneration. Dr. Gao's remuneration package was determined by the Board according to the Company's Policy on Directors' and Senior Management's Remuneration and with reference to the recommendation of the compensation committee. The total amount of Dr. Gao's emoluments for the year ended 31 December 2022 comprised (i) salaries, fees, bonus and benefits and state-managed pension of US\$1,548,000; and (ii) equity-settled share-based payments of US\$483,000.

As at the Latest Practicable Date, Dr. Gao is interested in (i) the share options of the Company exercisable into 882,878 Hong Kong Shares granted to him by the Company pursuant to the 2014 Stock Option Plan; and (ii) 1,024,616 RSUs granted to him by the Company pursuant to the 2014 Equity Incentive Plan (of which 159,565 RSUs are subject to the Independent Shareholder's approval at the AGM) within the meaning of Part XV of the SFO.

Save as disclosed above, Dr. Gao (i) does not hold any other position with any members of the Group, (ii) is not related to any other Director, senior management, substantial shareholder or controlling shareholder (as respectively defined in the Hong Kong Listing Rules) of the Company, (iii) is not interested in other Shares within the meaning of Part XV of the SFO, and (iv) did not hold any directorships in other listed public companies in the last three years.

Save as disclosed above, there is no other matters concerning Dr. Gao's standing for re-election as a Director that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

**Dr. Liu Xunfeng, aged 58, Vice Chairman, Executive Director**

Dr. Liu Xunfeng serves as the Vice Chairman and an executive Director of the Company upon his appointment on 11 May 2023, and concurrently serves as secretary of the Party Committee and chairman of Shanghai Huayi Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 600623), chairman of Shanghai Huayi Holding Group Co., Ltd., vice chairman of Shanghai Chemical Industry Park Development Co., Ltd. (SCIP), also serves as member of the 14th National Committee of the Chinese People's Political Consultative Conference, vice president of China Petroleum and Chemical Industry Federation, president of Shanghai Society for Advanced Materials. Dr. Liu has long tenured in large industrial group and has more than 30 years of experience in corporate management. He had successively served as the deputy chief engineer of the ethylene plant, deputy director of the investment engineering department, assistant to the general manager, and deputy general manager of SINOPEC Shanghai Petrochemical Co., Ltd., vice general manager of Shanghai Secco Petrochemical Company Limited, deputy general manager of Shanghai Chemical Industry Park Development Co., Ltd. (SCIP), deputy secretary of the Party Committee, president, secretary of the Party Committee and chairman of Shanghai Huayi (Group) Co., Ltd.. He has successively won the titles of Shanghai Industrial and Commercial Leader and Shanghai Outstanding Entrepreneur, etc.. Dr. Liu holds a Ph. D. in management science and engineering from Xi'an Jiaotong University, a Master's degree in business administration from China Europe International Business School, a Master's degree in chemical engineering from the Chemical Engineering Department of East China Institute of Chemical Technology (now known as East China University of Science and Technology), and a professorate senior engineer.

Dr. Liu has entered into a service contract with the Company for a term commencing on 11 May 2023, subject to re-election by the Shareholders in the subsequent annual general meetings of the Company in accordance with the Articles of Associations. The service contract of Dr. Liu shall continue in force after being re-elected until terminated by the occurrence of the circumstances specified in the said service contract. As vice chairman of the Board and an executive Director, Dr. Liu is currently entitle to an annual base salary of RMB3.34 million plus annual incentives. Among which, the annual incentives will be determined by the Board with reference to the performance of the Group and his personal performance according to the Company's Policy on Directors' and Senior Management's Remuneration. Dr. Liu's remuneration package was determined by the Board according to the Company's Policy on Directors' and Senior Management's Remuneration and with reference to the recommendation of the compensation committee of the Company.

As at the Latest Practicable Date, Dr. Liu does not have any interest in any Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Dr. Liu (i) does not hold any other position with any members of the Group, (ii) is not related to any other Director, senior management, substantial shareholder or controlling shareholder (as respectively defined in the Hong Kong Listing Rules) of the Company, (iii) is not interested in other Shares within the meaning of Part XV of the SFO, and (iv) did not hold any directorships in other listed public companies in the last three years.

Save as disclosed above, there is no other matters concerning Dr. Liu's standing for re-election as a Director that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

**Mr. Lu Guoqing, aged 60, Non-Executive Director**

Mr. Lu Guoqing serves as a non-executive Director of the Company upon his appointment on 13 May 2021. Mr. Lu has long tenured in technology research and development and enterprise management positions. He has served as the main person in charge of the enterprise for many years and has rich experience in operation and management. He is currently the secretary of the Party Committee and chairman of CICT, the secretary of the Party Committee, chairman, president of FiberHome Technologies Group Co., Ltd. and the secretary of the Party Committee, chairman, general manager of Wuhan Research Institute of Posts and Telecommunications. In addition, Mr. Lu served as the chairman of Fiberhome Communication Technologies Co., Ltd. (a company listed on Shanghai Stock Exchange: 600498) from August 2016 to May 2022, the chairman of Wuhan Ligong Guangke Co., Ltd. (a company listed on Shenzhen Stock Exchange: 300557) from August 2016 to May 2020. Mr. Lu is a professorate senior engineer who holds a Bachelor's degree in industrial instrumentation and automation from Tsinghua University and a Master's degree in management from Huazhong University of Science and Technology.

Mr. Lu will enter into a service contract with the Company immediately after being re-elected in the AGM, the term of which will commence on the date of the re-election, subject to re-election by the Shareholders in the subsequent annual general meetings of the Company in accordance with the Articles of Associations. The service contract of Mr. Lu shall continue in force after being re-elected until terminated by the occurrence of the circumstances specified in the said service contract. Mr. Lu has confirmed that he will not accept any remuneration as a Director after re-election. The total amount of Mr. Lu's emoluments for the year ended 31 December 2022 comprised (i) salaries, fees, bonus and benefits and state-managed pension at nil and (ii) equity-settled share-based payments of US\$78,000.

As at the Latest Practicable Date, Mr. Lu does not have any interest in any Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lu (i) does not hold any other position with any members of the Group, (ii) is not related to any other Director, senior management, substantial shareholder or controlling shareholder (as respectively defined in the Hong Kong Listing Rules) of the Company, (iii) is not interested in other Shares within the meaning of Part XV of the SFO, and (iv) did not hold any directorships in other listed public companies in the last three years.

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**APPENDIX I****DETAILS OF THE DIRECTORS PROPOSED TO BE  
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

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Save as disclosed above, there is no other matters concerning Mr. Lu's standing for re-election as a Director that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

**Mr. Yang Lumin, aged 44, Non-Executive Director**

Mr. Yang Lumin serves as a non-executive Director of the Company upon his appointment on 10 November 2022 and also serves as a director of China IC Fund and a director of China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. Mr. Yang worked in the International Finance Bureau, Investment Business Bureau, Personnel Bureau, Jiangsu Branch of China Development Bank, and China Development Bank Capital Co., Ltd. He is currently the deputy secretary of the Party Committee, the president and a director of Sino IC Capital Co., Ltd. Mr. Yang is a senior economist, and obtained his master's degree in finance from Peking University in 2003.

Mr. Yang has entered into a service contract with the Company for a term commencing on 10 November 2022, subject to re-election by the Shareholders in the subsequent annual general meetings of the Company in accordance with the Articles of Associations. The service contract of Mr. Yang shall continue in force after being re-elected until terminated by the occurrence of the circumstances specified in the said service contract. Mr. Yang has confirmed that he will not receive any remuneration as a Director after re-election. There were no emoluments paid to Mr. Yang for the year ended 31 December 2022.

As at the Latest Practicable Date, Mr. Yang does not have any interest in any Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Yang (i) does not hold any other position with any members of the Group, (ii) is not related to any other Director, senior management, substantial shareholder or controlling shareholder (as respectively defined in the Hong Kong Listing Rules) of the Company, (iii) is not interested in other Shares within the meaning of Part XV of the SFO, and (iv) did not hold any directorships in other listed public companies in the last three years.

Save as disclosed above, there is no other matters concerning Mr. Yang's standing for re-election as a Director that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

**Academician Wu Hanming, aged 71, Independent Non-Executive Director**

Academician Wu Hanming serves as an independent non-executive Director of the Company upon his appointment on 11 August 2022. Academician Wu is an expert in microelectronics technology, and is currently the dean of the School of Micro-Nano Electronics, Zhejiang University, the dean of the National Demonstration School of Microelectronics, University of Science and Technology of China, the chairman of Zhejiang ICsprout Semiconductor Co., Ltd., an independent director of Innotron Memory Co., Ltd., an independent director of BYD Semiconductor Company Limited, an independent director of Piotech Inc. (a company listed on Shanghai Stock Exchange: 688072), and an independent director of NAURA Technology

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**APPENDIX I****DETAILS OF THE DIRECTORS PROPOSED TO BE  
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

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Group Co., Ltd. (a company listed on Shenzhen Stock Exchange: 002371). He served as a senior engineer of Intel Corporation of the United States from September 1999 to August 2001, a technical director, vice president of the R& D department and consultant of Semiconductor Manufacturing International Corporation from August 2001 to October 2018, and an executive director of EtownIP Innovation Design Service Center (Ningbo) Co., Ltd. from October 2017 to February 2021. Academician Wu has been working in China's integrated circuit industry for a long time and has made outstanding contributions. Academician Wu has published 116 papers and has been granted 67 invention patents. Academician Wu was selected as the first "Beijing Scholar", and awarded the title of "the top 10 national outstanding scientists and engineers" and "national outstanding professional and technical talents", etc. He was also the chairman of the China Semiconductor Technology International Conference (CSTIC). Academician Wu obtained his Ph.D. from the Institute of Mechanics, Chinese Academy of Sciences in 1987. In 2019, he was elected as an academician of the Chinese Academy of Engineering.

Academician Wu will enter into a service contract with the Company immediately after being re-elected in the AGM, the term of which will commence on the date of the re-election, subject to re-election by the Shareholders in the subsequent annual general meetings of the Company in accordance with the Articles of Associations. The service contract of Academician Wu shall continue in force after being re-elected until terminated by the occurrence of the circumstances specified in the said service contract. Academician Wu is currently entitled to (i) an annual cash salary of US\$55,000 comprising US\$45,000 for serving as an independent non-executive Director, US\$5,000 for serving as a member of the nomination committee of the Board and US\$5,000 for serving as a member of the strategic committee of the Board and (ii) 277,500 RSUs to be granted for serving as an independent non-executive Director. Academician Wu's compensation package was determined by the Board according to the Company's Policy on Directors' and Senior Management's Remuneration and with reference to the recommendation of the Compensation Committee. The total amount of Academician Wu's emoluments for the year ended 31 December 2022 comprised (i) salaries, fees, bonus and benefits of US\$27,000 and (ii) equity-settled share-based payments of US\$144,000.

As at the Latest Practicable Date, Academician Wu is interested in 277,500 RSUs granted to him by the Company pursuant to the 2014 Equity Incentive Plan (subject to the Independent Shareholder's approval at the AGM) within the meaning of Part XV of the SFO.

Save as disclosed above, Academician Wu (i) does not hold any other position with any members of the Group, (ii) is not related to any other Director, senior management, substantial shareholder or controlling shareholder (as respectively defined in the Hong Kong Listing Rules) of the Company, (iii) is not interested in other Shares within the meaning of Part XV of the SFO, and (iv) did not hold any directorships in other listed public companies in the last three years.

Save as disclosed above, there is no other matters concerning Academician Wu's standing for re-election as a Director that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

*This is an explanatory statement given to all Shareholders relating to resolution no. 6 on the notice of AGM at pages 135 to 143 of this circular (the “**Resolution**”) to be considered, and if thought fit, passed by the Shareholders at the AGM authorizing the Repurchase Mandate.*

### **HONG KONG LISTING RULES RELATING TO REPURCHASE OF SHARES**

This explanatory statement contains the information required by the Hong Kong Listing Rules, which provide that all repurchases of its own shares by a company with its primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate to its directors to make such repurchases or by specific approval in relation to specific transactions and that the shares to be repurchased must be fully paid up.

### **SHARE CAPITAL**

It is proposed that the Repurchase Mandate will authorize the repurchase by the Company of up to 10% of the Hong Kong Shares in issue as at the date of passing the Resolution. As at the Latest Practicable Date, the authorized share capital of the Company is US\$42,000,000 consisting of 10,000,000,000 Common Shares, each with a par value of US\$0.004 and 500,000,000 Preferred Shares, each with a par value of US\$0.004; and the issued share capital of the Company is approximately US\$31,700,221 comprising 7,925,055,274 Common Shares in issue, which comprises 5,967,652,554 Hong Kong Shares and 1,957,402,720 RMB Shares. Subject to the passing of the Resolution at the AGM and on the basis that no new Common Shares will be issued or repurchased up to the date of passing the Resolution, the Company would be authorized under the Repurchase Mandate to repurchase a maximum of 596,765,255 Hong Kong Shares (being 10% of the Hong Kong Shares in issue) during the period in which the Repurchase Mandate remains in force.

### **REASONS FOR REPURCHASE**

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase the Hong Kong Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings (in each case on a per Share basis) and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

### **FUNDING FOR REPURCHASE**

Any repurchase of securities of the Company would be made out of funds legally available for such purpose in accordance with the memorandum and articles of association of the Company for the time being in force, the applicable laws and regulations of the Cayman Islands and the Hong Kong Listing Rules. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

**GENERAL**

There might be a material adverse impact on the working capital or gearing position of the Company as disclosed in the audited financial statements of the Company for the year ended 31 December 2022 in the event that the Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

**DISCLOSURE OF INTERESTS**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell the Hong Kong Shares to the Company.

No connected person of the Company has notified the Company that he has a present intention to sell the Hong Kong Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

**UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Hong Kong Listing Rules and the applicable laws and regulations of the Cayman Islands.

## SHARE PRICES

During each of the twelve months preceding the Latest Practicable Date, the highest and lowest prices at which the Hong Kong Shares have been traded on the Stock Exchange were as follows:

	<b>Highest</b> <i>(HK\$)</i>	<b>Lowest</b> <i>(HK\$)</i>
<b>2022</b>		
May	17.36	15.16
June	18.86	17.02
July	17.60	15.90
August	17.90	15.28
September	16.60	15.00
October	17.20	15.16
November	17.94	16.34
December	18.18	15.76
<b>2023</b>		
January	18.40	16.82
February	18.02	16.04
March	18.94	15.70
April	25.60	20.00
May (up to the Latest Practicable Date)	22.50	19.26

## EFFECT OF THE TAKEOVERS CODE

If on exercise of the powers of repurchase pursuant to the Repurchase Mandate, the proportionate interest in the voting rights of the Company of a Shareholder increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, (i) China Information and Communication Technology Group Co., Ltd. ("**CICT**"), a substantial shareholder of the Company, was interested in 1,189,323,450 Common Shares, representing approximately 15.01% of the issued share capital of the Company; and (ii) China Integrated Circuit Industry Investment Fund Co., Ltd. ("**China IC Fund**"), a substantial shareholder of the Company, was interested in 617,214,804 Common Shares, representing approximately 7.79% of the issued share capital of the Company.

Based on such interests and assuming that no further Shares are issued or repurchased prior to the date of the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed Repurchase Mandate, the interests of CICT and China IC Fund will be increased to 16.23%, and 8.42% of the issued share capital of the Company, respectively. In this regard, as



at the Latest Practicable Date, the Directors are not aware of the consequences of any increase in the voting rights of any existing Shareholder resulting from an exercise in full by the Directors of the power to repurchase securities of the Company under the proposed Repurchase Mandate that will result in such person becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, approximately 75.36% of the issued share capital of the Company was held in public hands. Based on such percentage of shareholding and assuming that no further Shares are issued or repurchased prior to the date of the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed Repurchase Mandate, approximately 73.36% of the issued share capital of the Company will be held in public hands. The Directors have no present intention to exercise the proposed Repurchase Mandate to such extent as will result in less than 25% of the issued share capital of the Company held in public hands.

**SHARE PURCHASE MADE BY THE COMPANY**

No purchase of Shares has been made by the Company on the Stock Exchange or otherwise in the six months immediately preceding the Latest Practicable Date.

**THE 2024 EQUITY INCENTIVE PLAN**

*The following is a summary of the principal terms of the 2024 Equity Incentive Plan (the “Plan”) but does not form part of, nor was it intended to be, part of the Plan nor should it be taken as effecting the interpretation of the Plan. The Directors reserve the right at any time prior to the AGM to make such amendments to the Plan as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.*

**1. Purpose of the Plan**

The purposes of the Plan are to attract, retain and motivate members of the Board and the employees of the Group; to provide a means compensating them for their contributions to the growth and profits of the Group; and to allow such members of the Board and the employees of the Group to participate in such growth and profitability.

**2. Administration**

The Compensation Committee has the power to administer the Plan, whose responsibilities include selecting Eligible Participants and making the Awards in accordance with the Plan, varying the terms of Awards applicable to the Eligible Participants. The Compensation Committee is not obliged to grant Awards to Eligible Participants in uniform terms. Accordingly, the terms and conditions which may be imposed may vary between Eligible Participants. The Compensation Committee may appoint an individual or individuals (each an “Administrator”) to assist in the administration of the Plan and delegate some or all of its authority under the Plan to such Administrator. The decisions of the Compensation Committee or the Administrator on all matters in relation to the Plan or its interpretation or effect shall be final, binding and conclusive upon all persons interested thereby.

Anything in the Plan to the contrary notwithstanding, any authority or responsibility that, under the terms of the Plan, may be exercised by the Compensation Committee, may alternatively be exercised by the Board, unless such exercise of authority by the Board would contravene applicable laws and rules.

**3. Term of the Plan**

The Plan shall be valid and effective for a period of ten years commencing from the Effective Date (“Term”).

**4. Eligible Participants**

The Eligible Participants under the Plan include any employees or directors of members of the Group and persons who are expected to become employees or directors of the Group to enter into employment or service contracts but effective no earlier than the date on which such individual begins to provide services to the Group.

Awards may be granted by the Compensation Committee to Eligible Participants in connection with any employee benefit plan of the Group (including the Plan). An individual's status as an Administrator will not affect his or her eligibility to participate in the Plan as long as it is an Eligible Participant.

## 5. Scheme Mandate Limit and Restrictions

### (a) *Scheme Mandate Limit*

The total number of Hong Kong Shares which may be issued upon vesting of all Awards to be granted under the Plan and any other schemes of the Group shall not in aggregate exceed 10% of the Hong Kong Shares in issue as at the date of approval of the Plan (the “**Scheme Mandate Limit**”), unless otherwise approved by the Shareholders under the Hong Kong Listing Rules or the rules of the Plan.

### (b) *Refreshment of the Scheme Mandate Limit*

The Company may seek Shareholders' approval in a general meeting for refreshing the Scheme Mandate Limit after three years from the date of the Shareholders' approval for the last refreshment (or the adoption of the Plan) and in accordance with the requirement under Chapter 17 of the Hong Kong Listing Rules.

The total number of Hong Kong Shares which may be issued in respect of all Awards to be granted under the Scheme Mandate Limit as “refreshed” must not exceed 10% of the relevant class of shares in issue as at the date of approval of the refreshed scheme mandate.

### (c) *Individual Limit*

Subject to 5(e) below, where any grant of an Award to an Eligible Participant would result in the Hong Kong Shares issued or to be issued in respect of all awards granted to such individual under the Plan or other share schemes of the Company (excluding any Awards that have been forfeited or lapsed in accordance with the terms of the Plan) in the 12-month period up to and including the date of such grant representing in the aggregate more than the limit set out in the Hong Kong Listing Rules (which is currently 1% of the Hong Kong Shares of the Company issued as of such date (the “**1% Individual Limit**”)), such grant must be separately approved by the Shareholders of the Company with such individual and his/her close associates (or associates if such individual is a connected person) abstaining from voting in accordance with the Hong Kong Listing Rules. The number and terms of Awards to be granted to such participant must be fixed before Shareholders' approval.

### (d) *Restrictions on voting*

Any trustee appointed by the Company under the Plan holding unvested Awards of the Plan, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Hong Kong Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

(e) *Award to connected persons*

Any grant of Award of new Shares to a director, chief executive or substantial shareholder (all with the meaning as ascribed under the Hong Kong Listing Rules) of the Company or any of their respective associates (also with the meaning as ascribed under the Hong Kong Listing Rules) must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is a prospective Eligible Participant).

Where any grant of Awards to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the Shares issued to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of Shares in issue, such further grant of awards must be approved by shareholders of the Company in general meeting.

Where any grant of Award to an independent non-executive director or a substantial shareholder of the Company or any of their respective associates, would result in the Shares issued to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such grant of Awards must be approved by the shareholders of the Company in general meeting (with such grantee, his associates and all core connected persons of the Company abstaining from voting in favour). In such connection, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing).

**6. Award of Awarded Shares**

The Company may (i) allot and issue Hong Kong Shares to the specified Eligible Participants; or (ii) if any such trustee was appointed, direct and procure the trustee to purchase existing Hong Kong Shares to satisfy the Awards granted. If any such trustee was appointed, the Company shall procure that sufficient funds are provided to the trustee to satisfy its obligations in connection with the administration of the Plan.

The terms and provisions of an Award shall be set forth in a written award document (“**Award Document**”) approved by the Compensation Committee and delivered or made available to the Eligible Participants as soon as practicable following the date of the Award. The vesting, settlement, payment and other restrictions, including but not limited to performance targets and other conditions applicable to an Award shall be set forth in the applicable Award Document.

The performance targets, if any, shall include Company and individual performance indicators (the “**Performance Measures**”), including but not limited to revenue, profit, project completion status and other relevant indicators. Each target can be presented on an absolute and/or relative basis. The achievement of the Performance Measures will determine the granting of the award to the Eligible Participant. The Compensation Committee may, at its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

An award of Restricted Share Units shall consist of a promise of the Company to pay or deliver one or more Hong Kong Share(s) on a specified date for a consideration equivalent to the aggregate par value of the number of Hong Kong Share(s) granted to the Eligible Participants (the “**Consideration**”) and the provision of services or such minimum payment as may be required by the applicable laws and rules or for such other consideration as the Compensation Committee may specify in connection with the grant. The Consideration shall be payable upon the acceptance of the grant of the Award but in any event no later than the date of vesting of the Awards and shall not be refundable to the holder of the Award. Restricted Share Units, in the form of Hong Kong Shares, shall vest and become non-forfeitable based upon an Eligible Participant’s continued service with or to the Group and shall be forfeited upon the occurrence of one or more events specified in the applicable Award Document.

#### 7. **Vesting Period**

Notwithstanding any other provision of the Plan to the contrary, Awards granted under the Plan shall vest no earlier than the first anniversary of the date on which the Award is granted. However, if an Award is granted to an Eligible Participant, the Compensation Committee may, in accordance with the rules under the Compensation Committee Charter and at its discretion, determine a shorter vesting period for such Award under any of the following circumstances:

- (i) where the Awards are subject to performance-based conditions and that the Compensation Committee or the Administrator is satisfied that such performance-based conditions had been fulfilled at the time of the grant of the Award;
- (ii) where the Awards are granted in batches for administrative or compliance reasons;
- (iii) where the Awards shall vest evenly over a period of 12 months or more;

- (iv) in cases of retirement, death, disability or a Change in Control of the Company, the Compensation Committee may accelerate the vesting of the Awards at its sole discretion as the Awards form part of the remuneration package of the relevant Eligible Participants and that given the changing market conditions and industry competition, the retirement and other circumstances may, on case by case basis, appropriate for the Company to vest the Awards with a shorter vesting period; or
- (v) where the Awards are granted to newly joined employees to replace their loss of awards when leaving their previous employer and as part of their remuneration package.

#### **8. Cancellation of Awards**

Where the Company cancels any Awards granted to an Eligible Participant and makes a new grant to the same Eligible Participant, such new grant of Award(s) may only be made with available Scheme Mandate Limit or the limits approved by the Shareholders pursuant to the Plan. The Awards cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit or the aforesaid limits.

#### **9. Lapse of Awards and Clawback**

Save as set out above where such Awards shall be cancelled, any unvested Awards shall be returned by the Eligible Participant and such Awards will automatically lapse immediately under the following non-exhaustive circumstances, including but not limited to:

- (i) such Eligible Participant's employment or service with the Group terminates for any reason, save as the retirement, death and disability and other special circumstances of the relevant Eligible Participant;
- (ii) the portion of the Awards subject to vesting which had not been vested due to the failure to achieve certain vesting condition; or
- (iii) the portion of the Awards subject to vesting which had not been vested due to violation of the internal code of the Group and had been subject to internal disciplinary action.

Any Awards that have lapsed can be re-granted by the Compensation Committee.

#### **10. Transferability**

Awards granted under this Plan must be personal to the respective Eligible Participant and no Awards may be transferred or assigned unless a written consent had been obtained by the Compensation Committee from the Hong Kong Stock Exchange. The Hong Kong Stock Exchange may consider granting a waiver to allow a transfer to a vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the scheme and comply with other requirements

of Chapter 17 of the Hong Kong Listing Rules. If an Eligible Participant transfers, assigns or disposes of any such Award or rights, whether voluntarily or involuntarily, then the relevant Award will immediately lapse.

**11. Lock-up**

Each Eligible Participant shall agree to be bound by the applicable terms of any lock-up agreement between the Group and any underwriter that restricts or prohibits transactions in Hong Kong Shares for any period of time.

**12. Change in Control**

The Compensation Committee may specify at or after the date of grant of an Award the effect that a Change in Control (as defined in the Plan) will have on such Award. The Compensation Committee may also, in contemplation of a Change in Control, accelerate the vesting, settlement or payment of Awards to a date prior to the Change in Control, if the Compensation Committee determines that such action is necessary or advisable to allow the participants to realize fully the value of their Awards in connection with such Change in Control.

**13. Change in Capitalisation**

The number and kind of Hong Kong Shares authorized for issuance under the various limits set forth in the Plan shall be equitably adjusted by the Compensation Committee in the event of a capitalization issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of the Company in accordance with applicable laws and the Hong Kong Listing Rules during the term of the Plan.

In addition, upon the occurrence of any of the foregoing events, the number of outstanding Awards and the number and kind of Hong Kong Shares subject to any outstanding Award and the purchase price per Hong Kong Share, if any, under any outstanding Award shall be equitably adjusted (including by payment of cash to an Eligible Participant) in order to preserve the benefits or potential benefits intended to be made available to Eligible Participants granted Awards.

**14. Alteration of the Plan and Awards**

These rules of the Plan may be altered by the prior sanction of a resolution passed by the Board provided that no such alteration (i) is material in nature; (ii) relates to any matters set out under Chapter 17 of the Hong Kong Listing Rules; or (iii) relates to the authority of the Compensation Committee to alter these rules of the Plan, where in any of such cases such alternation must be approved by shareholders of the Company in general meeting. The amended terms of the rules of the Plan must comply with all applicable laws and rules and regulations (including without limitation the Hong Kong Listing Rules).

Any change to the terms of Awards granted must be approved by the Board, the Compensation Committee, the independent non-executive Directors and/or the Shareholders of the Company (as the case may be) if the initial Awards was approved by the Board, the Compensation Committee, the independent non-executive Directors and/or the Shareholders (as the case may be).

The amended terms of the Plan must still comply with the relevant requirements of Chapter 17 of the Hong Kong Listing Rules and any change to the authority of the Directors or the Administrator to alter the terms of the scheme must be approved by Shareholders of the Company in general meeting.

#### **15. Termination**

The Board may terminate the Plan at any time before the expiry of the Term. Upon Termination of the Plan, no further Award shall be granted but the provisions of the Plan shall remain in full force and effect in all other respects. All Awards granted prior to such termination shall continue to be valid and exercisable subject to and in accordance with the Plan.

#### **16. Registration and Ranking of Shares**

A Hong Kong Share allotted upon the vesting of an Award shall not carry voting rights until completion of the registration of the Eligible Participant as the holder thereof. Hong Kong Shares allotted upon the vesting of an Award shall rank *pari passu* (including, but not limited to, with respect to voting, dividend and transfer rights and rights arising upon a liquidation) in all respects with the Hong Kong Shares in issue on the date of such allotment and will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force.





**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)*

**AMENDED AND RESTATED  
MEMORANDUM AND ARTICLES OF ASSOCIATION**

\* *For identification purpose only*

**Content**

MEMORANDUM OF ASSOCIATION . . . . . 73

ARTICLES OF ASSOCIATION . . . . . 75

CHAPTER 1 DEFINITIONS AND GENERAL PROVISIONS . . . . . 76

    (1) Definitions . . . . . 76

    (2) General Provisions . . . . . 78

CHAPTER 2 AUTHORIZED SHARE CAPITAL AND SHARES . . . . . 79

    (1) Authorized Share Capital and Issue of Shares . . . . . 79

    (2) Preferred Shares . . . . . 80

    (3) Common Shares . . . . . 81

    (4) Transfer of Shares . . . . . 81

    (5) Redemption and Repurchase of Shares . . . . . 82

    (6) Transmission of Shares . . . . . 83

    (7) Sale of Shares . . . . . 84

    (8) Share Certificates . . . . . 85

    (9) Register of Members . . . . . 85

CHAPTER 3 MEMBERS AND GENERAL MEETINGS . . . . . 86

    (1) Rights of Members . . . . . 86

    (2) Variation of Rights of Shares . . . . . 87

    (3) Authorities of General Meetings . . . . . 87

    (4) Convening of General Meetings . . . . . 89

    (5) Notice of General Meetings . . . . . 90

    (6) Proxy . . . . . 92

    (7) Proposed Business to be Transacted at General Meetings . . . . . 92

    (8) Proceedings at General Meetings . . . . . 95

    (9) Voting by Members and Passing of Resolutions at General Meetings . . . . . 96

CHAPTER 4 DIRECTORS AND THE BOARD . . . . . 97

    (1) Directors Appointment and Vacation of Office . . . . . 97

    (2) Remuneration and Interests of Directors . . . . . 98

    (3) Alternate Directors . . . . . 99

    (4) Authorities and Duties of the Board . . . . . 100

    (5) Delegation of the Power of the Board . . . . . 101

    (6) Notice of Board Meetings . . . . . 102

    (7) Proceedings at Board Meetings . . . . . 102

    (8) Voting and Resolutions at Board Meetings . . . . . 103

CHAPTER 5 SENIOR MANAGEMENT AND SECRETARY . . . . . 104

CHAPTER 6 FINANCIAL INFORMATION, PROFIT DISTRIBUTION AND AUDIT . . . . . 104

    (1) Financial Information . . . . . 104

    (2) Profit Distribution . . . . . 105

    (3) Appointment and Duties of Auditors . . . . . 107

CHAPTER 7 WINDING UP . . . . . 107

CHAPTER 8 INDEMNITY . . . . . 108

CHAPTER 9 NOTICES . . . . . 108

CHAPTER 10 MISCELLANEOUS . . . . . 109

    (1) Seal . . . . . 109

    (2) Transfer by way of Continuation . . . . . 109

**MEMORANDUM OF ASSOCIATION**

THE COMPANIES ACT (AS REVISED)  
EXEMPTED COMPANY LIMITED BY SHARES

**SEMICONDUCTOR MANUFACTURING  
INTERNATIONAL CORPORATION**

ELEVENTH AMENDED AND RESTATED  
MEMORANDUM OF ASSOCIATION  
(Approved and Adopted by way of a Special Resolution passed on [•••] 2023)

- 1 The name of the Company is **Semiconductor Manufacturing International Corporation**.
- 2 The registered office of the Company shall be at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, or at such other place as the Directors may decide from time to time.
- 3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or as the same may be revised from time to time, or any other law of the Cayman Islands.
- 4 The liability of each Member is limited to the payment in full of the amount from time to time unpaid on such Member's shares.
- 5 The share capital of the Company is US\$42,000,000 divided into (i) 10,000,000,000 common shares of a par value of US\$0.004 each and having the rights and privileges attached thereto as provided in the Company's Articles of Associations and (ii) 500,000,000 preferred shares of a par value of US\$0.004 each and having the rights and privileges attached thereto as provided in the Company's Articles of Association.
- 6 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
- 7 Capitalized terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

**ARTICLES OF ASSOCIATION**

THE COMPANIES ACT (AS REVISED)  
EXEMPTED COMPANY LIMITED BY SHARES

**SEMICONDUCTOR MANUFACTURING  
INTERNATIONAL CORPORATION**

THIRTEENTH AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION

(Approved and Adopted by way of a Special Resolution passed on [•••] 2023)

**CHAPTER 1 DEFINITIONS AND GENERAL PROVISIONS****(1) Definitions**

*Table A in the Schedule to the Companies Act does not apply to these Articles. In these Articles, unless the subject or context suggests otherwise, the following terms and expressions shall bear the following meanings.*

“Company”	Semiconductor Manufacturing International Corporation.
“Companies Act”	means the Companies Act (As Revised) Cap. 22 of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.
“Exchange Rules”	means the relevant codes, rules and regulations, as amended from time to time, applicable as a result of the original and continued listing of any shares on any Exchange.
“Memorandum”	means the memorandum of association of the Company, as amended from time to time by Special Resolution.
“Articles”	means these articles of association of the Company, as amended from time to time by Special Resolution.
“Share(s)”	means share(s) in the Company, including a fraction of a share.
“Common Shares”	means Shares that enjoy common rights and bear common obligations, having the meaning given in the Memorandum. Common Shares include those listed on the Exchanges in Mainland China and Hong Kong, with transactions denominated in local currencies.
“RMB Common Shares”	means Common Shares listed on the Exchanges in Mainland China which are subscribed in RMB, with transactions denominated in RMB. RMB means the lawful currency of the People’s Republic of China.
“Preferred Shares”	means Shares that enjoy priority over Common Shares in the distribution of profits and other matters of the Company, having the meaning given in the Memorandum.
“dividend”	includes interim dividends and bonus dividends.
“paid-up”	means paid-up and/or credited as paid-up.

“Member”	has the same meaning given in the Companies Act.
“Register of Members”	means the register maintained in accordance with the Companies Act and includes, unless otherwise stated, any duplicate Register of Members.
“Ordinary Resolution”	means a resolution passed by a simple majority of more than one-half (1/2) of the Members as, being entitled to do so, vote in person or by proxy, or, in the case of corporations, by duly authorized representatives, at a general meeting. In computing such simple majority when a poll is demanded, regard shall be made to the number of votes to which each Member is entitled by the Articles.
“Special Resolution”	means a resolution passed by at least three-fourths (3/4) of the Members as, being entitled to do so, vote in person or by proxy, or, in the case of corporations, by duly authorized representatives, at a general meeting. In computing such three-fourths requirement when a poll is demanded, regard shall be had to the number of votes to which each Member is entitled by the Articles.
“Board”	means the board of directors of the Company.
“Directors”	means the directors for the time being of the Company.
“Secretary”	means any person appointed to perform the duties of secretary of the Company.
“Auditors”	means the persons for the time being performing the duties of auditors of the Company.
“Physical Meeting”	means general meeting held and conducted by physical attendance and participation by Members and/or proxies.
“Electronic Meeting”	means general meeting held and conducted by attendance and participation by Members and/or proxies by means of electronic facilities, whilst such electronic facilities shall enable communication among attendees.
“Electronic Communication”	means communication sent, transmitted, conveyed and received by wire, radio, optical means or other similar means in any form through any medium.
“CSRC”	means the China Securities Regulatory Commission.

“Exchange”	means any securities exchange or other systems on which the Shares may be listed or otherwise authorized for trading from time to time.
“Recognized Clearing House”	shall have the meaning ascribed thereto in Part I of Schedule I of the Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong) and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.
“Registered Office”	means the registered office for the time being of the Company.
“Mainland China”	means the mainland of the People’s Republic of China.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“Seal”	means the common seal of the Company and includes every duplicate seal.
“Year”	means calendar year.
“Month”	means calendar month.

## **(2) General Provisions**

- 2.1 Words importing the singular number include the plural number and vice-versa;
- 2.2 Words importing the masculine gender include the feminine gender;
- 2.3 Words importing persons include corporations;
- 2.4 “Written” and “in writing” include all modes of representing or reproducing words in visible form, including in the form of electronic record (as defined under the Electronic Transaction Act (As Revised) of Cayman Islands);
- 2.5 References to provisions of any laws, rules or regulations and Exchange Rules shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;
- 2.6 Any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- 2.7 Headings are inserted for reference only and shall be ignored in construing these Articles;



- 2.8 References in these Articles to a document being “executed” include references to its being executed under hand or under seal or by any other method as authorized by the Company;
- 2.9 Any words or expressions defined in the Companies Act and any other applicable law in force shall, if not inconsistent with the subject or context in which they appear, have the same meaning in these Articles or that part save the word “company” includes any body corporate;
- 2.10 Reference to a meeting: (1) shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person; (2) shall mean a meeting convened and held in any manner permitted by these Articles; (3) shall, where the context is appropriate, include an adjourned meeting; and (4) for all purposes of applicable laws, regulations, the Exchange Rules and these Articles, terms such as attend, participate, attending, participating, attendance and participation shall bear the same meaning.
- 2.11 Where these Articles vest any power or authority to any person, this power or authority can be exercised on any number of occasions, unless otherwise stated in these Articles;
- 2.12 The Company shall comply with all applicable laws, rules or regulations and the Exchange Rules, regardless of whether any reference to such provisions is explicitly set out in these Articles.

## **CHAPTER 2 AUTHORIZED SHARE CAPITAL AND SHARES**

### **(1) Authorized Share Capital and Issue of Shares**

- 3 The authorized share capital of the Company at the date of the adoption of these Articles is US\$42,000,000.00, divided into 10,000,000,000 Common Shares of a par value of US\$0.004 each and 500,000,000 Preferred Shares of a par value of US\$0.004 each.
- 4 The Company may in a general meeting increase or decrease the total number of Shares authorized to be issued or the total number of issued Shares.
- 5 Subject to the provisions, if any, in the Memorandum and these Articles and the authorization obtained by the Company in a general meeting and without prejudice to any rights attached to any existing Shares, the Board may allot, issue or grant options or warrants over or otherwise dispose of any Shares (including fractions of any Shares) with or without preferred, deferred, qualified or other rights or restrictions, whether with regard dividend, voting, return of capital or otherwise, and to such persons at such times and on such other conditions as the Board considers proper. The Company shall not issue Shares to bearer.
- 6 The general meeting or the Board as authorized by the general meeting may issue warrants to subscribe for any class of Shares or other securities of the Company on such terms and conditions as it may from time to time determine. No warrants shall be issued to bearer by the Company.

- 7 Upon approval of the general meeting or approval of the Board as authorized by the general meeting, such number of Common Shares, or other Shares or securities of the Company, as may be required for such purposes shall be reserved for issuance in connection with an option, right, warrant or other security of the Company or any other person that is exercisable for, convertible into, exchangeable for or otherwise issuable in respect of such Common Shares or other Shares or securities of the Company.

**(2) Preferred Shares**

- 8 Preferred Shares may be issued from time to time in one or more series by the Company. When issuing Preferred Shares, the resolution providing for the issue of such series of Preferred Shares passed at the general meeting or the resolution by the Board (as authorized by the general meeting) shall state and express: name and designations of such Preferred Shares (including words indicating the voting powers attached thereto, if any, and including “restricted voting” or “limited voting” where the voting rights attached thereto are not the most favorable), voting powers (full or limited or without voting powers), preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof.
- 9 Subject to the Memorandum, these Articles, applicable laws and the express authorization of the general meeting of the Company, the Board may create one or more series of Preferred Shares on such terms and conditions as it may from time to time determine, including but not limited to the following:
- 9.1 The number of Preferred Shares to constitute such series and the distinctive designations thereof;
- 9.2 The dividend rate on the Preferred Shares of such series, the dividend payment dates, the periods in respect of which dividends are payable (“**Dividend Periods**”), whether such dividends shall be preferred over Common Shares and whether they shall be cumulative and, if cumulative, the date or dates from which dividends shall accumulate;
- 9.3 Whether the Preferred Shares of such series shall be convertible into, or exchangeable for, shares of any other class or any other series of the Company and the conversion prices or rates, or the rates at which such exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided in such resolutions;
- 9.4 The preferences, if any, and the amounts thereof, which the Preferred Shares of such series shall be entitled to receive upon the winding up of the Company;
- 9.5 The voting right, if any, attached to the Preferred Shares of such series;
- 9.6 Transfer restrictions and rights of first refusal with respect to the Preferred Shares of such series; and

- 9.7 Such other terms, conditions, special rights and provisions as may seem advisable to the Board. Notwithstanding the fixing of the number of Preferred Shares constituting a particular series upon the issuance thereof, the Board at any time thereafter may authorize the issuance of additional Preferred Shares of the same series subject always to the Companies Act, the Memorandum and these Articles.

### **(3) Common Shares**

- 10 The holders of Common Shares shall be:
- 10.1 entitled to dividends in accordance with the relevant provisions of these Articles;
  - 10.2 entitled to attend general meetings of the Company and shall be entitled to one vote for each Common Share registered in his name in the Register of Members, both in accordance with the relevant provisions of these Articles; and
  - 10.3 entitled to rights under and are subject to the provisions in relation to winding up of the Company provided for in these Articles.
- 11 All Common Shares shall rank pari passu with each other in all respect, including the right to dividend payment and asset distribution upon the winding up of the Company.
- 12 RMB Common Shares issued by the Company are centrally deposited with China Securities Depository and Clearing Company Limited. The issuance, listing, registration, trading and other matters of the Company's RMB Common Shares shall be governed by the laws, regulations and normative documents of Mainland China. Insofar as RMB Common Shares of the Company continue to list on the Shanghai Stock Exchange, the Company shall comply with the laws and regulations of Mainland China and the relevant requirements of the securities regulatory authorities of Mainland China on the red-chip enterprises.

### **(4) Transfer of Shares**

- 13 Unless otherwise stated in the Exchange Rules or these Articles, any Member may transfer all or part of his Shares to another person free from restriction.
- 14 Transfer of any Share shall be reduced to writing and effected by an instrument of transfer in the usual common form or in such other form as the Board may from time to time approve. The instrument of transfer shall be executed by or on behalf of the transferor and by or on behalf of the transferee with a manual signature or facsimile signature (which may be machine imprinted or otherwise), provided that in the case of execution by facsimile signature, such facsimile signature shall be reasonably satisfactory to the Board. The Board may dispense with the execution of the instrument of transfer by the transferee as it considers appropriate to do so.

All instruments of transfer must be kept at the registered office of the Company or at such other place as the Board may appoint, and shall be duly retained by the Company.

- 15 The holders of RMB Common Shares of the Company may transfer their Shares electronically on the internet in a manner permitted by the securities regulatory authorities in Mainland China and the Shanghai Stock Exchange.
- 16 The registration of transfer of any Shares shall satisfy the following; otherwise, the Board may decline to register such transfer:
- 16.1 The instrument of transfer has been lodged with the Company, accompanied by the certificate for the Shares to which it relates (which shall upon registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- 16.2 The instrument of transfer is in respect of only one class of Shares;
- 16.3 The instrument of transfer is properly stamped (in circumstances where stamping is required);
- 16.4 In the case of a transfer to joint holders, the number of joint holders to which the Share is to be transferred does not exceed four;
- 16.5 The Share to be transferred has been paid-up; and
- 16.6 A fee of such maximum amount as any Exchange may from time to time determine to be payable (or such lesser sum as the Board may from time to time require) is paid to the Company in respect thereof.
- 17 If the Board shall refuse to register a transfer of any Share, it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee a notice of such refusal.
- 18 The transferor shall be deemed to remain the holder of relevant Share until the name of the transferee is entered into the Register of Members in respect of the transfer of such Share.

**(5) Redemption and Repurchase of Shares**

- 19 Subject to the provisions of the Companies Act, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Company or the Member. Unless the Board has been expressly authorized by the Members in a general meeting, the redemption of Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issuance of Shares.
- 20 Subject to the provisions of the Companies Act, the Company may redeem or repurchase Shares in issue, provided that the Members shall have approved the manner of redemption or repurchase by Special Resolution or that the manner of redemption or repurchase is in accordance with these

Articles (and this authorization has been obtained in accordance with Section 37(3) of the Companies Act as revised from time to time), and such redemption or repurchase is in accordance with applicable laws, rules or regulations and the Exchange Rules.

- 21 The Company is authorized to repurchase any Common Share listed on any Exchange, whilst the maximum number of Common Shares that may be repurchased shall be equal to the number of issued and outstanding Common Shares less one Common Share. Such repurchase transactions shall be made at such time, at such price and on such terms as determined and agreed by the Members in the general meeting or by the Board as authorized by the general meeting in their sole discretion, provided, however, that (1) such repurchase transactions shall be in accordance with applicable laws, rules or regulations and the Exchange Rules; and (2) at the time of repurchase, the Company is able to pay its debts due in the ordinary course of its business.
- 22 The Company is authorized to repurchase any Common Share not listed on any Exchange on such term and at such price being agreed upon between the Company and the relevant Member, whilst such repurchase transactions shall be in accordance with applicable laws, rules and regulations.
- 23 The redemption or repurchase of any Share shall not oblige the Company to redeem or repurchase any other Share other than as may be required pursuant to applicable laws, rules or regulations and the Exchange Rules, and any other contractual obligations of the Company.
- 24 The Company may make a payment in respect of the redemption or repurchase of Shares in any manner permitted by the Companies Act, including out of the Company's capital.
- 25 The holder of the Shares being redeemed or repurchased shall be bound to deliver up to the Company at its registered office, or such other place as the Board may specify, the share certificates (if any) thereof for cancellation.

#### **(6) Transmission of Shares**

- 26 Any person becoming entitled to a Share in consequence of the death, bankruptcy, liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such relevant and legal evidence being produced as may from time to time be required by the Board, elect either to be registered himself as the holder of the Share or to make such transfer of the Share to such other person nominated by him and to have such person registered as the transferee thereof, but the Board shall, in either case, retain the same right to decline or suspend registration of such transfer as it would have had under Article 16.
- 27 If the person so becoming entitled pursuant to Article 26 shall elect to be registered himself as the holder of the Share, he shall deliver up or send to the Company a notice in writing signed by him stating that he so elects.

- 28 A person becoming entitled to a Share pursuant to Article 26 shall be entitled to the same dividends and other rights to which he would be entitled if he were the former registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of such Share to exercise any right conferred to such holder of Share in relation to meetings of the Company.
- 29 In case of the death of a Member, the personal representatives of the deceased where he was a sole holder, or the surviving joint holders where the deceased was a joint holder, shall be the only persons recognized by the Company as having any title to his interest in the Shares.

**(7) Sale of Shares**

- 30 The Company shall be entitled to sell any Shares of a Member or the Shares to which a person is entitled pursuant to Article 26 or by operation of law in such manner as it deems appropriate if and provided that:
- 30.1 All cheques or warrants, not being less than three (3) in number, for any sums payable in cash to the holder of such Shares have remained uncashed for a period of twelve (12) years;
- 30.2 During such 12-year period, at least three (3) dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed by the Member;
- 30.3 Upon expiry of the 12-year period under Article 30.1, the Company has caused notice to be given in accordance with applicable laws, rules or regulations and the Exchange Rules of its intention to sell such Shares, and a period of three (3) months has elapsed since such notice and the relevant Exchange has been notified of such intention; and
- 30.4 The Company has not during the 12-year period under Article 30.1 or before the expiry of the 3-month period under Article 30.3 received any indication of the whereabouts or existence of the Member or the person entitled to such Shares by transmission.
- 31 To give effect to any sale contemplated pursuant to Article 30, the Company may appoint any person to execute as transferor an instrument of transfer of the said Shares and such other documents as are necessary to effect the transfer, and such documents shall be as effective as if they had been executed by the registered holder of or person entitled by transmission to such shares, and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto.
- 32 The net proceeds of any sale pursuant to Article 30 shall belong to the Company and may be employed in the business of the Company or invested in such investments (other than shares or other securities in or of the Company or its holding company, if any) or otherwise utilized as the Board may from time to time determine. The Company shall account to the former Member or other person becoming entitled by transmission for an amount equal to such net proceeds and shall enter the name of such former Member or such other person in the books of the Company as a creditor for such amount, whereas no trust shall be created nor interest be payable in respect of such net proceeds and the Company shall not be required to account for any money earned on the same.

**(8) Share Certificates**

- 33 Every person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive, within twenty (20) days, after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide), one certificate for all his Shares of each class or, upon payment of such reasonable fee as the Board shall prescribe, such number of certificates for Shares held as that person may request. In respect of Shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such joint holders.

All transfers and other documents relating to or affecting the title to any Share or other registered securities of the Company shall be registered.

- 34 Every share certificate shall specify the number of shares in respect of which it is issued and the amount paid thereon or the fact that they are fully paid, as the case may be, and may otherwise be in such written form as shall be determined by the Board. Each certificate shall be issued under the Seal of the Company, which shall only be affixed with the authority of the Board (provided that the Board may authorize certificates to be issued with the seal and authorized signature(s) affixed by some methods or systems of mechanical process). All certificates for Shares shall be consecutively numbered.
- 35 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating and collecting evidence, as the Board may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.
- 36 If share certificates are not required to be issued to Members according to the Exchange Rules, aforesaid provisions may be exempted.

**(9) Register of Members**

- 37 The Company shall maintain a register of its Members in accordance with the Companies Act and Exchange Rules, with information of Members specified therein, including without limitation their names and addresses, the number of Shares respectively held by Members and the date of issuance. The Company shall not be bound to register more than four persons as joint holders of any Share.
- 38 The Company, or any agent appointed by the Company shall as soon as practicable and on a regular basis record in the Register of Members all transfers of Shares effected on any duplicate Register of Members and shall at all times maintain the Register of Members in such manner as to show at all times the Members for the time being and the Shares respectively held by them, in all respects in accordance with the Companies Act.

- 39 The Company shall not be obliged to recognize any person as holding any Share upon any trust and shall not be bound to recognize (even when having notice thereof) any equitable, contingent, future, or partial interest in any Share, or any interest in any fractional part of a Share, or any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder, unless otherwise provided under the Companies Act or these Articles.
- 40 The registration of any transfers of Shares or any specific class thereof may, on fourteen (14) days' notice being given in accordance with applicable laws, rules or regulations and the Exchange Rules, be suspended and the Register of Members closed at such times and for such periods as the Board may from time to time determine, provided always that such registration shall not be suspended or the Register closed for more than thirty (30) days in any year (or such longer period as the Members may by Ordinary Resolution determine provided that such period shall not be extended beyond sixty (60) days in any year).
- 41 Except when the Register of Members is closed, the Register of Members maintained in Hong Kong shall during business hours be kept open to any Member for inspection without charge.
- 42 The Company maintains a Register of Members of RMB Common Shares and deposits it in Shanghai the management of which is entrusted by the Company with China Securities Depository and Clearing Company Limited. Holders registered in such Register of Members of RMB Common Shares are legal owners of relevant Shares.

### **CHAPTER 3 MEMBERS AND GENERAL MEETINGS**

#### **(1) Rights of Members**

- 43 All Members shall have the right to speak at a general meeting and shall be entitled to make enquiries or statements to the chairman of the meeting, verbally or in written form, in respect of which the chairman of the meeting, relevant Directors or senior management of the Company shall respond. Such a right shall be deemed to have been duly exercised if the enquiries or statements may be heard or seen by all or only some of the persons present at the meeting.
- 44 Any person registered as a Member on the record date for a general meeting shall have the right to vote at the meeting, whether by show of hands or by poll, except where such Member is required by applicable laws, rules or regulations and the Exchange Rules to abstain from voting or restricted to voting only for/against any particular resolution of the Company. Where the Company has knowledge that any Member is voting in contravention of such requirements, any votes cast by or on behalf of such Member shall not be counted.
- 45 Any corporation or other non-natural person which is a Member may authorize such person as it thinks fit as its representative to attend any general meeting of the Company or of any class of Members, and in such cases, it shall be treated as being present in person. The person so authorized shall be entitled to exercise the same powers on behalf of the corporation or other non-natural person which he represents as the corporation or other non-natural person could exercise if it were an individual Member.



- 46 If a Recognized Clearing House is a Member, it may authorize such persons as it thinks fit to act as its proxies or representatives at any general meeting of the Company or of any class of Members. Such proxies and representatives shall be entitled to exercise rights equivalent to the rights of other Members, including the rights to speak and vote.

**(2) Variation of Rights of Shares**

- 47 The share capital of the Company is divided into Common Shares and Preferred Shares, whilst Members are entitled to the rights attached thereto in accordance with applicable laws, rules or regulations, the Exchange Rules, these Articles and the terms and conditions of issuance of Shares.

- 48 Unless otherwise provided by the terms of issuance of the Shares, the rights attached to any class of Shares may be varied with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of that class. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, except that the following quorum shall be satisfied:

48.1 the necessary quorum shall be two or more Members who hold at least one third (1/3) of the issued Shares of that class are present in person or by proxy at such separate general meeting;  
or

48.2 At an adjourned meeting of such separate general meeting, one holder of the Shares of that class present in person, or his proxy, shall be a quorum.

The provisions of this Article shall apply to any change or abrogation of rights of Shares forming part of a separate class. Each sub-class of the class which is being treated differently is treated as a separate class in operating this Article.

- 49 The rights conferred upon the holders of the Shares of any class shall not, unless otherwise expressly provided by applicable laws, rules or regulations, the Exchange Rules, these Articles or the terms of issuance of the Shares of that class, be deemed to be affected or varied materially by the creation, issue or distribution of further Shares ranking pari passu or preferable therewith, or by redemption or repurchase by the Company of any Share of any other class.

**(3) Authorities of General Meetings**

- 50 Pursuant to applicable laws, rules or regulations, the Exchange Rules and these Articles, the general meeting of the Company shall exercise, including but not limited to, the following authorities by way of Ordinary Resolutions or Special Resolutions. All matters that can be resolved by Ordinary Resolutions may also be resolved by Special Resolutions.

- 51 The general meeting of the Company shall by Ordinary Resolution approve the following:

(1) to determine any fundamental change of the Company's business;

- (2) to approve increase of the Company's share capital (including to issue Common Shares, Preferred Shares, securities convertible into Shares, warrants and other securities affecting the Company's share capital);
- (3) to approve cancellation of any Shares that at the date of passing the relevant resolution have not been taken or agreed to be taken by any person;
- (4) to approve consolidation of all or any of the Company's Shares into Shares of larger par value than the existing Shares;
- (5) to approve division of all or any of the Company's Shares into Shares of smaller par value than is fixed by the Memorandum or into Shares without par value;
- (6) to approve the Company's profit distribution plan and loss recovery plan;
- (7) to review and approve the annual report of the Company;
- (8) to approve the Company's equity incentive plan (including stock options, restricted stocks and stock appreciation rights, etc.);
- (9) to approve provision of guarantee by the Company to entities outside the scope of the Company's consolidated financial statements in amounts not exceeding 30% of the Company's audited total assets in the latest financial period within one year, or to enterprises within the scope of the Company's consolidated financial statements that are "connected persons" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (excluding those that meet the exemption conditions thereunder);
- (10) to decide on appointment or removal of any Director (including a managing or other executive Director), and to appoint a new Director upon removal of any Director to proceed with the latter's duties (except where the Board is authorized to make such appointment or removal under these Articles);
- (11) to approve payment of any compensation to any Director/former Director for removal/retirement beyond the scope as agreed contractually;
- (12) to appoint or remove Auditors of the Company, and to determine the Auditors' remuneration;
- (13) to approve material transactions that shall be approved by the general meeting in accordance with applicable laws, rules or regulations and the Exchange Rules (other than transactions provided for under Article 52(6));
- (14) to approve related or connected transactions of the Company that shall be approved by the general meeting in accordance with applicable laws, rules or regulations, the Exchange Rules and the Connected (Related) Transaction Management Policy of the Company; and

- (15) other matters that may be resolved by Ordinary Resolutions under applicable laws, rules or regulations, the Exchange Rules and these Articles.
- 52 The general meeting of the Company shall by Special Resolution approve the following:
- (1) to approve merger, voluntary winding up and the change of form of the Company;
  - (2) to approve any amendment to the Memorandum or these Articles, or to adopt a new Memorandum and Articles of Association of the Company;
  - (3) to approve reduction of the total number of issued Shares of the Company (including any redemption or repurchase of Shares not covered by general mandate granted by Members at a general meeting) provided that other requirements of the Companies Act are complied with;
  - (4) to approve voluntary withdrawal of Shares from trading on the current Exchanges and to determine not to trade on the current Exchanges, or to decide on applying to trade on other Exchanges;
  - (5) to approve provision of guarantee by the Company to entities outside the scope of the Company's consolidated financial statements in cases of the guarantee amounts within one year exceeding 30% of the Company's audited total assets in its latest audited accounts;
  - (6) to approve the purchase or sale of material assets of the Company within one year which exceeds 30% of the Company's audited total assets in the latest financial period; and
  - (7) other matters required to be resolved by Special Resolutions under applicable laws, rules or regulations, the Exchange Rules and these Articles.
- 53 Subject to applicable laws, rules or regulations and the Exchange Rules, a written resolution signed by or on behalf of each Member entitled to vote on it at a general meeting shall be as effective as a resolution passed at a general meeting. The resolution may be passed using several copies of a document if each document is signed by one or more Members. These copies can be fax copies.
- 54 To the extent permitted by applicable laws, rules or regulations, the Exchange Rules and these Articles, the general meeting may authorize the Board to exercise its authorities by appropriate procedures.

#### **(4) Convening of General Meetings**

- 55 The annual general meeting shall be held within six (6) months after the end of each of the Company's financial year (unless a longer period would not infringe applicable laws, rules or regulations or the Exchange Rules). The annual general meeting shall be held at such time and at such place as the Board shall from time to time determine.

- 56 The Board or the chairman of the Board may, at any time and at any place (either within or outside the Cayman Islands) it/he deems appropriate, proceed to convene a general meeting of the Company. In addition, the Board may, in its sole discretion, determine that the meeting be held at one or more locations and in such manner as a Physical Meeting, an Electronic Meeting or the combination of both.
- 57 Members who individually or collectively hold not less than 10% of the voting rights, on a one vote per Share basis, of the Company's Shares shall have the right to propose in writing the holding of an extraordinary general meeting to the Board. The Board shall, in accordance with applicable laws, rules or regulations, the Exchange Rules and these Articles, issue a written affirmative or negative opinion to hold such meeting within ten (10) days upon receiving such proposal. If the Board agrees to hold the meeting, it shall issue a notice of holding a general meeting within a reasonable period of time after the relevant Board resolution is made, while such notice shall set forth any modification to the original proposal that is subject to the consent of the Members.
- 58 If the Board disagrees to hold the meeting or no feedback is provided within ten (10) days after the proposal is received, the Members being so entitled to make such proposal may, in accordance with applicable laws, rules or regulations and the Exchange Rules, convene and preside over an extraordinary general meeting on their initiative.
- 59 The Board and the secretary of the Board/Secretary shall cooperate with any general meeting convened by the Members. The Company shall bear all necessary and reasonable expenses incurred due to such general meeting convened by Members on their initiative pursuant to Article 58.

#### **(5) Notice of General Meetings**

- 60 Notice of every general meeting shall be given by the Company to all Members other than such persons, under these Articles or the terms of issue of Shares, not entitled to receive such notice from the Company.
- 61 The notice shall specify (1) the time and date of the meeting; (2) save for an Electronic Meeting, the place of the meeting and if there is more than one meeting location the principal place of the meeting; (3) if the general meeting is to be held as an Electronic Meeting or a hybrid of Physical Meeting and Electronic Meeting, a statement to that effect and relevant details of the electronic facilities for attendance and participation by electronic means at the meeting (or the Company may make available such details prior to the meeting); (4) particulars of resolutions to be considered at the meeting; (5) intention to propose any resolution as a Special Resolution to be considered at the general meeting; (6) entitlement of a Member to appoint a proxy to attend the vote at the general meeting on his behalf and that a proxy may not be a Member; and (7) and other information that shall be specified therein.
- 62 At least twenty-one (21) days' written notice must be given to the Members of any annual general meeting and for any other general meetings, Members must be given at least fourteen (14) days' written notice. The notice convening an annual general meeting shall include a statement to that effect. Such notice period shall be exclusive of the day on which it is given or deemed to be given and of the day of the relevant meeting.

- 63 When a general meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.
- 64 If any Share is registered in the names of two or more persons, the person first named in the Register of Members shall be deemed the sole holder thereof as regards service of notices and, subject to the provisions of these Articles, all or any other matters connected with the Company.
- 65 The accidental omission to give notice of a general meeting or (in cases where instruments of proxy are sent out with notice) to send instruments of proxy to, or the non-receipt of such notice or such instrument of proxy by, any person entitled to receive notice shall not invalidate any proceeding of or any resolution passed at that general meeting.
- 66 A general meeting of the Company shall, whether or not the notice has been given by the Company pursuant to Article 62 or whether or not the provisions of these Articles in respect of general meetings have been complied with, be deemed to have been duly convened if applicable laws, rules or regulations and the Exchange Rules so permit and it is so agreed:
- 66.1 In the case of a general meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat or their proxies; and
- 66.2 In the case of any other general meetings, by Members or their proxies entitled to attend and vote at the meeting who together represent at least 95% of the total voting rights at the meeting of all the Members.
- 67 For the purpose of determining Members entitled to receive notice of or to vote at any general meeting, or Members entitled to any dividend, or in order to make a determination of Members for any other proper purpose, the Board may (1) provide that the Register of Members be closed for transfers for a stated period in accordance with Article 40 above (if the Register of Members shall be so closed for the purpose of determining Members entitled to receive notice of or to vote at a general meeting, the record date for such determination shall be the date of the last day of the relevant closure period of the Register of Members); or (2) fix in its sole discretion a date as the record date (such record date shall not be earlier than sixty (60) days before the date of such meeting or of any other action). If the Register of Members is not so closed and no record date is so fixed, the date on which notice of the meeting is given or the date on which the resolution of the Board declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members.
- A determination of the Members entitled to receive notice of or to vote at a general meeting as aforementioned shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

**(6) Proxy**

- 68 The instrument appointing a proxy shall be in writing and may be in any usual or common form or any other form as the Board may from time to time determine. The instrument of proxy shall be executed under the hand of a Member (or any other person duly authorized by such Member in writing). If a Member is a corporation, the instrument of proxy shall be executed under the hand of its senior management or any person duly authorized in writing by such Member.
- 69 The instrument appointing a proxy may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.
- 70 A Member may in its sole discretion appoint proxy or proxies to vote as specified in the proxy instrument on (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) all or part of the resolutions to be proposed to the general meeting. An instrument appointing a proxy shall be deemed to include the power to join or vote by poll, and the power to vote on an adjournment or any other procedural matter put to a resolution at the meeting. Where a Member appoint two or more proxies, the instrument of proxy shall state the number and class of Shares represented by each proxy and which proxy is entitled to vote on a show of hands.

**(7) Proposed Business to be Transacted at General Meetings**

- 71 No business may be transacted at any general meeting, other than business that is either:
- 71.1 specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof);
  - 71.2 otherwise properly brought before an annual general meeting by or at the direction of the Board (or any duly authorized committee thereof); or
  - 71.3 otherwise properly brought before an annual general meeting by any Member who (i) is a Member on record on both the date of giving the notice by such Member as specified in Article 73 and the record date for determination of Members entitled to vote at such annual general meeting, and (ii) complies with the notice procedures set forth in Article 73.
- 72 No business shall be transacted at any adjourned meeting other than the business to be transacted at the meeting from which the adjournment took place.
- 73 A Member giving notice pursuant to Article 71.3 shall comply with the following procedures:
- 73.1 In addition to compliance of any other applicable requirements, such Member must have given timely notice thereof in proper written form to the secretary of the Board/Secretary.
  - 73.2 For all matters other than the nomination for election of a Director, such Member's notice shall be given in the following manners:

- 73.2.1 Such Member(s) shall individually or collectively hold 3% or more of the total number of Shares issued by the Company with voting rights.
- 73.2.2 To be given timely, the notice shall be delivered to the secretariat at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's annual general meeting; provided, however, that in the event that the date of the annual general meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date, the notice must be delivered not earlier than the ninetieth (90) day prior to such annual general meeting and not later than the close of business on the later of the sixtieth (60) day prior to such annual general meeting or the tenth (10) day following the day on which public announcement of the date of such meeting is first made.
- 73.2.3 To be in proper written form, the notice must set forth as to each matter such Member proposes to bring before the annual general meeting, including (i) a brief description of the business desired to be brought before the annual general meeting and the reasons for transacting such business at the annual general meeting; (ii) the name and address of such Member as recorded in the Register of Members; (iii) the class or series and number of Shares of the Company which are owned beneficially or registered in the name of such Member; (iv) a description of all arrangements or understandings between such Member and any other person or persons (including their names) in connection with the proposal of such business by such Member and any material interest of such Member in such business; and (v) a representation that such Member intends to appear in person or by proxy at the annual general meeting to bring such business before the meeting.
- 73.2.4 Once the relevant business has been properly brought before the annual general meeting in accordance with the procedures above, nothing in Articles 71 to 72 shall be deemed to preclude transaction at the annual general meeting of any such business. If the chairman of the annual general meeting determines that such business was not properly brought before the annual general meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and thus shall not be transacted.
- 73.3 For nomination for election of a Director, in addition to the requirement under Article 73.1, such Member's notice shall be given in compliance with the following requirements:
- 73.3.1 For a nomination of non-independent director candidate, such Member(s) shall individually or collectively hold 3% or more of the total number of Shares issued by the Company with voting rights; in the case of nomination of independent director candidates, such Member(s) shall individually or collectively hold 1% or more of the total number of Shares issued by the Company with voting rights.

73.3.2 If such Member is entitled to vote only for a specific class or category of directors at the general meeting, his right to nominate persons for election as a Director at the relevant meeting shall be limited to such class or category of Directors.

73.3.3 To be given timely, in the event the Company calls an extraordinary general meeting for the purpose of electing one or more Directors to the Board, any Member entitled to vote for the election of such Director(s) at such meeting and satisfying the requirements specified above may nominate a person or persons (as the case may be) for election to such position(s) as are specified in the Company's notice of such meeting, but only if the notice required thereof shall be lodged at least fourteen (14) days prior to the date of the general meeting of election but no earlier than the day after despatch of the notice of the general meeting appointed for such election.

73.3.4 To be in proper written form, the notice must set forth the following information:

- (a) As to each person so nominated by such Member: (i) the name, age, business address and residential address of the person; (ii) the principal occupation or employment of the person; (iii) the class or series and number of Shares of the Company which are owned beneficially or registered in the name of the person (if any); and (iv) any other information relating to the person that would be required to be disclosed pursuant to any Exchange Rules;
- (b) As to the Member giving notice: (i) the name and record address of such Member as recorded in the Register of Members; (ii) the class or series and number of Shares of the Company which are owned beneficially or registered in the name of such Member; (iii) a description of all arrangements or consensus between such Member and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Member; (iv) a representation that such Member intends to appear in person or by proxy at the general meeting to nominate the person(s) named in its notice; and (v) any other information relating to such Member that would be required to be disclosed pursuant to any Exchange Rules.

73.3.5 The notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a Director if elected.

73.3.6 No person shall be eligible for election as a Director unless nominated in accordance with the procedures set forth above. If the chairman of the general meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting as such and that such defective nomination shall be disregarded.



73.3.7 Article 73.3 shall not apply to any nomination of a Director in an election in which only the holders of one or more series of Preferred Shares of the Company are entitled to vote (unless otherwise provided under the terms of issuance such series of Preferred Shares).

**(8) Proceedings at General Meetings**

- 74 Two (2) or more Members shall be present at a general meeting in person or by proxy in order to meet the quorum. No business shall be transacted at any general meeting unless a quorum is present.
- 75 If within one hour from the time appointed for the general meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other time and place as the Board may determine.
- 76 The Board may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such one or more locations. Any Member or proxy attending and participating by means of electronic facilities is deemed to be present at the meeting and shall be counted in the quorum for such meeting.
- 77 The Board and the chairman of the relevant general meeting may from time to time make arrangements for managing the attendance and/or participation by relevant persons, including without limitation issue of tickets, and adoption of entry passcode, seat reservation, electronic voting or other means as it/he shall in its/his absolute discretion consider appropriate, with which the persons attending the relevant meeting shall comply in full. The Board and the chairman of the relevant general meeting may in its/his sole discretion change any such arrangements if necessary, provided that any such changes do not involve any circumstances that would be required for timely advance disclosure or announcement by the Company to persons attending the meeting in accordance with the applicable laws, rules or regulations and any Exchange rules.
- 78 The chairman of the Board shall preside as the chairman at every general meeting of the Company. If the chairman of the Board is unable to preside over the meeting due to whatever reason or has not shown up within fifteen (15) minutes after the time appointed for the meeting, the other Directors present shall elect one of their number to be chairman of the meeting. If all of the Directors present is unable to preside over the meeting or no Director has shown up within fifteen (15) minutes after the time appointed for the meeting, the Members present shall choose one of their number to be the chairman of the meeting.

If the chairman of a general meeting is participating in the general meeting using an electronic facility and his communication becomes interrupted, another person as determined in accordance with the procedures above shall preside as the chairman until the original chairman is able to participate in and preside over the meeting.

- 79 Persons attending and participating in an Electronic Meeting or a hybrid of Physical Meeting and Electronic Meeting shall ensure adequate electronic facilities are available throughout the meeting. The inability of one or more person to access the meeting, or continue to access the meeting, with the electronic facilities shall not affect the validity of the proceedings at the meeting or any resolutions passed thereon.
- 80 The chairman of the general meeting may/shall, with the consent/direction of any general meeting duly convened hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and/or from place to place and/or from one form to another (a Physical Meeting, an Electronic Meeting or a combination of both).

**(9) Voting by Members and Passing of Resolutions at General Meetings**

- 81 No Member shall be entitled to vote at any general meeting unless he is registered as a Member on the record date for such meeting.
- 82 Subject to any rights or restrictions for the time being attached to any class of Shares, every Member of record present in person or by proxy shall have one vote for each Share registered in his name in the Register of Members.
- 83 Members and proxies present at the general meeting are expected to vote for or against each resolution decided on a poll.

In the case of joint holders of record, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

- 84 Shares that are beneficially owned by the Company shall not be voted, either directly or indirectly, at any general meeting and shall not be counted in determining the total number of outstanding shares at any given time.
- 85 The chairman of a general meeting may allow a resolution that relates purely to a procedural or administrative matter to be voted on by a show of hands, and each Member or proxy may cast only one vote. For the purpose of this Article, procedural and administrative matters are those that (a) are not on the agenda or specified in the circular of the general meeting; and (b) relate to maintain the orderly conduct of the meeting or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views.
- 86 Objection to the qualification of any Member to vote at the relevant general meeting shall be raised at the general meeting or at any adjourned meeting thereof. Any such objection shall be referred to the chairman of the meeting for determination whose decision shall be final and conclusive. Objection not raised at the general meeting or any adjourned meeting thereof or declined by the chairman shall not affect the validity of any vote by the relevant Member at such general meeting.

**CHAPTER 4 DIRECTORS AND THE BOARD****(1) Directors Appointment and Vacation of Office**

- 87 The number of Directors shall be nine (9) or such other number as may be fixed from time to time by the Board; provided, however, that so long as the Shares are listed on any Exchange, the Board shall include such number of Directors (excluding alternate Directors) as applicable laws, rules or regulations or the Exchange Rules require.
- 88 The Board may by resolution elect a chairman of the Board.
- 89 A person shall be qualified as Director as provided under applicable laws, rules or regulations and the Exchange Rules to be appointed as a Director, but no shareholding qualification is required to be held by a Director.
- 90 The Board shall have the power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed by the Board in accordance with the preceding sentence shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.
- 91 Any Director appointed upon the removal of another Director at the general meeting of the Company shall hold office for the remainder of the full term of the removed Director.
- 92 Subject to the rights of the holders of any series of Preferred Shares to elect Directors under specified circumstances, the Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions passed by the Board. At the first annual general meeting of the Company after the adoption of these Articles, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three years. At the second annual general meeting of the Company after the adoption of these Articles, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At the third annual general meeting of the Company after the adoption of these Articles, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At each succeeding annual general meeting of the Company, Directors shall be elected for a full term of three years to succeed the Directors of the relevant class whose terms expire at such annual general meeting.
- 93 The office of a Director shall be vacated:
- 93.1 If he gives notice in writing to the chairman of the Board or the secretary of the Board/  
Secretary that he resigns the office of Director;

- 93.2 If all of the Directors (excluding the Director to be removed) pass a resolution or sign a notice effecting the removal of such Director from his office, provided that the Board shall, immediately prior to such notice being delivered, comprise at least four (4) persons (the Director to be removed);
- 93.3 If he is prohibited from being a Director under any applicable law, rules or regulations and the Exchange Rules;
- 93.4 If he absents himself (without being represented by a proxy or an alternate Director appointed by him) from three consecutive meetings of the Board without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such consecutive absence vacated the office;
- 93.5 If he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- 93.6 If he is found suffering from mental disorder or becomes of unsound mind.
- 94 For removal of Directors under these Articles, the right to claim compensation or damages payable to such removed Director as provided for in any service contract in respect of the termination of his appointment as a Director or of any other appointment or office shall not be affected as a result of the termination of his appointment as a Director.
- 95 The Directors in service may act notwithstanding any vacancy in the Board, but if and so long as their number is reduced below the number fixed by or pursuant to applicable laws, rules or regulations, the Exchange Rules or these Articles as the necessary quorum of meeting of Directors, the Directors in service may act only for the purposes of increasing the number of Directors to that quorum, or of summoning a general meeting of the Company.

**(2) Remuneration and Interests of Directors**

- 96 The remuneration to be paid to the Directors shall be determined by the Board from time to time and be deemed to accrue from day to day.
- 97 The Board may by resolution approve additional remuneration to any Director undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director.
- 98 A Director (excluding an independent non-executive Director) may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Board may determine.

- 99 A Director (excluding an independent non-executive Director) may act, in relation to matters outside the scope of duties of directors, by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for the professional services provided. Such remuneration shall be in addition to his remuneration as a Director.
- 100 The Board may on behalf of the Company pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any funds and pay premiums for the purchase or provision of any such gratuity, pension or allowance.
- 101 Subject to applicable laws, rules or regulations and the Exchange Rules, a Director or an alternate Director may be or become a director, senior manager or other member of any other company or otherwise interested in any company, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him therefor unless otherwise stated under the Exchange Rules.
- 102 The Directors shall be entitled to be reimbursed for their travelling, accommodation and other expenses properly incurred in going to, attending and returning from the meetings of the Board or of any committee of the Board, or the general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Board from time to time, or to a combination of both.
- 103 Where any contract, transaction or loan requires approval from the Board, the quorum necessary for the relevant Board meeting shall be a majority of the disinterested Directors (such “**disinterested Directors**” shall not include a Director who himself or whose close associate(s) (as defined under the Exchange Rules) has a material interest in any such contract, transaction or loan). Unless otherwise permitted under applicable laws, rules or regulations, the Exchange Rules and these Articles, a Director shall not vote on any Board resolution approving any contract, transaction, loan or any other arrangements in which he or any of his close associates has a material interest.
- 104 Directors or alternate Directors shall declare their material interests in any contracts or transactions with the Company at the earliest meeting of the Board at which it is practicable for them to do so by way of a written notice stating that, by reason specified in the notice (such as being shareholders, directors, senior management or employees of other entities involved in such contract or transaction), they are to be regarded as interested in any contracts which may subsequently be entered into by the Company.

### **(3) Alternate Directors**

- 105 Any Director (other than an alternate Director) may appoint any other Director, or any other person willing to act, to be an alternate Director and may remove from office an alternate Director so appointed by him. Any appointment or removal of an alternate Director shall be notified to the Company in writing, unless the Board determines otherwise.

- 106 An alternate Director shall be deemed for all purposes to be a Director. The alternate Director, as well as the Director appointing such alternate Director, shall be responsible for the alternate Director's acts and defaults.
- 107 An alternate Director shall be entitled to receive notice of all meetings of the Board and of all meetings of committees of the Board of which his appointor is a member, and to attend and vote at every such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence.
- 108 An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.

**(4) Authorities and Duties of the Board**

- 109 Subject to applicable laws, rules or regulations, the Exchange Rules and these Articles, and to any authorization granted at general meetings of the Company, the Board shall manage the business of the Company and exercise all the powers of the Company.
- 110 Subject to the provisions of the Companies Act and these Articles, the Board may exercise the following authorities and duties:
- 110.1 To formulate proposals of the Company to increase or reduce the number of Shares authorized to be issued and the number of issued Shares;
- 110.2 To decide on the issuance of general bonds by the Company (except for the issuance of convertible bonds which are subject to approval at the general meeting);
- 110.3 To decide to borrow money and to mortgage or charge the Company's undertaking, property and uncalled share capital in whole or in part to raise funds (other than the guarantees provided under Article 51(9));
- 110.4 Subject to provisions of applicable laws, to decide on change in use of the raised funds of the Company;
- 110.5 To formulate proposals for the amendments of the Memorandum or these Articles;
- 110.6 To formulate the governance practices and policies of the Company;
- 110.7 To formulate the Company's profit distribution plan and loss recovery plan;
- 110.8 To approve the annual financial budget plan of the Company;
- 110.9 To approve material transactions and related or connected transactions that shall be approved by the Board in accordance with applicable laws, rules or regulations, the Exchange Rules and other requirements;

- 110.10 To approve the provision of guarantees by the Company to enterprises within the scope of the Company's consolidated financial statements which are not "connected persons" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- 110.11 To appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, provided that the total number of Directors (excluding alternate Directors) shall not exceed that fixed under these Articles;
- 110.12 To decide on the remuneration of Directors;
- 110.13 To decide on the appointment and dismissal of the Company's chief executive officer, the secretary of the Board, the person-in-charge of finance and other senior management, and decide on matters of their remuneration, rewards and punishments;
- 110.14 To propose to the general meeting to appoint or change the Auditors of the Company;
- 110.15 To convene a general meeting and carry out a resolution passed at the general meeting; and
- 110.16 Other authorities and duties stipulated by applicable laws, rules or regulations, the Exchange Rules, these Articles and other requirements.
- 111 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Board shall determine by resolution or in accordance with the internal rules and regulations of the Company.

**(5) Delegation of the Power of the Board**

- 112 The Board may set up any committees consisting of one or more Directors, or appoint any person as its agent for managing the affairs of the Company, and may appoint any person to be a member of the aforementioned committees.
- 113 The Board may delegate any of its powers to any committee of the Board as set up in accordance with Article 112. To the extent applicable, the proceedings of a committee of the Board shall be governed by the Articles regulating the proceedings of the Board.
- 114 To the extent permitted by applicable laws, rules or regulations, and the Exchange Rules, the Board may authorize the senior management of the Company to exercise relevant authorities and duties thereof through appropriate procedures, or delegate to any Director holding any senior management position such of their powers as they consider desirable to be exercised by him.
- 115 Any such delegation in accordance with Articles 112 to 114 may be made by the Board subject to any conditions the Board may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered.

- 116 The Board may appoint any company, firm, person or body of persons to be the agent of the Company and delegate such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as the Board may think fit; provided, however, that such delegation is not to the exclusion of the Board's own powers and may be revoked by the Board at any time.

**(6) Notice of Board Meetings**

- 117 Unless otherwise provided by these Articles, the Board shall meet together for the transaction of business, convening, adjourning and otherwise regulating Board meetings in its absolute discretion.
- 118 Notice of at least fourteen (14) days shall be given to each Director and alternate Director for any regular Board meeting, and for other meetings of the Board, notice shall be given to each Director and alternate Director at least two (2) days before the date of the meeting. Any accidental omission to give notice of a meeting of the Board to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.
- 119 The chairman of the Board or any two Directors may, and the secretary of the Board/Secretary on the direction of such persons, shall issue a notice of meeting to each Director and alternate Director by telephone or electronic email during normal business hours, whilst such notice shall set forth the business to be considered. Notice given as aforesaid shall be deemed to have been given on the day it is delivered to the Directors. No notice of Board meeting shall be required if such notice is waived by all the Directors (or the alternate Directors) either at the meeting, or before or after the meeting is held.

**(7) Proceedings at Board Meetings**

- 120 A duly convened meeting of the Board at which a quorum is present may exercise all powers of the Board.
- 121 The quorum necessary for transaction of business at the Board meeting shall be present if more than half of all Directors, of whom at least one shall be an executive Director, are present in person or by proxy.
- 122 A Director may participate in a Board meeting by means of Electronic Communication, and the Director so participating shall be deemed as being present in person and shall be counted in the quorum and be entitled to vote.
- 123 A Director (other than an alternate Director) may by notice in writing appoint another Director as his proxy to attend the Board meeting, and the proxy so appointed shall be counted in the quorum present at such Board meeting at which the Director appointing him is not present.
- 124 A Board meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors during the course of meeting.



125 The chairman of the Board shall preside over every Board meeting, provided that, however, if at any meeting the chairman of the Board is not present within five (5) minutes after the time appointed for holding such meeting, the Directors present may jointly elect one of their number to preside over the meeting.

**(8) Voting and Resolutions at Board Meetings**

126 Except as otherwise provided by these Articles, resolutions put before any Board meeting shall be decided by a majority of votes of all Directors (including alternate Directors) present and vote at such Board meeting. One Director shall have one vote when voting on the Board resolutions.

127 Where a Director is related to or connected with enterprises involved in the resolution of the Board at the Board meeting, the related or connected Director shall neither vote on the resolution nor exercise voting rights on behalf of other Directors. The majority of unrelated or non-connected Directors shall be present at such Board meeting and the resolutions proposed at such Board meeting shall be adopted by majority of unrelated or non-connected Directors. If there are less than three unrelated or non-connected Directors attending the Board meeting, the Company shall submit the matter to the general meeting for deliberation.

128 Guarantees within the scope of authority of the Board shall, in addition to being approved by the majority of all Directors, be approved by more than two-thirds of the Directors attending the Board meeting.

129 Where the Board approve matters relating to share repurchase in accordance with requirements of the relevant laws and regulations of Mainland China or the authorization of the general meeting, the resolution shall be passed at a meeting of the Board at which at least two thirds (2/3) of Directors shall be present.

130 A Director of the Company who is present at a meeting of the Board at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the secretary of the Board/Secretary before the adjournment of such meeting or shall forward such dissent by registered mail to such secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

131 All acts done by any meeting of the Board or of a committee of the Board shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that any Director or alternate Director was disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director or alternate Director as the case may be.

132 A resolution in writing (in one or more counterparts), signed by all the Directors or all members of a committee of the Board who at the time are entitled to receive notice of such Board meeting and vote on the resolution thereon, shall be as valid and effectual as if it had been passed at a meeting of the Board or committee (as the case may be) duly convened and held.

- 133 No amendment of the Memorandum or the Articles and no such resolution passed at the general meeting shall invalidate any prior resolution of the Board which would have been valid if that amendment had not been made or such resolution had not been passed.

### **CHAPTER 5 SENIOR MANAGEMENT AND SECRETARY**

- 134 The Board may from time to time appoint one or more chairman of the Board, president, chief executive officer, chief financial officer and such other senior managers as it considers necessary in the management of the business of the Company and it may decide for such period and upon such terms as it thinks fit and upon such terms as to remuneration as it may decide in accordance with these Articles.
- 135 Every Director appointed to an office of senior management under the above Article shall, without prejudice to any right to claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between such Director and the Company, be liable to be dismissed or removed from such senior management office by the Board.
- 136 A Director appointed to an office of senior management under the above Article shall ipso facto and immediately cease to hold such senior management office if he shall cease to hold the office of Director for any cause.
- 137 Subject to the Companies Act and any applicable laws, rules or regulations and the Exchange Rules, the Board may appoint the Secretary/secretary of the Board for such term and on such conditions as it may consider appropriate.

### **CHAPTER 6 FINANCIAL INFORMATION, PROFIT DISTRIBUTION AND AUDIT**

#### **(1) Financial Information**

- 138 The Board shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if they are not kept as to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 139 The Board shall cause to be prepared and to be laid before the Members of the Company at every annual general meeting (1) a profit and loss account together with a balance sheet of the Company for the last financial year; (2) a management's report with respect to the Company's financial position; (3) the Auditors' report on such accounts prepared pursuant to these Articles; and (4) such other reports and accounts as may be required by applicable laws, rules or regulations and the Exchange Rules.

- 140 Copies of such documents to be laid before the Members of the Company at an annual general meeting (together with the notice of meeting) shall be served by the Company to each Member at least twenty-one (21) days prior to the date appointed for such meeting and in such manner as prescribed in the Articles in connection with giving notice of meeting. The Company shall not be required to send such copies to any Member of whose address the Company is not aware.
- 141 The requirement to send to a person such copies of documents as referred to in Article 140 under the heading of “**FINANCIAL INFORMATION**” shall be deemed satisfied where, in accordance with applicable laws, rules or regulations and the Exchange Rules, the Company has published such copies as referred to in Article 140 on the Company’s computer network or in any other permitted manner (including by form of Electronic Communication), and that person has agreed to treat the publication of the documents in the foregoing manners to be deemed to discharge the Company’s obligations to send to him copies of such documents under the aforesaid Article.
- 142 Unless otherwise determined by the Board, the financial year of the Company shall end on the 31st day of December in each year.

**(2) Profit Distribution**

- 143 After a profit distribution plan is approved by an Ordinary Resolution at a general meeting, the Board may declare dividends to be paid to Members out of the profits (whether realized or unrealized) or the share premium account of the Company or other assets as permitted under the Companies Act.
- 144 The Company may, before declaring and paying any dividends, set aside such sums as the Company may deem proper as reserves provided that the profit distribution plan as approved by an Ordinary Resolution at the general meeting is complied with. The Board may, at its sole discretion, determine to employ such reserve in the operation of the business of the Company.
- 145 The Company may declare that any dividend be paid wholly or partly by distribution of specific assets, including without limitation paid up shares, debentures, or debenture stock of any other company held by the Company, and issue of fractional Shares, provided that the profit distribution plan as approved by an Ordinary Resolution at the general meeting is complied with. In addition, the Board may settle dividend payment in manners as they think expedient and in particular, may issue fractional share certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all Members and may create trusts in respect of such specific assets from dividend payment vest any such specific assets in trust for management by the trustees as may seem expedient to the Board.
- 146 Upon the recommendation of the Board, the Company may by Ordinary Resolution authorize the Board to capitalize any sum standing to the credit of any of the Company’s reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum for distribution to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their

behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid up to and amongst the Members in the proportion aforesaid. In such event the Board shall take all necessary action to give effect to such capitalisation. The Board may in its absolute discretion make such provisions as it thinks fit for the case of shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Board may authorize any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all persons concerned.

- 147 Subject to the special rights, if any, of certain holders of Shares as to dividend payment, dividends shall be distributed in accordance with the amounts paid or credited as paid on the Shares at the relevant record date. For the purpose of this Article, no amount paid or credited as paid on a share in advance of calls shall be treated as paid on the Share, whilst interest may accrue therefor.
- 148 With respect to distribution of dividends to holders of Preferred Shares, no dividend shall be declared and set aside for payment on any series of Preferred Shares in respect of any Dividend Period unless there shall likewise be or have been paid, or declared and set aside for payment, on all Preferred Shares of each other series entitled to cumulative dividends at the time outstanding which rank senior or equally as to dividends with the series in question, dividends ratably in accordance with the sums which would be payable on the said Preferred Shares through the end of the last preceding Dividend Period if all dividends were declared and paid in full.
- 149 The Board may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.
- 150 Any dividend, interest or other monies payable in cash in respect of Shares may be paid by cheque or warrant post directly to the registered address of the holder or, in the case of joint holders, to the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

The Company may cease sending such cheques for dividend entitlements or dividend warrants if such cheques or warrants have been left uncashed on two (2) consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

- 151 No dividend shall bear interest against the Company.
- 152 The Company shall comply with requirements on foreign exchange management in Mainland China for the payment of dividends to holders of RMB Common Shares, and shall withhold and remit tax payable on income of individual Members from such dividends in accordance with requirements of the tax law in Mainland China.

**(3) Appointment and Duties of Auditors**

- 153 Appointment of Auditors and matters in relation thereto shall be conducted in compliance with applicable laws, rules or regulations and the Exchange Rules.
- 154 The Auditors shall audit the annual financial statements of the Company and shall prepare a report thereon to be annexed thereto. Such report shall be laid before the Company at its annual general meeting in each year and shall be open to inspection by any Member.
- 155 Auditors shall make a report on the accounts of the Company at the first annual general meeting following their appointment and at any other general meeting and at any time during their tenure of office if so required by the Board or by the Members.

**CHAPTER 7 WINDING UP**

- 156 If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and subject to the Companies Act, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the distribution shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, establish trusts for the whole or any part of such assets for management by the trustees upon such trusts for the benefit of Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.
- 157 If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article shall be without prejudice to the rights conferred on the holders of Shares issued upon special terms and conditions.
- 158 If, upon the winding up of the Company, the assets of the Company distributable among the holders of any one or more series of Preferred Shares which (1) are entitled to a preference over the holders of Common Shares upon such winding up, and (2) rank equally in connection with any such distribution, shall be insufficient to pay in full the preferential amount to which the holders of such Preferred Shares shall be entitled, then such assets, or the proceeds from the sale thereof, shall be distributed among the holders of each such series of the Preferred Shares ratably in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full.

**CHAPTER 8 INDEMNITY**

159 Every Director, secretary or other senior management for the time being and from time to time of the Company (but not including the Company's auditors) and the personal representatives of the same (each an "**Indemnified Person**") shall be indemnified and secured harmless by the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or suffered by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, willful default or fraud, in or about the conduct of the Company's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

**CHAPTER 9 NOTICES**

160 Notices shall be in writing and shall be given by the Company in accordance with applicable law, rules or regulations and the Exchange Rules.

161 In the event that no such code, rules and regulations referred to in the above Article applies, notices shall be given in accordance with the following provisions:

161.1 Notices to any Member shall be given either personally or by post, email or other form of Electronic Communication to him or to his address as shown in the Register of Members (or where the notice is given by email by sending it to the email address provided by such Member);

161.2 Notices may also be given or issued by the Company by publishing it on the Company's website to which the relevant person may have access, subject to the Company complying with any applicable laws, rules or regulations and the Exchange Rules from then in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to any such person stating that the notice, document or publication is available on the Company's computer network website (a "**notice of availability**"). The notice of availability may be given by any of the means set out above other than by posting it on the Company's website;

161.3 Where a notice is sent by post, service of the notice shall be deemed to be effected upon which the envelope containing the same is properly addressed, pre-paid and put into the post, and shall be deemed to have been served on the day following that day on which the notice was posted. Where a notice is given by email, the service shall be deemed to be effected by transmitting the email to the email address provided by the intended recipient and shall be deemed to have been received on the same day on which it was sent, and it shall not be necessary for the receipt of the email to be acknowledged by the recipient. Subject to Article 161.2, a notice published on the Company's website or the website of an Exchange is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;

- 161.4 Where one or more persons become entitled to Shares in consequence of the death or bankruptcy of a Member, the Company may give the notice in any manner in which the same might have been given if the death or bankruptcy of such Member had not occurred.
- 162 A Member shall be entitled to have notice served on him at any address which he has notified the Company, whether within or outside the Cayman Islands.
- 163 After listing on Shanghai Stock Exchange, the Company shall make announcement according to requirements of CSRC and Shanghai Stock Exchange. Notices issued by the Company to holders of RMB Common Shares shall, in addition to service of Notices to all Members in accordance with Articles 160 to 161, be at the same time announced on media designated by CSRC. Once the announcement is released, it will be deemed that all holders of RMB Common Shares have received such notice.

## **CHAPTER 10 MISCELLANEOUS**

### **(1) Seal**

- 164 The Company may, if the Board so determines, have a Seal as authorized by the Board in that behalf. Every instrument to which the Seal has been affixed shall be signed by one person who shall be either a Director or the secretary of the Board or some other person authorized by the Board for such purpose. The Seal shall not be used without authority of the Board.
- 165 The Company may have for use in any place or places outside the Cayman Islands one or more duplicate Seals each of which shall be a facsimile of the Common Seal of the Company. If the Board so determines, the Company may add on the face of the duplicate Seal the name of the place where it is to be used.
- 166 A Director, Secretary or other senior manager may without further authority of the Board affix the Seal of the Company over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

### **(2) Transfer by way of Continuation**

- 167 If the Company is an exempted company as defined in the Companies Act, it shall, subject to the provisions of the Companies Act and with the sanction of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

## Chapter 1 General Provisions

**Article 1** In order to protect the legitimate interests of Semiconductor Manufacturing International Corporation (the “**Company**”) and its shareholders (the “**Shareholder(s)**”), clearly define the duties and powers of the general meetings of the Shareholders (the “**General Meeting(s)**”), improve the efficiency of discussion at the General Meetings, and ensure lawful exercise by the General Meetings of its duties and authorities, the Rules for Procedure for General Meetings of Shareholders (the “**Rules**”) are specially formulated in accordance with the Companies Act of the Cayman Islands (the “**Companies Act**”), the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (the “**STAR Market Listing Rules**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”, together with the STAR Market Listing Rules the “**Exchange Rules**”), and other laws, regulations and normative documents, the Memorandum and Articles of Association of the Company (the “**Articles of Association**”), as well as the actual circumstances of the Company.

**Article 2** The Company, all the Shareholders, Shareholders’ proxies, the directors (the “**Director(s)**”) of the Company, senior management officers, relevant staffs, and other personnel present at the General Meetings are bound by these Rules.

**Article 3** The board (the “**Board**”) of Directors shall comply strictly with the provisions related to the convening of the General Meetings in the Companies Act, other laws and regulations, and the Articles of Association, and shall organize the General Meetings earnestly and timely. All Directors shall bear the responsibility of integrity and diligence for normal convening of the General Meetings. No Director shall hinder the General Meetings from lawfully performing its duties and authorities.

## Chapter 2 Powers of the General Meetings

**Article 4** Pursuant to applicable laws, rules or regulations, the Exchange Rules and the Articles of Association, the General Meetings shall exercise, including but not limited to, the following authorities by way of ordinary resolutions or special resolutions. All matters that can be resolved by ordinary resolutions may also be resolved by special resolutions.

**Article 5** The General Meetings shall by ordinary resolutions approve the following:

- (1) to determine any fundamental change of the Company’s business;
- (2) to approve increase of the Company’s share capital (including to issue common shares, preferred shares, securities convertible into shares, warrants and other securities affecting the Company’s share capital);



- (3) to approve cancellation of any shares that at the date of passing the relevant resolution have not been taken or agreed to be taken by any person;
- (4) to approve consolidation of all or any of the Company's shares into shares of larger par value than the existing shares;
- (5) to approve division of all or any of the Company's shares into shares of smaller par value than is fixed by the Articles of Association or into shares without par value;
- (6) to approve the Company's profit distribution plan and loss recovery plan;
- (7) to review and approve the annual report of the Company;
- (8) to approve the Company's equity incentive plan (including stock options, restricted stocks and stock appreciation rights, etc.);
- (9) to approve provision of guarantee by the Company to entities outside the scope of the Company's consolidated financial statements in amounts not exceeding 30% of the Company's audited total assets in the latest financial period within one year, or to enterprises within the scope of the Company's consolidated financial statements that are "connected persons" under the Listing Rules (excluding those that meet the exemption conditions thereunder);
- (10) to decide on appointment or removal of any Director (including a managing or other executive Director), and to appoint a new Director upon removal of any Director to proceed with the latter's duties (except where the Board is authorized to make such appointment or removal under the Articles of Association);
- (11) to approve payment of any compensation to any Director/former Director for removal/retirement beyond the scope as agreed contractually;
- (12) to appoint or remove auditors of the Company, and to determine the auditors' remuneration;
- (13) to approve material transactions that shall be approved by the General Meetings in accordance with applicable laws, rules or regulations and the Exchange Rules (other than transactions provided for under Article 6(6));
- (14) to approve related or connected transactions of the Company that shall be approved by the General Meetings in accordance with applicable laws, rules or regulations, the Exchange Rules and the Connected (Related) Transaction Management Policy of the Company; and

- (15) other matters that may be resolved by ordinary resolutions under applicable laws, rules or regulations, the Exchange Rules and the Articles of Association.

**Article 6**

The General Meetings shall by special resolutions approve the following:

- (1) to approve merger, voluntary winding up and the change of form of the Company;
- (2) to approve any amendment to the Articles of Association, or to adopt a new Articles of Association;
- (3) to approve reduction of the total number of issued shares of the Company (including any redemption or repurchase of shares not covered by general mandate granted by the Shareholders at a General Meeting) provided that other requirements of the Companies Act are complied with;
- (4) to approve voluntary withdrawal of shares from trading on the current exchanges and to determine not to trade on the current exchanges, or to decide on applying to trade on other exchanges;
- (5) to approve provision of guarantee by the Company to entities outside the scope of the Company's consolidated financial statements in cases of the guarantee amounts within one year exceeding 30% of the Company's audited total assets in the latest audited accounts;
- (6) to approve the purchase or sale of material assets of the Company within one year which exceeds 30% of the Company's audited total assets in the latest financial period; and
- (7) other matters required to be resolved by special resolutions under applicable laws, rules or regulations, the Exchange Rules and the Articles of Association.

**Article 7**

To the extent permitted by applicable laws, rules or regulations, the Exchange Rules and the Articles of Association, the General Meeting may authorize the Board to exercise its authorities by appropriate procedures.

**Article 8**

The following material transactions of the Company shall be subject to review and approval by the General Meetings before implementation:

- (1) According to the STAR Market Listing Rules, the transactions of the Company (except for providing guarantees) that meet any one of the following criteria shall be submitted to the General Meetings for consideration and approval after being considered and approved by the Board:
  - (a) The total amount of assets involved in the transaction (where both the book value and the assessed value are available, the higher shall prevail) represents 50% or more of the most recent audited total assets of the Company in its latest financial period;
  - (b) The transaction amount represents 50% or more of the market capitalization of the Company;
  - (c) The net assets of the transaction target (e.g. equity) in the most recent financial year represents 50% or more of the market capitalization of the Company;
  - (d) The operating income of the transaction target (e.g. equity) in the most recent financial year represents 50% or more of the audited operating income of the Company in the most recent financial year, and exceeds RMB50 million or the equivalent in the US dollars;
  - (e) The profit generated from the transaction represents 50% or more of the audited net profits of the Company in the most recent financial year, and exceeds RMB5 million or the equivalent in the US dollars;
  - (f) The net profit of the transaction target (e.g. equity) in the most recent financial year represents 50% or more of the audited net profits of the Company in the most recent financial year, and exceeds RMB5 million or the equivalent amount in US dollars.
- (2) If a transaction is subject to consideration and approval at a General Meeting in accordance with Chapter 14 of the Listing Rules, it shall be first considered and approved by the Board before being submitted to the General Meeting.

**Article 9**

The General Meetings shall approve the connected or related- party transactions of the Company in compliance with the following rules:

- (1) Subject to the Listing Rules, transactions involving any issuance of shares by the Company to connected persons shall be submitted to the General Meetings for approval, unless prior exemption has been obtained.

- (2) Subject to the Listing Rules, the Company shall perform size tests on the proposed connected transactions and comply with the corresponding approval requirements in accordance with the Listing Rules; the transactions shall be approved at General Meeting in view of the results of the size tests conducted thereon, unless prior exemption has been obtained.

### **Chapter 3 Convening of General Meetings**

- Article 10** The annual General Meeting shall be held within six (6) months after the end of each of the Company's financial year (unless a longer period would not infringe applicable laws, rules or regulations or the Exchange Rules). The annual General Meeting shall be held at such time and at such place as the Board shall from time to time determine.
- Article 11** The Board or the chairman of the Board may, at any time and at any place (either within or outside the Cayman Islands) it/he deems appropriate, proceed to convene a General Meeting. In addition, the Board may, in its sole discretion, determine that the meeting be held at one or more locations and in such manner as a physical meeting, an electronic meeting or the combination of both.
- Article 12** Shareholders who individually or collectively hold not less than 10% of the voting rights, on a one vote per share basis, of the Company's shares shall have the right to propose in writing the holding of an extraordinary General Meeting to the Board. The Board shall, in accordance with applicable laws, rules or regulations, the Exchange Rules and the Articles of Association, issue a written affirmative or negative opinion to hold such meeting within ten (10) days upon receiving such proposal. If the Board agrees to hold the meeting, it shall issue a notice of holding a General Meeting within a reasonable period of time after the relevant Board resolution is made, while such notice shall set forth any modification to the original proposal that is subject to the consent of the Shareholders.
- Article 13** If the Board disagrees to hold the meeting or no feedback is provided within ten (10) days after the proposal is received, the Shareholders being so entitled to make such proposal may, in accordance with applicable laws, rules or regulations and the Exchange Rules, convene and preside over an extraordinary General Meeting on their initiative.
- Article 14** The Board and the secretary of the Board/Company Secretary shall cooperate with any General Meeting convened by the Shareholders. The Company shall bear all necessary and reasonable expenses incurred due to such General Meeting convened by the Shareholders on their initiative pursuant to Article 13.

**Chapter 4 Proposed Business to be Transacted at the General Meetings**

- Article 15** Proposals to the General Meetings shall fall within the scope of its duties and powers, with specific topics and description of business to be transacted specified therein, and shall comply with applicable laws, regulations and the Articles of Association.
- Article 16** No business may be transacted at any General Meeting, other than business that is either:
- (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof);
  - (2) otherwise properly brought before an annual General Meeting by or at the direction of the Board (or any duly authorized committee thereof); or
  - (3) otherwise properly brought before an annual General Meeting by any Shareholder who (i) is a Shareholder on record on both the date of giving the notice by such Shareholder as specified in Article 18 and the record date for determination of Shareholders entitled to vote at such annual General Meeting, and (ii) complies with the notice procedures set forth in Article 18.
- Article 17** No business shall be transacted at any adjourned meeting other than the business to be transacted at the meeting from which the adjournment took place.
- Article 18** A Shareholder giving notice pursuant to Article 16(3) shall comply with the following procedures:
- (1) In addition to compliance of any other applicable requirements, such Shareholder must have given timely notice thereof in proper written form to the secretary of the Board/Company Secretary.
  - (2) For all matters other than the nomination for election of a Director, such Shareholder's notice shall be given in the following manners:
    - (a) Such Shareholder(s) shall individually or collectively hold 3% or more of the total number of shares issued by the Company with voting rights.
    - (b) To be given timely, the notice shall be delivered to the secretariat at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's annual General Meeting; provided, however, that in the event that the date of the annual General Meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days

from such anniversary date, the notice must be delivered not earlier than the ninetieth (90) day prior to such annual General Meeting and not later than the close of business on the later of the sixtieth (60) day prior to such annual General Meeting or the tenth (10) day following the day on which public announcement of the date of such meeting is first made.

- (c) To be in proper written form, the notice must set forth as to each matter such Shareholder proposes to bring before the annual General Meeting, including (i) a brief description of the business desired to be brought before the annual General Meeting and the reasons for transacting such business at the annual General Meeting; (ii) the name and address of such Shareholder as recorded in the register of Shareholders; (iii) the class or series and number of shares of the Company which are owned beneficially or registered in the name of such Shareholder; (iv) a description of all arrangements or understandings between such Shareholder and any other person or persons (including their names) in connection with the proposal of such business by such Shareholder and any material interest of such Shareholder in such business; and (v) a representation that such Shareholder intends to appear in person or by proxy at the annual General Meeting to bring such business before the meeting.
  - (d) Once the relevant business has been properly brought before the annual General Meeting in accordance with the procedures above, nothing in Articles 15 to 16 shall be deemed to preclude transaction at the annual General Meeting of any such business. If the chairman of the annual General Meeting determines that such business was not properly brought before the annual General Meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and thus shall not be transacted.
- (3) For nomination for election of a Director, in addition to the requirement under Article 18(1), such Shareholder's notice shall be given in compliance with the following requirements:
- (a) For a nomination of non-independent director candidate, such Shareholder(s) shall individually or collectively hold 3% or more of the total number of shares issued by the Company with voting rights; in the case of nomination of independent director candidates, such Shareholder(s) shall individually or collectively hold 1% or more of the total number of shares issued by the Company with voting rights.

- (b) If such Shareholder is entitled to vote only for a specific class or category of Directors at the General Meeting, his right to nominate persons for election as a Director at the relevant meeting shall be limited to such class or category of Directors.
- (c) To be given timely, in the event the Company calls an extraordinary General Meeting for the purpose of electing one or more Directors to the Board, any Shareholder entitled to vote for the election of such Director(s) at such meeting and satisfying the requirements specified above may nominate a person or persons (as the case may be) for election to such position(s) as are specified in the Company's notice of such meeting, but only if the notice required thereof shall be lodged at least fourteen (14) days prior to the date of the General Meeting of election but no earlier than the day after despatch of the notice of the General Meeting appointed for such election.
- (d) To be in proper written form, the notice must set forth the following information:

As to each person so nominated by such Shareholder: (i) the name, age, business address and residential address of the person; (ii) the principal occupation or employment of the person; (iii) the class or series and number of shares of the Company which are owned beneficially or registered in the name of the person (if any); and (iv) any other information relating to the person that would be required to be disclosed pursuant to any Exchange Rules;

As to the Shareholder giving notice: (i) the name and record address of such Shareholder as recorded in the register of Shareholders; (ii) the class or series and number of shares of the Company which are owned beneficially or registered in the name of such Shareholder; (iii) a description of all arrangements or consensus between such Shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Shareholder; (iv) a representation that such Shareholder intends to appear in person or by proxy at the General Meeting to nominate the person(s) named in its notice; and (v) any other information relating to such Shareholder that would be required to be disclosed pursuant to any Exchange Rules.

- (e) The notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a Director if elected.

- (f) No person shall be eligible for election as a Director unless nominated in accordance with the procedures set forth above. If the chairman of the General Meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting as such and that such defective nomination shall be disregarded.
- (g) Article 18(3) shall not apply to any nomination of a Director in an election in which only the holders of one or more series of preferred shares of the Company are entitled to vote (unless otherwise provided under the terms of issuance of such series of preferred shares).

### **Chapter 5 Notice of General Meetings**

- Article 19** The notice of General Meetings shall specify (a) the time and date of the meeting; (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location the principal place of the meeting; (c) if the General Meeting is to be held as an electronic meeting or a hybrid of physical meeting and electronic meeting, a statement to that effect and relevant details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting; (d) particulars of resolutions to be considered at the meeting; (e) intention to propose any resolution as a special resolution to be considered at the General Meeting; (f) entitlement of a Shareholder to appoint a proxy to attend the vote at the General Meeting on his behalf and that a proxy may not be a Shareholder; and (g) and other information that shall be specified therein.
- Article 20** At least twenty-one (21) days' written notice must be given to the Shareholders of any annual General Meeting and for any other General Meetings, Shareholders must be given at least fourteen (14) days' written notice. The notice convening an annual General Meeting shall include a statement to that effect. Such notice period shall be exclusive of the day on which it is given or deemed to be given and of the day of the relevant meeting.
- Article 21** When a General Meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.
- Article 22** The accidental omission to give notice of a General Meeting or (in cases where instruments of proxy are sent out with notice) to send instruments of proxy to, or the non-receipt of such notice or such instrument of proxy by, any person entitled to receive notice shall not invalidate any proceeding of or any resolution passed at that General Meeting.



**Chapter 6 Holding of General Meetings**

- Article 23** Two (2) or more Shareholders shall be present at a General Meeting in person or by proxy in order to meet the quorum. No business shall be transacted at any General Meeting unless a quorum is present.
- Article 24** If within one hour from the time appointed for the General Meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved; in any other case the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other time and place as the Board may determine.
- Article 25** The Board may, at its absolute discretion, arrange for persons entitled to attend a General Meeting to do so by simultaneous attendance and participation by means of electronic facilities at such one or more locations. Any Shareholder or proxy attending and participating by means of electronic facilities is deemed to be present at the meeting and shall be counted in the quorum for such meeting.
- Article 26** The Board and the chairman of the relevant General Meeting may from time to time make arrangements for managing the attendance and/or participation by relevant persons, including without limitation issue of tickets, and adoption of entry passcode, seat reservation, electronic voting or other means as it/he shall in its/his absolute discretion consider appropriate, with which the persons attending the relevant meeting shall comply in full. The Board and the chairman of the relevant General Meeting may in its/his sole discretion change any such arrangements if necessary, provided that any such changes do not involve any circumstances that would be required for timely advance disclosure or announcement by the Company to persons attending the meeting in accordance with the applicable laws, rules or regulations and any Exchange Rules.
- Article 27** The chairman of the Board shall preside as the chairman at every General Meeting of the Company. If the chairman of the Board is unable to preside over the meeting due to whatever reason or has not shown up within fifteen (15) minutes after the time appointed for the meeting, the other Directors present shall elect one of their number to be chairman of the meeting. If all of the Directors present is unable to preside over the meeting or no Director has shown up within fifteen (15) minutes after the time appointed for the meeting, the Shareholders present shall choose one of their number to be the chairman of the meeting.
- Article 28** If the chairman of a General Meeting is participating in the General Meeting using an electronic facility and his communication becomes interrupted, another person as determined in accordance with the procedures above shall preside as the chairman until the original chairman is able to participate in and preside over the meeting.

**Article 29** Persons attending and participating in an electronic meeting or a hybrid of physical meeting and electronic meeting shall ensure adequate electronic facilities are available throughout the meeting. The inability of one or more person to access the meeting, or continue to access the meeting, with the electronic facilities shall not affect the validity of the proceedings at the meeting or any resolutions passed thereon.

**Article 30** The chairman of the General Meeting may/shall, with the consent/direction of any General Meeting duly convened hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and/or from place to place and/or from one form to another (a physical meeting, an electronic meeting or a combination of both).

### **Chapter 7 Voting by Members and Passing of Resolutions at General Meetings**

**Article 31** No Shareholder shall be entitled to vote at any General Meeting unless he is registered as a Shareholder on the record date for such meeting.

**Article 32** Subject to any rights or restrictions for the time being attached to any class of shares, every Shareholder of record present in person or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

**Article 33** Shareholders and proxies present at the General Meeting are expected to vote for or against each resolution decided on a poll. In the case of joint holders of record, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

**Article 34** Shares that are beneficially owned by the Company shall not be voted, either directly or indirectly, at any General Meeting and shall not be counted in determining the total number of outstanding shares at any given time.

**Article 35** The chairman of a General Meeting may allow a resolution that relates purely to a procedural or administrative matter to be voted on by a show of hands, and each Shareholder or proxy may cast only one vote. For the purpose of this Article, procedural and administrative matters are those that (a) are not on the agenda or specified in the circular of the General Meeting; and (b) relate to maintain the orderly conduct of the meeting or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Shareholders a reasonable opportunity to express their views.

**Article 36**                    Objection to the qualification of any Shareholder to vote at the relevant General Meeting shall be raised at the General Meeting or at any adjourned meeting thereof. Any such objection shall be referred to the chairman of the meeting for determination whose decision shall be final and conclusive. Objection not raised at the General Meeting or any adjourned meeting thereof or declined by the chairman shall not affect the validity of any vote by the relevant Shareholder at such General Meeting.

### **Chapter 8 Proxy**

**Article 37**                    The instrument appointing a proxy shall be in writing and may be in any usual or common form or any other form as the Board may from time to time determine. The instrument of proxy shall be executed under the hand of a Shareholder (or any other person duly authorized by such Shareholder in writing). If a Shareholder is a corporation, the instrument of proxy shall be executed under the hand of its senior management or any person duly authorized in writing by such Shareholder.

**Article 38**                    The instrument appointing a proxy may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

**Article 39**                    A Shareholder may in its sole discretion appoint proxy or proxies to vote as specified in the proxy instrument on (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) all or part of the resolutions to be proposed to the General Meeting. An instrument appointing a proxy shall be deemed to include the power to join or vote by poll, and the power to vote on an adjournment or any other procedural matter put to a resolution at the meeting. Where a Shareholder appoints two or more proxies, the instrument of proxy shall state the number and class of shares represented by each proxy and which proxy is entitled to vote on a show of hands.

### **Chapter 9 Minutes of the General Meetings**

**Article 40**                    The minutes of the General Meetings shall be kept by the secretary of the Board/ Company Secretary with the following contents recorded therein:

- (1) Meeting time and place;
- (2) Name of the chairman of the meeting and the Directors present at the meeting;
- (3) List of Shareholders and Shareholders' proxies present at the meeting and the total number of shares with voting rights held by such Shareholders and proxies;
- (4) The voted resolutions and voting results;

(5) Enquiries by and opinions of the Shareholders and the corresponding response and explanation thereto; and

(6) Name of scrutineer(s) and attorney(s) for the meeting.

The secretary of the Board/Company Secretary shall ensure that the contents of such minutes are true, accurate and complete. The chairman of the meeting shall sign on such minutes and ensure that the contents of such minutes are true, accurate and complete. The minutes shall be kept together with (if any) the register of Shareholders and Directors present at the meeting, the proxy instruments, the certificate of voting results signed by the scrutineer(s) for not less than 10 years.

### **Chapter 10 Miscellaneous**

**Article 41** Any matters not specified in these Rules shall be subject to applicable laws, regulations, normative documents, the Articles of Association and other relevant provisions (the “**Applicable Requirements**”). In the case of any change in the Applicable Requirements after these Rules coming into effect resulting in any conflict between these Rules and the Applicable Requirements, the Company shall promptly amend these Rules and ensure compliance with the mandatory requirements in the Applicable Requirements at all relevant times.

**Article 42** These Rules are formulated by the Board and shall come into effect upon approval at the General Meeting.

**Article 43** The power of interpretation of these Rules is vested in the Board.

## Chapter 1 General Provisions

**Article 1** In order to further regulate the proceedings and decision-making process of the board (the “**Board**”) of directors (the “**Director(s)**”) of Semiconductor Manufacturing International Corporation (the “**Company**”), facilitate the Directors and the Board to perform their duties and responsibilities effectively, and improve the level of standard operation and scientific decision-making of the Board, the Rules of Procedure for Board Meetings (the “**Rules**”) are formulated in accordance with the Companies Act of the Cayman Islands (the “**Companies Act**”), the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (the “**STAR Market Listing Rules**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”, together with the STAR Market Listing Rules the “**Exchange Rules**”), and other laws, regulations and normative documents, the Memorandum and Articles of Association of the Company (the “**Articles of Association**”), as well as the actual conditions of the Company.

## Chapter 2 Authorities and Duties of the Board

**Article 2** Subject to the provisions of the Companies Act and the Articles of Association, the Board may exercise the following authorities and duties:

- (1) To formulate proposals of the Company to increase or reduce the number of shares authorized to be issued and the number of issued shares;
- (2) To decide on the issuance of general bonds by the Company (except for the issuance of convertible bonds which are subject to approval at the general meeting of the Company);
- (3) To decide to borrow money and to mortgage or charge the Company’s undertaking, property and uncalled share capital in whole or in part to raise funds (other than the guarantees provided under Article 51(9) and Article 52(5) of the Articles of Association);
- (4) Subject to provisions of applicable laws, to decide on change in use of the raised funds of the Company;
- (5) To formulate proposals for the amendments of the Articles of Association;
- (6) To formulate the governance practices and policies of the Company;
- (7) To formulate the Company’s profit distribution plan and loss recovery plan;
- (8) To approve the annual financial budget plan of the Company;

- (9) To review and approve the following connected or related-party transactions:
- (a) Transactions between the Company (including the enterprises within the scope of the Company's consolidated financial statements) and connected persons or related parties who are (i) natural persons in an amount of RMB300,000 or the equivalent in the US dollars or more (except for providing guarantees to the Company or the Company's subsidiaries without any pledge); or (ii) legal entities in an amount representing 0.1% or more of the most recent audited total assets of the Company or of the income or market capitalization of the Company in its latest financial period (except for providing guarantees to the Company or the Company's subsidiaries without any pledge);
  - (b) Connected transactions which shall be presented to the Board for approval in view of the results of the size tests conducted thereon in accordance with the Listing Rules (except for those that satisfy the exemption conditions).
- (10) To review and approve the following material transactions:
- (a) According to the STAR Market Listing Rules, the transactions of the Company (except for providing guarantees) that meet any one of the following criteria shall be submitted to the Board for consideration and approval:
    - (i) The total amount of assets involved in the transaction (where both the book value and the assessed value are available, the higher shall prevail) represents 10% or more of the Company's most recent audited total assets in its latest financial period;
    - (ii) The transaction amount represents 10% or more of the market capitalization of the Company;
    - (iii) The net assets of the transaction target (e.g. equity) in the most recent financial year represents 10% or more of the market capitalization of the Company;
    - (iv) the operating income of the transaction target (e.g. equity) in the most recent financial year represents 10% or more of the audited operating income of the Company in the most recent financial year, and exceeds RMB10 million or the equivalent in the US dollars;

- (v) the profit generated from the transaction represents 10% or more of the audited net profits of the Company in the most recent financial year, and exceeds RMB1 million or the equivalent in the US dollars;
  - (vi) the net profit of the transaction target (e.g. equity) in the most recent financial year represents 10% or more of the audited net profits of the Company in the most recent financial year, and exceeds RMB1 million or the equivalent in the US dollars.
- (b) A transaction shall be submitted to the Board for consideration and approval if it is so required under Chapter 14 of the Listing Rules.
- (11) To approve the provision of guarantees by the Company to enterprises within the scope of the Company's consolidated financial statements which are not "connected persons" under the Listing Rules;
  - (12) To appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, provided that the total number of Directors (excluding alternate Directors) shall not exceed that fixed under the Articles of Association;
  - (13) To decide on the remuneration of Directors;
  - (14) To decide on the appointment and dismissal of the Company's chief executive officer, the secretary of the Board, the person-in-charge of finance and other senior management, and decide on matters of their remuneration, rewards and punishments;
  - (15) To propose to the general meeting of the Company to appoint or change the auditors of the Company;
  - (16) To convene a general meeting of the Company and carry out a resolution passed at the general meeting; and
  - (17) Other authorities and duties stipulated by applicable laws, rules or regulations, the Exchange Rules, the Articles of Association and other requirements.

To the extent permitted by applicable laws, rules or regulations and the Exchange Rules, the Board may authorize the management of the Company to exercise its authorities and duties through appropriate procedures.

**Chapter 3 Board Meetings****Article 3 Meeting Frequency**

The Board shall convene at least four meetings a year at approximately quarterly intervals.

**Article 4 Notice of Meetings**

Notice of at least fourteen (14) days shall be given to each Director and alternate Director for any regular Board meeting, and for other meetings of the Board, notice shall be given to each Director and alternate Director at least two (2) days before the date of the meeting. Any accidental omission to give notice of a meeting of the Board to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.

The chairman of the Board or any two Directors may, and the secretary of the Board/Company Secretary on the direction of such persons shall issue a notice of meeting to each Director and alternate Director by telephone or electronic email during normal business hours, whilst such notice shall set forth the business to be considered. Notice given as aforesaid shall be deemed to have been given on the day it is delivered to the Directors. No notice of Board meeting shall be required if such notice is waived by all the Directors (or the alternate Directors) either at the meeting, or before or after the meeting is held.

**Article 5 Quorum of Meetings**

The quorum necessary for transaction of business at the Board meeting shall be present if more than half of all Directors, of whom at least one shall be an executive Director, are present in person or by proxy. A Board meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors during the course of meeting.

**Article 6 Restrictions on the Actions of the Board if the Necessary Quorum is not met**

The Directors in service may act notwithstanding any vacancy in the Board, but if and so long as their number is reduced below the number fixed by or pursuant to applicable laws, rules or regulations, the Exchange Rules or the Articles of Association as the necessary quorum of meeting of Directors, the Directors in service may act only for the purposes of increasing the number of Directors to that quorum, or of summoning a general meeting of the Company.



**Article 7** Chairman

The Board may by resolution elect a chairman of the Board. The chairman of the Board shall preside over every Board meeting, provided that, however, if at any meeting the chairman of the Board is not present within five (5) minutes after the time appointed for holding such meeting, the Directors present may jointly elect one of their number to preside over the meeting.

**Article 8** Validity of Resolution remains unaffected by the Qualification of Directors

All acts done by any meeting of the Board or of a committee of the Board shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that any Director or alternate Director was disqualified, be as valid as if such person had been duly appointed and qualified to be a Director or alternate Director as the case may be.

**Article 9** Convening of Meetings

Unless otherwise provided by the Articles of Association, the Board shall meet together for the transaction of business, convening, adjourning and otherwise regulating Board meetings in its absolute discretion.

A Director may participate in a Board meeting by means of electronic communication, and the Director so participating shall be deemed as being present in person and shall be counted in the quorum and be entitled to vote.

**Article 10** Validity of Written Resolutions Signed by all Directors

A resolution in writing (in one or more counterparts), signed by all the Directors or all members of a committee of the Board who at the time are entitled to receive notice of such Board meeting and vote on the resolution thereon, shall be as valid and effectual as if it had been passed at a meeting of the Board or committee (as the case may be) duly convened and held.

**Article 11** Attending by Proxy

A Director (other than an alternate Director) may by notice in writing appoint another Director as his proxy to attend the Board meeting, and the proxy so appointed shall be counted in the quorum present at such Board meeting at which the Director appointing him is not present.

**Article 12**                      Voting at Meetings

Except as otherwise provided by the Articles of Association, resolutions put before any Board meeting shall be decided by a majority of votes of all Directors (including alternate Directors) present and vote at such Board meeting. One Director shall have one vote when voting on the Board resolutions.

Where a Director is related to or connected with enterprises involved in the resolution of the Board at the Board meeting, the related or connected Director shall neither vote on the resolution nor exercise voting rights on behalf of other Directors. The majority of unrelated or non-connected Directors shall be present at such Board meeting and the resolutions proposed at such Board meeting shall be adopted by majority of unrelated or non-connected Directors. If there are less than three unrelated or non-connected Directors attending the Board meeting, the Company shall submit the matter to the general meeting of the Company for deliberation.

Unless otherwise permitted under applicable laws, rules or regulations, the Exchange Rules or the Articles of Association, a Director shall not vote on any Board resolution approving any contract, transaction, loan or any other arrangements in which he or any of his close associates has a material interest.

Guarantees within the scope of authority of the Board shall, in addition to being approved by the majority of all Directors, be approved by more than two-thirds of the Directors attending the Board meeting.

Where the Board approve matters relating to share repurchase in accordance with requirements of the relevant laws and regulations of mainland China or the authorization of the general meeting of the Company, the resolution shall be passed at a meeting of the Board at which at least two thirds (2/3) of Directors shall be present.

**Article 13** Minutes

In respect of Board meetings and meetings of committees of the Board held physically or via video or telephone conference, the secretary of the Board/Company Secretary shall arrange the staff of the Directors' office to take minutes. In addition to the meeting minutes, the secretary of the Board/Company Secretary shall also arrange the staff of the Directors' office to make a concise summary of the meeting as needed, and make a separate resolution record for the resolutions adopted at the meetings according to the voting results. The minutes of the meetings of the Board and of the committees of the Board shall record the matters considered and the decisions reached at the relevant meeting in detail, specifying any concerns or objections raised by the Directors. After conclusion of a Board meeting, the first draft and final draft of the minutes shall be distributed to all the Directors within a reasonable period. The first draft shall be for the Directors' comments, and the final draft shall be kept by the Directors for records. Meeting files of the Board and the committees of the Board, including notices and materials of meetings, attendance books, instruments of proxy, audio-records, votes, meeting minutes duly signed by the chairman, written resolutions signed by all Directors and other documents shall be kept by the secretary of the Board/Company Secretary. The minutes shall be made available for inspection by any Director within any reasonable time of period upon reasonable notice.

**Chapter 4 Miscellaneous**

**Article 14** Any matter not specified in these Rules shall be subject to applicable laws, regulations, normative documents, the Articles of Association and other requirements (the "Applicable Requirements"). In the case of any change in the Applicable Requirements after these Rules coming into effect resulting in any conflict between these Rules and the Applicable Requirements, the Company shall promptly amend these Rules and ensure compliance with the mandatory requirements in the Applicable Requirements at all relevant times.

**Article 15** These Rules are formulated by the Board and shall come into effect upon approval at the General Meeting.

**Article 16** The power of interpretation of these Rules is vested in the Board.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' Interests in Securities of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive officer in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

*Unit: Share*

Name	Long/Short Position	Nature of Interests	Number of Common Shares held	Options (Hong Kong Shares)	Restricted	Total Interests	Percentage of aggregate interests to total issued share capital of the Company <i>(Note 1)</i>
					Share Units (Hong Kong Shares)		
<b>Executive Directors</b>							
Gao Yonggang	Long Position	Beneficial Owner	-	882,878	1,024,616	1,907,494	0.024
Liu Xunfeng			-	-	-	-	-
<b>Non-executive Directors</b>							
Lu Guoqing			-	-	-	-	-
Chen Shanzhi			-	-	-	-	-
Yang Lumin			-	-	-	-	-

Name	Long/Short Position	Nature of Interests	Number of Common Shares held	Options (Hong Kong Shares)	Restricted Share Units (Hong Kong Shares)	Total Interests	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
<b>Independent Non-executive Directors</b>							
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	–	32,877	217,877	250,754	0.003
Fan Ren Da Anthony	Long Position	Beneficial Owner	312,877	220,377	92,500	625,754	0.008
Liu Ming	Long Position	Beneficial Owner	–	187,500	125,625	313,125	0.004
Wu Hanming	Long Position	Beneficial Owner	–	–	277,500	277,500	0.004
<b>Co-Chief Executive Officer</b>							
Zhao Haijun	Long Position	Beneficial Owner	–	2,184,355	785,756	2,970,111	0.038
Liang Mong Song	Long Position	Beneficial Owner	–	659,117	820,911	1,480,028	0.019

*Notes:*

1. Based on 7,925,055,274 shares in issue as at the Latest Practicable Date.

**Substantial shareholders**

Save as disclosed below, the Directors are not aware that there was any party who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and its subsidiaries:

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Common Shares held		Percentage of Common Shares held to total issued Share Capital <sup>(1)</sup>		Percentage of total interests to total issued Share Capital <sup>(1)</sup>	
			Directly Held	Held Indirectly	Derivatives	Total Interests	Derivatives	Total Interests
<b>China Information and Communication Technology Group Co., Ltd. and related stakeholders</b>								
China Information and Communication Technology Group Co., Ltd.	Interest of corporation controlled	Long Position	72,470,855 <sup>(2)</sup>	1,116,852,595 <sup>(2)</sup>	15.01%	-	1,189,323,450	15.01%
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	1,116,852,595 <sup>(2)</sup>	-	14.09%	-	1,116,852,595 <sup>(2)</sup>	14.09%
<b>China Integrated Circuit Industry Investment Fund Co., Ltd. and related stakeholders</b>								
China Integrated Circuit Industry Investment Fund Co., Ltd.	Interest of corporation controlled	Long Position	-	617,214,804 <sup>(3)</sup>	7.79%	-	617,214,804	7.79%
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	617,214,804 <sup>(3)</sup>	-	7.79%	-	617,214,804	7.79%

*Notes:*

- Based on 7,925,055,274 shares in issue as at the Latest Practicable Date.
- 1,116,852,595 shares are held by Datang HK which is a wholly-owned subsidiary of Datang Holdings, which in turn is wholly-owned by CICT. In addition, CICT directly holds 72,470,855 shares denominated in RMB, for a total of 1,189,323,450 shares.
- 617,214,804 shares are held by Xinxin HK, a wholly-owned subsidiary of Xunxin (Shanghai) Investment Co., Ltd., which in turn is wholly-owned by China IC Fund.

**3. MATERIAL CHANGES**

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

**4. DIRECTORS' INTEREST IN SERVICE CONTRACTS**

None of the Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

## 5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (ii) save for the fact that Dr. Chen Shanzhi, a non-executive Director, is currently the vice president of CICT, the holding company and an associate (as defined under the Hong Kong Listing Rules) of Datang Holdings (a Substantial Shareholder of the Company) and Datang HK (a subsidiary of Datang Holdings through which Datang Holdings holds the Shares in the Company) and Mr. Lu Guoqing, a non-executive Director, is currently the secretary of the Party Committee and the chairman of CICT, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO;
- (iii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and which is significant in relation to the business of the Group; and
- (iv) none of the Directors and their associates had any competing interest, in a business which competes or is likely to compete either directly or indirectly, with the business of the Group.

## 6. EXPERT AND CONSENT

The following is the qualification of the Independent Financial Adviser which has given opinions or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
FDB Financial Group Limited	A licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, FDB Financial Group Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statements, letter, report and opinion (as the case may be) as set out in this circular and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, FDB Financial Group Limited was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, FDB Financial Group Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2022, the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter from FDB Financial Group Limited dated 2 June 2023 is set out on pages 40 to 54 for incorporation herein.

## 7. MISCELLANEOUS

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office of the Company is 18 Zhangjiang Road, Pu Dong New Area, Shanghai 201203, People's Republic of China.

The company secretary of the Company (“**Company Secretary**”) is Ms. Guo Guangli. Ms. Guo Guangli serves as a senior vice president, Board Secretary and Company Secretary of the Company. Ms. Guo is a member of the Sixth Session of the Review Committee of the Shanghai Stock Exchange, a member of Expert Committee of China Enterprise Financial Management Association and a guest advisor of Central University of Finance and Economics. Ms. Guo has served as the member of the Party Committee, chief accountant of Datang Telecom Technology Industry Group, and also the chairman of Datang Telecom finance company. Ms. Guo has rich experience in corporate governance, financial management and investment and financing projects of capital market. Ms. Guo is a Chinese Certified Public Accountant. She received a bachelor of law degree from Beijing University of Aeronautics and Astronautics and a master of accounting from the Central University of Finance and Economics.

## 8. DOCUMENTS ON DISPLAY

A copy of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.smics.com>) from the date of this circular up to and including the date of the AGM:

- (a) the full terms of the 2014 Equity Incentive Plan and the 2024 Equity Incentive Plan;
- (b) the New Memorandum and Articles of Association; and
- (c) this circular.

## 9. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.



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## NOTICE OF THE ANNUAL GENERAL MEETING

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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)*

(Hong Kong Stock Exchange Stock Code: 981)

(Shanghai Stock Exchange Stock Code: 688981)

### NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (“AGM”) of Semiconductor Manufacturing International Corporation (the “**Company**”) will be held on 28 June 2023 at Evergreen Laurel Hotel Shanghai at Conference Hall on the 2nd Floor, 1136 Zuchongzhi Road, Pu Dong New Area, Shanghai, People’s Republic of China (the “**PRC**”) at 2:00 p.m. for the purpose of transacting the following businesses:

#### ORDINARY BUSINESS

1. To receive and consider the 2022 annual report of the Company (including the audited consolidated financial statements and the reports of the directors of the Company (“**Director(s)**”) and the auditors of the Company for the year ended 31 December 2022).
2. To consider and approve the following:
  - 2.1 To re-elect Dr. Gao Yonggang as an executive Director;
  - 2.2 To re-elect Dr. Liu Xunfeng as an executive Director;
  - 2.3 To re-elect Mr. Lu Guoqing as a non-executive Director;
  - 2.4 To re-elect Mr. Yang Lumin as a non-executive Director; and
  - 2.5 To re-elect Academician Wu Hanming as an independent non-executive Director.
3. To consider and, if thought fit, approve the re-appointment of Ernst & Young and Ernst & Young Hua Ming LLP as the auditors of the Company for 2023 for the financial reporting in accordance with International Financial Reporting Standards and the financial reporting in accordance with China Accounting Standards for Business Enterprises purposes, respectively, and to authorize the audit committee of the board of Directors (the “**Board**”) to fix their remuneration.
4. To consider and, if thought fit, approve the proposal recommended by the Board that, in light of the large capital demand of the Company in 2023 and the needs of future development of the Company which will render the Company not being able to satisfy certain conditions for making profit

\* For identification purpose only

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## NOTICE OF THE ANNUAL GENERAL MEETING

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distribution in accordance with the profit distribution policy adopted pursuant to the ordinary resolution passed by the shareholders of the Company on 1 June 2020, the Company will not declare or make any dividend or distribution to its shareholders for the year 2022.

### SPECIAL BUSINESSES

To consider and, if thought fit, to pass with or without modification the following ordinary resolutions:

5. **“THAT:**

(A) subject to paragraph (B) below, the exercise by the Board during the Relevant Period (as defined below) of all the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Hong Kong Shares (as defined below) and to make, issue or grant offers, agreements, options, warrants and other securities which will or might require the Hong Kong Shares to be allotted, issued, granted, distributed or otherwise dealt with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;

(B) the aggregate number of shares allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted, distributed or otherwise dealt with (whether pursuant to an option, conversion or otherwise) by the Board pursuant to the approval in paragraph (A) above, otherwise than pursuant to:

(i) a Rights Issue (as defined below); or

(ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the Directors and/or officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, including without limitation pursuant to the Company’s (i) 2014 Stock Option Plan and 2014 Equity Incentive Plan; and (ii) 2024 Equity Incentive Plan; or

(iii) the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into Shares; or

(iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the memorandum and articles of association of the Company (the “**Memorandum and Articles of Association**”) from time to time,

shall not exceed the aggregate of:

(a) twenty per cent. of the number of issued Hong Kong Shares as at the date of passing this Resolution 5 (the “**Issue Mandate Limit**”); and

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (b) (if the Board is so authorized by a separate resolution of the shareholders of the Company) the aggregate number of shares of the Company purchased by the Company subsequent to the passing of this Resolution 5 (up to a maximum equivalent to ten per cent. of the number of issued Hong Kong Shares of the Company as at the date of passing this Resolution 5),

and the said approval shall be limited accordingly;

- (C) for the purposes of calculating the number of Hong Kong Shares that may be issued under the Issue Mandate Limit, the number of new Hong Kong Shares allotted and issued upon the exercise of any right to subscribe for or purchase Hong Kong Shares attached to any Hong Kong Shares (“**Convertible Shares**”) issued pursuant to this resolution shall, to the extent of the amount of the aggregate number of such new Hong Kong Shares to be issued that is equal to the aggregate number of such Convertible Shares and provided that such Convertible Shares are cancelled on or after the issue of such new Hong Kong Shares, be disregarded;
- (D) for the purpose of this Resolution 5:
  - (i) “**Relevant Period**” means the period from (and including) the date of passing this Resolution 5 until the earlier of:
    - (a) the conclusion of the next annual general meeting of the Company;
    - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or by law to be held; or
    - (c) the revocation or variation of the authority given under this Resolution 5 by an ordinary resolution of the shareholders of the Company in a general meeting;
  - (ii) “**Rights Issue**” means an offer of Shares open for a period fixed by the Board to holders of Shares on the register of members (and, if appropriate, to the holders of warrants and other securities which carry a right to subscribe or purchase shares in the Company on the relevant register) on a fixed record date in proportion to their then holdings of such Shares (and, if appropriate, such warrants and other securities) (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company);
  - (iii) “**Hong Kong Shares**” means the common shares of US\$0.004 each in the share capital of the Company which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and warrants and other securities which carry a right to subscribe for or purchase such shares in the Company; and

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (iv) “**Shares**” means shares of all classes in the capital of the Company (including but not limited to common shares and preferred shares of par value US\$0.004 each in the capital of the Company) and warrants and other securities which carry a right to subscribe for or purchase shares in the Company.”
6. “**THAT**:
- (A) subject to paragraph (B) below, the exercise by the Board during the Relevant Period of all the powers of the Company to purchase Hong Kong Shares on the Stock Exchange or any other stock exchange on which the Hong Kong Shares may be listed and which is recognised for this purpose by the Hong Kong Securities and Futures Commission and the Stock Exchange, in accordance with all applicable laws, including the Hong Kong Code on Share Buy-backs and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time), be and is hereby generally and unconditionally approved;
- (B) the aggregate number of Hong Kong Shares which may be purchased or agreed conditionally or unconditionally to be purchased pursuant to the approval in paragraph (A) above shall not exceed ten per cent. of the number of issued Hong Kong Shares of the Company as at the date of passing of this Resolution 6, and the said approval shall be limited accordingly; and
- (C) for the purpose of this Resolution 6:
- (i) “**Relevant Period**” means the period from (and including) the passing of this Resolution 6 until the earlier of:
- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company or by law to be held; or
- (c) the revocation or variation of the authority given under this Resolution 6 by an ordinary resolution of the shareholders of the Company in a general meeting; and
- (ii) “**Hong Kong Shares**” means the common shares of US\$0.004 each in the share capital of the Company which are listed on the Stock Exchange and warrants and other securities which carry a right to subscribe for or purchase such shares in the Company.”
7. “**THAT**, conditional on the passing of Resolutions 5 and 6, the exercise by the Board of the powers referred to in paragraph (A) of Resolution 5 in respect of the share capital of the Company referred to in sub-paragraph (b) of paragraph (B) of Resolution 5, be and is hereby approved and authorized.”
8. “**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Hong Kong Shares of US\$0.004 each in the capital of the Company to be issued pursuant to the exercise of granted awards under the 2024 Equity Incentive Plan (the “**Plan**”) (the rules of which are summarised

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## NOTICE OF THE ANNUAL GENERAL MEETING

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in the circular of the Company dated 2 June 2023 and contained in the document marked “A” produced to this meeting and initialled by the Chairman of the meeting for identification purpose only), the rules of the Plan be and are hereby approved and adopted and that the Directors be and are hereby authorised to:

- (i) allot, issue and grant from time to time such number of Hong Kong Shares as may be required pursuant to the implementation of each of the Plan or any exercise of granted awards under the Plan;
- (ii) administer the Plan under which awards will be granted to eligible participants under the Plan to subscribe for Hong Kong Shares and/or Hong Kong Shares will be issued to eligible participants;
- (iii) modify and/or amend the rules of the Plan from time to time subject to the provisions of such rules; and
- (iv) make application at the appropriate time to the Stock Exchange, and any other stock exchange upon which the Hong Kong Shares may for the time being be listed, for the listing of, and permission to deal in, the Hong Kong Shares which may from time to time be allotted and issued pursuant to the exercise of the granted awards under, or otherwise pursuant to, the Plan.”

9. **“THAT:**

- 9.1 the grant of 277,500 restricted share units (“**RSU(s)**”) to Academician Wu Hanming on 5 September 2022, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- 9.2 any Director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue the shares of the Company pursuant to the RSU grant under the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 in accordance with the terms of the 2014 Equity Incentive Plan and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the RSU grant on 5 September 2022.”

10. **“THAT:**

- 10.1 the grant of 159,565 RSUs to Dr. Gao Yonggang on 1 April 2023, the chairman of the Board and the executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- 10.2 the grant of 92,500 RSUs to Professor Lau Lawrence Juen-Yee on 1 April 2023, the independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.3 the grant of 92,500 RSUs to Dr. Fan Ren Da Anthony on 1 April 2023, the independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.4 the grant of 159,565 RSUs to Dr. Zhao Haijun on 1 April 2023, the co-chief executive officer of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.5 the grant of 159,565 RSUs to Dr. Liang Mong Song on 1 April 2023, the co-chief executive officer of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.6 the grant of 46,482 RSUs to Dr. Wu Junfeng on 1 April 2023, the director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.7 the grant of 45,953 RSUs to Mr. Zhang Xin on 1 April 2023, the director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.8 the grant of 61,062 RSUs to Mr. John Peng on 1 April 2023, the director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.9 the grant of 91,385 RSUs to Mr. Lin Hsin-Fa on 1 April 2023, the director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 10.10 the grant of 29,312 RSUs to Dr. Wang Yong on 1 April 2023, the director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- 10.11 any Director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue the shares of the Company pursuant to the RSU grant under the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 in accordance with the terms of the 2014 Equity Incentive Plan and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the RSU grant on 1 April 2023.”
11. To consider and approve the amendments of policy governing the procedures for the holding of general meetings in the form as set forth in Appendix V to the Circular.
12. To consider and approve the amendments of policy governing the procedures for the holding of board meetings in the form as set forth in Appendix VI to the Circular.

### Special Resolution

13. To consider and if thought fit, pass the following resolution as a special resolution:

“**THAT:**

- (A) the amended and restated memorandum of association and articles of association of the Company (the “**New Memorandum and Articles of Association**”), as set forth in Appendix IV to the Circular which has been produced to this meeting and marked “B” and initialled by the chairman of the meeting, be and is hereby approved and adopted as the amended and restated memorandum of association and articles of association of the Company, in substitution for and to the exclusion of the Memorandum and Articles of Association with immediate effect; and
- (B) any Director or company secretary of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents and make all such arrangements that he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the adoption of the New Memorandum and Articles of Association, including without limitation, attending to the necessary filings with the Registrar of Companies in the Cayman Islands and Hong Kong.”

By order of the Board  
**Semiconductor Manufacturing International Corporation**  
**Guo Guangli**  
*Company Secretary/Board Secretary*

Shanghai, 2 June 2023

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## NOTICE OF THE ANNUAL GENERAL MEETING

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*Principal place of business:*

18 Zhangjiang Road  
Pudong New Area  
Shanghai 201203  
People's Republic of China

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

As at the date of this notice, the Directors of the Company are:

*Executive Directors:*

GAO Yonggang (*Chairman*)  
LIU Xunfeng (*Vice Chairman*)

*Non-executive Directors:*

LU Guoqing  
CHEN Shanzhi  
YANG Lumin



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## NOTICE OF THE ANNUAL GENERAL MEETING

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*Independent Non-executive Directors:*

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

LIU Ming

WU Hanming

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or, if such member is a holder of more than one share, more than one proxy to attend and vote instead of such member. Where a member appoints more than one proxy the instrument of proxy shall state which proxy is entitled to vote on a poll. A proxy need not be a member of the Company.
2. To be valid, a form of proxy must be delivered to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the meeting or adjourned meeting (or 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting). If a proxy form is signed under a power of attorney, the power of attorney or other authority relied on to sign it (or an office copy) must be delivered to the Company's Hong Kong share registrar with the proxy form, except that a power of attorney which has already been registered with the Company need not be so delivered. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he so wish and in such event, the proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from 23 June 2023 to 28 June 2023 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for attending and voting at the AGM, all transfers of Hong Kong Shares, accompanied by the relevant certificates, must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 21 June 2023. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 28 June 2023 or, registered holders of the RMB Shares whose names appear on the register members of RMB Shares on 21 June 2023, will be entitled to attend and vote at the annual general meeting. Further announcement will be made by the Company on the website of the SSE regarding the record date and arrangements for holders of Shares listed on the Science and Technology Innovation Board of the SSE in accordance with the requirements of the SSE.
4. Shareholders are advised to read the circular of the Company dated 2 June 2023 which contains information concerning the resolutions to be proposed at the AGM.
5. The voting at the AGM will be taken by a poll.
6. This notice and the proxy form have also been posted on the websites of the Company and the Stock Exchange respectively.