
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a 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 (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the 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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of 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)

(Stock Code: 981)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED CAPITAL CONTRIBUTION AND
DEEMED DISPOSAL OF EQUITY INTEREST IN SMSC
AND
(2) NOTICE OF THE 2020 THIRD EXTRAORDINARY GENERAL
MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

MESSIS  **大有融資**

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 22 to 31 of this circular.

The notice convening the EGM to be held at 5 Floor SO1 Building, 18 Zhangjiang Road, PuDong New Area, Shanghai, People's Republic of China on 23 June 2020 at 2:00 p.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company held at the same place on the same date at 1:30 p.m.) (the "EGM") 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 EGM in accordance with the instructions printed thereon.

Whether you are able to attend the EGM or not, please complete and return the enclosed form of proxy to the 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 EGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person should you wish. Only Shareholders of record on 23 June 2020 are entitled to attend and vote at the EGM.

* For identification purpose only

6 June 2020

CONTENTS

	<i>Page</i>
Definitions	1
Letter from The Board	5
Letter from The Independent Board Committee	20
Letter from Messis Capital	22
Appendix I — General Information	I-1
Notice of the 2020 Third Extraordinary General Meeting	EGM-1

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2004 Stock Option Plan”	the 2004 stock option plan adopted by the Company by way of a Shareholders’ resolution on 16 February 2004 but terminated by the Company on 15 November 2013
“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 2015 Annual Report
“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
“2018 Capital Contribution Agreement”	the capital contribution agreement entered into among SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund on 30 January 2018 in relation to the capital contribution to the registered capital of SMSC by SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund which resulted in the increase in the registered capital of SMSC from US\$210 million to US\$3.5 billion
“associates”	shall have the meaning assigned to it under the Listing Rules
“Board”	the board of Directors
“Capital Contribution”	the capital contribution to the registered capital of SMSC by SMIC Holdings, China IC Fund II and Shanghai IC Fund II which will result in the increase in the Registered Capital from US\$3.5 billion to US\$6.5 billion
“China IC Fund”	China Integrated Circuit Industry Investment Fund Co., Ltd.* (國家集成電路產業投資基金股份有限公司), a company established under the laws of the PRC
“China IC Fund II”	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (國家集成電路產業投資基金二期股份有限公司), a company established under the laws of the PRC
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the 2020 third extraordinary general meeting of the Company proposed to be held to approve, among other things, the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the international Accounting Standards Board
“Independent Board Committee”	the independent committee of the Board that consists of all independent non-executive Directors who have no direct or indirect interest in the New JV Agreement or the New Capital Contribution Agreement, other than, where applicable, being a Shareholder
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder, which shall include Shareholders other than Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund (as defined in the Listing Rules)

DEFINITIONS

“Joint Venture Agreement”	the joint venture agreement entered into among SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund on 30 January 2018 in relation to the capital contribution to the registered capital of SMSC by SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund which resulted in the increase in the registered capital of SMSC from US\$210 million to US\$3.5 billion
“Latest Practicable Date”	2 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Capital Contribution Agreement”	the capital contribution agreement entered into among SMIC Holdings, Shanghai IC Fund, Shanghai IC Fund II, China IC Fund, China IC Fund II and SMSC on 15 May 2020 in relation to the Capital Contribution
“New JV Agreement”	the joint venture agreement entered into among SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II on 15 May 2020 in relation to the Capital Contribution
“Ordinary Share(s)”	the ordinary Share(s) of US\$0.004 each in the share capital of the Company
“PRC”	the People’s Republic of China, but for the purposes of this circular only, excludes Hong Kong, Macau Special Administrative Regions of the People’s Republic of China and Taiwan
“Registered Capital”	the registered capital of SMSC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai IC Fund”	Shanghai Integrated Circuit Industry Investment Fund* (上海集成電路產業投資基金股份有限公司), a company established under the laws of the PRC and is owned as to approximately 10.53% by China IC Fund
“Shanghai IC Fund II”	Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (上海集成電路產業投資基金(二期)有限公司), a company established under the laws of the PRC
“Shareholders”	holder(s) of issued Shares

DEFINITIONS

“Shares”	shares of all classes in the capital of the Company (including but not limited to Ordinary Shares and preferred shares) and warrants and other securities which carry a right to subscribe for or purchase shares of the Company
“Share Transfer Agreement”	the share transfer agreement entered into between SMIC Holdings and SMIC Shanghai dated 15 May 2020 in relation to the transfer of all the equity interests in SMSC held by SMIC Shanghai from SMIC Shanghai to SMIC Holdings
“SMIC Holdings”	SMIC Holdings Corporation* (中芯國際控股有限公司) SMIC Holdings Corporation*), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“SMIC Shanghai”	Semiconductor Manufacturing International (Shanghai) Corporation* (中芯國際集成電路製造(上海)有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“SMSC”	(Semiconductor Manufacturing South China Corporation* (中芯南方集成電路製造有限公司), a Chinese-foreign joint venture established under the laws of the PRC and a non wholly-owned subsidiary of the Company whose registered capital prior to the Capital Contribution is US\$3.5 billion, of which 50.1% is indirectly owned by the Company, 27.04% is owned by China IC Fund and 22.86% is owned by Shanghai IC Fund
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

* For identification purposes only



Semiconductor Manufacturing International Corporation
中芯國際集成電路製造有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

Executive Directors:

ZHOU Zixue (*Chairman*)
ZHAO Haijun (*Co-Chief Executive Officer*)
LIANG Mong Song (*Co-Chief Executive Officer*)
GAO Yonggang (*Chief Financial Officer and*
Joint Company Secretary)

Non-executive Directors:

CHEN Shanzhi
ZHOU Jie
REN Kai
LU Jun
TONG Guohua

Independent non-executive Directors:

William Tudor BROWN
CONG Jingsheng Jason
LAU Lawrence Juen-Yee
FAN Ren Da Anthony
YOUNG Kwang Leei

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business:

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

6 June 2020

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED CAPITAL CONTRIBUTION AND
DEEMED DISPOSAL OF EQUITY INTEREST IN SMSC
AND
(2) NOTICE OF THE 2020 THIRD EXTRAORDINARY GENERAL
MEETING**

* *For identification purpose only*

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with information on the businesses to be transacted at the EGM in respect of, among other matters, the New JV Agreement and the New Capital Contribution Agreement in relation to the proposed Capital Contribution and deemed disposal of equity interest in SMSC and any transactions contemplated hereunder.

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

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

Reference is also made to the Company's announcement dated 15 May 2020 in relation to the proposed Capital Contribution to and deemed disposal of equity interest in SMSC pursuant to the New JV Agreement and the New Capital Contribution Agreement entered into among SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II. The entering into of the New JV Agreement and the New Capital Contribution Agreement were contemplated in March 2020 when the parties to the New JV Agreement and the New Capital Contribution Agreement started negotiation in view of the capital expenditure needs of SMSC in accordance with the development plan of SMSC. China IC Fund II and Shanghai IC Fund II were introduced as the new shareholders of SMSC through business introduction by certain existing shareholders of China IC Fund and Shanghai IC Fund. In addition, SMSC was also seeking for new industry funds for investments, therefore China Fund II and Shanghai IC Fund II are the suitable investors for further negotiation. The principal terms of the New JV Agreement and the New Capital Contribution Agreement are set out as follows:

SUMMARY OF PRINCIPAL TERMS OF THE NEW JV AGREEMENT

Date:

15 May 2020

Parties:

- (a) SMIC Holdings
- (b) China IC Fund

LETTER FROM THE BOARD

- (c) China IC Fund II
- (d) Shanghai IC Fund
- (e) Shanghai IC Fund II

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

Business Scope of SMSC

SMSC is principally engaged in wafer manufacturing, wafer probing and bumping, technology development, design service, mask manufacturing, assembly and final testing of integrated circuits and sales of self-manufactured products, wholesale, import/export of relevant abovementioned products, commission agent (except auctions), and the provision of relevant complementary services. SMSC has established and built up large-scale manufacturing capacity with a focus on 14-nanometer and more advanced process and manufacturing technologies. SMSC has reached a manufacturing capacity of 6,000 14 nanometer wafers per month and aims to reach a manufacturing capacity of 35,000 14 nanometer and below wafers per month.

Total Investment under the New JV Agreement

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

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

LETTER FROM THE BOARD

- (e) China IC Fund II has committed to contribute US\$1.5 billion, which is outstanding, representing 23.077% of the enlarged Registered Capital after the Capital Contribution.

The consideration was arrived at after arm's length negotiation among the parties with reference to the net asset value, future business prospects and development potential of SMSC. The total investment amount of US\$9.059 billion and the capital contribution of US\$6.5 billion were determined by the calculation of the directors and management of SMSC on the fund required to carry forward the future business plans, such as purchase of production equipment, facility supplies and construction and installation of the cleanroom. The capital contribution was set at a rate not less than 70% of the total investment to ensure the availability of funds. According to the unaudited accounts of SMSC, as at 31 December 2019, SMSC has total assets and total equity of approximately US\$3,941.5 million and US\$3,393.2 million, respectively. The consideration was determined with reference to the future business prospects and development potential of SMSC. SMSC is a 12-inch wafer fab with advanced process capability built in line with the schedule of the Company's 14 nanometre and below advanced technology node research and development and mass production. The 14 nanometre technology could be applied on mainstream mobile platforms, automotive, Internet of Things and cloud computing, which are also fast growing applications. According to the Company's development plan, the 12-inch wafer fab will be built by joint venture partnership with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II and the Company could speed up the introduction of advanced manufacturing process and products. Majority of the amount of the Capital Contribution will be utilised as the capital expenditure in accordance with the development plan and allow the Group to develop the high-end and fast growing product stream, which would bring more growth opportunities to the Group and is essential to maintain the Group's competitiveness. The difference between the total investment of US\$9.059 billion and enlarged Registered Capital after the Capital Contribution of US\$6.5 billion is intended to be funded through debt financing from domestic or overseas banks or other financial institutions or non-financial institutions or shareholders' loans.

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

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

SMIC Holdings, China IC Fund II and Shanghai IC Fund II shall complete all of its outstanding contributions prior to 31 December 2020. After the completion of the Capital Contribution, the funds will be used by SMSC as capital expenditure and working capital. It is expected that the funds will be applied to the business operations of SMSC as and when necessary depending on market demand and expansion plan. As of 31 December 2019, more than US\$1 billion had been utilised by SMSC and it is expected that approximately US\$2 billion will be utilised by SMSC in 2020.

LETTER FROM THE BOARD

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

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

The board of directors of SMSC will comprise seven directors. SMIC Holdings is entitled to appoint four directors in total. Shanghai IC Fund is entitled to appoint one director in total. China IC Fund is entitled to appoint one director in total. China IC Fund II is entitled to appoint one director in total. SMIC Holdings is entitled to nominate the chairman of the board of directors of SMSC, who will also act as the legal representative of SMSC. The board of directors oversees the operations of SMSC and is the major decision making body of SMSC. Unanimous approval of all directors is required for certain matters of SMSC, including amendments to the articles of association of SMSC, change of register capital of SMSC, investments from new investors and etc..

The supervisory board of SMSC will comprise five members with one member to be appointed jointly by China IC Fund and China IC Fund II who will be nominated and elected as the chairman of the supervisory board, one member to be appointed by Shanghai IC Fund, one member to be appointed by Shanghai IC Fund II and two members will be elected by the employees of SMSC. The supervisory board of SMSC oversees the work of the board of directors and management of SMSC. Members of the supervisory board have the right to attend the meetings of the board of directors of SMSC and review the financial matters of SMSC.

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

Pre-Emptive Rights of Shareholders

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

Other Terms

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

LETTER FROM THE BOARD

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

SUMMARY OF PRINCIPAL TERMS OF THE NEW CAPITAL CONTRIBUTION AGREEMENT

Date:

15 May 2020

Parties:

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

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

Subscription of Registered Capital

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

LETTER FROM THE BOARD

Other Terms

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

GENERAL INFORMATION ABOUT SMSC

SMSC was established on 1 December 2016. According to the unaudited accounts of SMSC prepared in accordance with IFRS, as at 31 December 2019, SMSC had total assets and total equity of approximately US\$3,941.5 million and US\$3,393.2 million, respectively. The revenue of SMSC for the year ended 31 December 2019 and 31 December 2018 was approximately US\$9 million and nil, respectively. The net loss (before and after taxation) of SMSC for the year ended 31 December 2019 and 31 December 2018 was approximately US\$93.8 million and US\$49.5 million, respectively. The increase in net loss was due to the fact that the construction of the manufacturing plant was completed in the end of 2018 and the production of products started to ramp up in 2019 with the increased consumption of materials and the increased expense in payroll, amortization and maintenance. SMSC will continue to be a subsidiary of the Company following completion of the transactions contemplated under the New JV Agreement and the New Capital Contribution Agreement since SMIC Holdings will be entitled to appoint the majority of the directors in SMSC's board of directors and veto certain material matters discussed at a general meeting of SMSC at its sole discretion. Following the completion, the Company will have effective control over SMSC and accordingly the financial results of SMSC will be consolidated into the consolidated financial statements of the Group under the relevant accounting policy. The deemed disposal as a result of the Capital Contribution will not result in the recognition of any gain or loss in profit or loss of the Group.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING AND REGISTERED CAPITAL

Details of the changes in the shareholding and registered capital of SMSC are set out in the table below:

Capital Contribution Commitments pursuant to the Joint Venture Agreement and the 2018 Capital Contribution Agreement

Shareholder of SMSC	Capital Contribution Commitment <i>(US\$ million)</i>	Actual Amount Contributed as at the Latest Practicable Date <i>(US\$ million)</i>	Outstanding Capital Contribution Obligation <i>(US\$ million)</i>	Shareholding (%)
SMIC Holdings	1,598.5	1,598.5	0	45.67
SMIC Shanghai	155	155	0	4.43
Shanghai IC Fund	800	800	0	22.86
China IC Fund	946.5	946.5	0	27.04
Total	<u>3,500</u>	<u>3,500</u>	<u>0</u>	<u>100</u>

Capital Contribution Commitments pursuant to the New JV Agreement and the New Capital Contribution Agreement

Shareholder of SMSC	Capital Contribution Commitment <i>(US\$ million)</i>	Actual Amount Contributed as at the Latest Practicable Date <i>(US\$ million)</i>	Outstanding Capital Contribution Obligation <i>(US\$ million)</i>	Shareholding (%)
SMIC Holdings	2,503.5	1,753.5	750	38.515
Shanghai IC Fund	800	800	0	12.308
Shanghai IC Fund II	750	0	750	11.538
China IC Fund	946.5	946.5	0	14.562
China IC Fund II	1,500	0	1,500	23.077
Total	<u>6,500</u>	<u>3,500</u>	<u>3,000</u>	<u>100</u>

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

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

In anticipation of the surge in market demand for advanced process, SMSC aims to increase its manufacturing capacity from 6,000 wafers per month to 15,000 wafers per month by the end of 2020 to meet the future wafer production needs. SMSC aims to then gradually increase its manufacturing capacity to 35,000 wafers per month after 2020 depending on the market demand. SMSC will continue increasing its manufacturing capacity, utilisation rate and profitability.

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

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

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

LETTER FROM THE BOARD

and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund held approximately 14.42% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited as at the Latest Practicable Date, it is a connected person of the Company under the Listing Rules. Shanghai IC Fund is also a connected person of the Company by way of it being a substantial shareholder (as defined in the Listing Rules) of SMSC. The Company's entering into of the New JV Agreement and the New Capital Contribution Agreement with, among others, China IC Fund and Shanghai IC Fund constitutes a connected transaction under Chapter 14A of the Listing Rules.

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

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

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

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

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular. The letter from Mesis Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 31 of this circular.

LETTER FROM THE BOARD

INFORMATION ABOUT THE PARTIES

The Company and SMIC Holdings

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

China IC Fund

China IC Fund, incorporated in September 2014, mainly invests in the value chain of integrated circuit industry via equity investment, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. There are 16 fund investors in China IC Fund, including, among others, Ministry of Finance of the PRC (as the single largest shareholder holding 36.47% shareholding interest), CDB Capital (holding 22.29% shareholding interest), China National Tobacco Corporation (holding 11.14% shareholding interest), Beijing Yizhuang International Investment and Development Co., Ltd. (holding 10.13% shareholding interest), Shanghai Guosheng (Group) Co., Ltd. (holding 5.06% shareholding interest), China Mobile Communications Group Co., Ltd. (holding 5.06% shareholding interest), Wuhan Financial Holdings (Group) Co., Ltd. (holding 5.06% shareholding interest) and a group of nine shareholders (holding less than 5% shareholding interest each) comprising companies, partnerships and Sino IC Capital Co., Ltd. ("**Sino IC Capital**") (which also acts as the fund manager). The voting right of Sino IC Capital (as a shareholder but not as the fund manager) at shareholders' meetings of China IC Fund is proportional to its shareholding interest in China IC Fund. China IC Fund is not regarded as a subsidiary of its single largest shareholder.

LETTER FROM THE BOARD

China IC Fund II

China IC Fund II, incorporated in October 2019, mainly invests in the value chain of integrated circuit industry via equity investment, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. There are 27 fund investors in China IC Fund II, including, among others, the Ministry of Finance of the PRC (as the single largest shareholder holding 11.02% shareholding interest), CDB Capital (holding 10.78% shareholding interest), Chengdu Tianfu Guoji Investment Co., Ltd (holding 7.35% shareholding interest), Chongqing Strategic Emerging Industries Equity Investment Fund Partnership (Limited Partnership) (holding 7.35% shareholding interest), Wuhan Optics Valley Financial Holding Group Co., Ltd. (holding 7.35% shareholding interest), China National Tobacco Corporation (holding 7.35% shareholding interest), Shanghai Guosheng (Group) Co., Ltd., (holding 7.35% shareholding interest), Zhejiang Fuzhe Integrated Circuit Industry Development Co., Ltd. (holding 7.35% shareholding interest) and a group of 19 shareholders (holding less than 7% shareholding interest each) comprising companies, partnerships and Sino IC Capital Co., Ltd. (which also acts as the fund manager). The voting right of Sino IC Capital (as a shareholder but not as the fund manager) at shareholders' meetings of China IC Fund II is proportional to its shareholding interest in China IC Fund II. China IC Fund II is not regarded as a subsidiary of its single largest shareholder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, China IC Fund II does not have an ultimate beneficial owner directly or indirectly controlling China IC Fund II. 11 shareholders in China IC Fund II also hold shareholding interest in China IC Fund and certain directors of China IC Fund II are also directors of China IC Fund. However, none of the overlapping shareholders can exert majority control in both China IC Fund and China IC Fund II and none of the overlapping directors can exert majority influence on the board of directors of both China IC Fund and China IC Fund II. China IC Fund II maintains its own management and accounting systems and records and financial information independent of China IC Fund. Sino IC Capital, as the fund manager, is responsible for the respective management of China IC Fund and China IC Fund II in accordance with the respective entrusted management agreement.

Sino IC Capital should therefore not be treated as controlling both China IC Fund and China IC Fund II. The Company confirms that China IC Fund II is not an associate of China IC Fund under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Shanghai IC Fund

Shanghai IC Fund is the local integrated circuit industry investment fund of Shanghai, the eight investors of which include Shanghai Technology Venture Capital (Group) Co., Ltd (as the single largest shareholder holding 30.70% shareholding interest), Shanghai Automotive Group Equity Investment Co., Ltd. (holding 21.05% shareholding interest), Shanghai International Trust Co., Ltd. (holding 10.53% shareholding interest), China IC Fund (holding 10.53% shareholding interest), Shanghai International Group Co., Ltd. (holding 9.21% shareholding interest), Shanghai Guosheng (Group) Co., Ltd. (holding 9.21% shareholding interest), Shanghai Pudong Emerging Industries Investment Co., Ltd. (7.02% shareholding interest), and Shanghai Jiading Venture Capital Management Co., Ltd. (holding 1.75% shareholding interest), with a total amount of 1st phase investment of RMB28.5 billion and is the largest state-owned integrated circuit industry investment fund in Shanghai. Shanghai IC Fund is not regarded as a subsidiary of its single largest shareholder. Shanghai IC Fund commissioned Shanghai IC Industry Investment Fund Management Co., Ltd. (“**Shanghai IC Management**”) as the fund manager for market-oriented operation and professional management, with IC manufacturing industry being its focused and core investment, and to invest industrial star enterprises in Shanghai and enhance corporate value and accelerate the coordinated development of integrated circuit industry chain.

Shanghai IC Fund II

Shanghai IC Fund II is an industry investment fund officially established in May 2020 focusing on the investment in high-quality projects in the integrated circuit industry in Shanghai. The six shareholders of the fund currently include Shanghai Technology Venture Capital (Group) Co., Ltd (as the single largest shareholder holding 45% shareholding interest), Shanghai International Group Co., Ltd. (holding 15% shareholding interest), Shanghai Guosheng (Group) Co., Ltd. (holding 15% shareholding interest), Shanghai Lingang Guanwei Investment Development Co., Ltd. (holding 12.5% shareholding interest), Shanghai Pudong Emerging Industries Investment Co., Ltd. (holding 10% shareholding interest) and Shanghai Xingjia Equity Investment Partnership (Limited Partnership) (holding 2.5% shareholding interest). Shanghai IC Fund II is not regarded as a subsidiary of its single largest shareholder. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, Shanghai IC Fund II does not have an ultimate beneficial owner directly or indirectly controlling Shanghai IC Fund II. The fund focuses on those enterprises specialized in IC chip manufacturing in Shanghai and invests in quality enterprises and projects in integrated circuit industry chain. The fund commissioned Shanghai IC Management as the fund manager to promote the growth and development of invested companies through market-oriented operation and professional management, aiming to establish industry-leading enterprise in Shanghai and the PRC. Shanghai IC Management does not hold any shareholding interest in Shanghai IC Fund and Shanghai IC Fund II. Four shareholders in Shanghai IC Fund II also hold shareholding interest in Shanghai IC Fund and certain directors of Shanghai IC Fund II are also directors of Shanghai IC Fund. However, none of the overlapping shareholders can exert majority control in both Shanghai IC Fund and Shanghai IC Fund II and none of the overlapping directors can exert majority influence on the board of directors of both

LETTER FROM THE BOARD

Shanghai IC Fund and Shanghai IC Fund II. Shanghai IC Fund II maintains its own management and accounting systems and records and financial information independent of Shanghai IC Fund. Shanghai IC Management, as the fund manager, is responsible for the respective management of Shanghai IC Fund and Shanghai IC Fund II in accordance with the respective entrusted management agreement.

Shanghai IC Management should therefore not be treated as controlling both Shanghai IC Fund and Shanghai IC Fund II. The Company confirms that Shanghai IC Fund II is not an associate of Shanghai IC Fund under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund will abstain from voting on the ordinary resolutions to approve the New JV Agreement and the New Capital Contribution Agreement. As at the Latest Practicable Date, Xinxin (Hongkong) Capital Co., Limited was holding 797,054,901 Shares and representing approximately 14.42% of the total issued share capital of the Company.

Apart from Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund, no other Shareholder will be required to abstain from voting on the relevant resolutions at the EGM.

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

Your attention is drawn to the general information set out in Appendix I to this circular.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that it is in the best interests of the Company and the Shareholders as a whole to enter into the New JV Agreement and the New Capital Contribution Agreement; the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable; and the entering into of the New JV Agreement, the New Capital Contribution Agreement and transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The voting at the EGM will be taken by a poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the 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 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.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Hopewell Centre, 17M Floor, 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 EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 18 June 2020 to Tuesday, 23 June 2020 (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 EGM, all transfers, accompanied by the relevant certificates, must be lodged with the 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, 17 June 2020. All persons who are registered holders of the Shares on 23 June 2020, the record date for the EGM, will be entitled to attend and vote at the EGM.

By Order of the Board

Semiconductor Manufacturing International Corporation

Gao Yonggang

Executive Director, Chief Financial Officer and Joint Company Secretary

Shanghai, 6 June 2020

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation, prepared for incorporation in this circular, from the Independent Board Committee to the Independent Shareholders.



Semiconductor Manufacturing International Corporation

中芯國際集成電路製造有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

6 June 2020

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 6 June 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable, and whether the entering into of the New JV Agreement and the New Capital Contribution Agreement is on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of Messis Capital.

Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable, and whether the entering into of the New JV Agreement and the New Capital Contribution Agreement is on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

relevant resolution. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 22 to 31 of the Circular.

We, having taken into account the advice of Messis Capital, consider that the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable, and the entering into of the New JV Agreement and the New Capital Contribution Agreement is on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM. Your attention is also drawn to the letter from the Board set out on pages 5 to 19 of the Circular and the additional information set out in the Appendix I to the Circular.

Yours faithfully,
Independent Board Committee
William Tudor BROWN,
CONG Jingsheng Jason,
LAU Lawrence Juen-Yee,
FAN Ren Da Anthony,
YOUNG Kwang Leei
Independent Non-Executive Directors

LETTER FROM MESSIS CAPITAL

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



6 June 2020

*The Independent Board Committee and the Independent Shareholders of
Semiconductor Manufacturing International Corporation*

Dear Sir/Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the New JV Agreement and the New Capital Contribution Agreement. 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 6 June 2020 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.

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

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

Reference is also made to the Company’s announcement dated 15 May 2020 in relation to the proposed Capital Contribution and deemed disposal of equity interest in SMSC pursuant to the New JV Agreement and the New Capital Contribution Agreement entered into among SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II.

LETTER FROM MESSIS CAPITAL

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

As China IC Fund held approximately 14.42% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited as at the Latest Practicable Date, it is a connected person of the Company under the Listing Rules. Shanghai IC Fund is also a connected person of the Company by way of it being a substantial shareholder (as defined in the Listing Rules) of SMSC. The Company's entering into of the New JV Agreement and the New Capital Contribution Agreement with, among others, China IC Fund and Shanghai IC Fund constitutes a connected transaction under Chapter 14A of the Listing Rules.

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

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

In accordance with the Listing Rules, the Independent Board Committee has been established to advise and provide recommendation to the Independent Shareholders on the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM MESSIS CAPITAL

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the following transactions:

Date of the relevant circular	Nature of the transactions
22 October 2018	(1) Continuing connected transactions in relation to framework agreement; (2) continuing connected transactions in relation to Centralised Fund Management Agreement; and (3) connected transactions in relation to proposed grant of restricted share units to a former independent non-executive director, a non-executive director and an independent non-executive director
21 December 2018	(1) Continuing connected transactions in relation to Centralised Fund Management Agreement with SMNC; (2) continuing connected transactions in relation to Centralised Fund Management Agreement with SJ Semiconductor Corporation; and (3) connected transactions in relation to proposed grant of restricted share units to independent non-executive directors
21 January 2020	(1) Continuing connected transactions in relation to SMSC Framework Agreement; (2) revision of the existing annual caps for continuing connected transactions in relation to SMNC Framework Agreement; and (3) connected transactions in relation to proposed grant of restricted share units to a non-executive director and two independent non-executive directors
6 June 2020	Connected transactions in relation to proposed subscriptions by connected persons as strategic investors under the proposed RMB Share Issue

Apart from normal professional fees paid or payable to us in connection with the previous appointments mentioned above as well as this appointment as the Independent Financial Adviser, no arrangement exist whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned previous appointment would not affect our independence, and that we are independent 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, the New JV Agreement, the New Capital Contribution Agreement and 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, the Directors 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 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 Directors 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.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

Background of the New JV Agreement and the New Capital Contribution Agreement

References are made to the Company's announcement dated 30 January 2018 and circular dated 6 March 2018 in relation to the capital contribution to the registered capital of SMSC pursuant to a joint venture agreement and a capital contribution agreement, both dated 30 January 2018, entered into among SMIC Holdings, SMIC Shanghai, China IC Fund and Shanghai IC Fund. According to the previous joint venture agreement and capital contribution agreement, the registered capital of SMSC would increase from US\$210 million to US\$3.5 billion.

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

LETTER FROM MESSIS CAPITAL

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

SMSC is principally engaged in wafer manufacturing, wafer probing and bumping, technology development, design service, mask manufacturing, assembly and final testing of integrated circuits and sales of self-manufactured products, wholesale, import/export of relevant abovementioned products, commission agent (except auctions), and the provision of relevant complementary services. SMSC has established and built up large-scale manufacturing capacity with a focus on 14 nanometre and more advanced process and manufacturing technologies. SMSC has reached a manufacturing capacity of 6,000 14 nanometre wafers per month and aims to reach a manufacturing capacity of 35,000 14 nanometre and below wafers per month.

Reasons for and benefit of the New JV Agreement and the New Capital Contribution Agreement

As stated in the Letter from the Board, SMSC is a 12-inch wafer fab with advanced process capability built in line with the schedule of the Company's 14 nanometre and below advanced technology node research and development and mass production. China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II mainly invest in the value chain of integrated circuit industry via various approaches, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. SMSC has reached a manufacturing capacity of 6,000 wafers per month and aims to reach a manufacturing capacity of 35,000 14 nanometre and more advanced wafers per month. We have reviewed the feasibility report (the "**Feasibility Report**") dated February 2020 in relation to the development plan of SMSC. The Feasibility Report was prepared by an independent third party consulting company based in the PRC, namely The IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited (信息產業電子第十一設計研究院科技工程股份有限公司) (the "**Consulting Company**"), a subsidiary of Wuxi Taiji Industry Co., Ltd. (無錫市太極實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600667). The Consulting Company is mainly engaged in the engineering consulting, engineering design and main contracting business, and is involved in industries such as electronic, high-end manufacturing and infrastructure and possess the Engineering Design Comprehensive Qualification (工程設計綜合資質甲級證書). The Consulting Company was ranked 29th for the Engineering News-Record China Top 60 Engineering Design Enterprises (ENR中國工程設計企業60強) in 2019 and has presence in over 30 major cities in the PRC with over 550 registered engineers and 3,300 technical staff. As discussed with the Company, SMSC aims to increase its manufacturing capacity from 6,000 wafers per month to 15,000 wafers per month by the end of 2020, and aims to gradually increase its manufacturing capacity to 35,000 wafers per month, where the expansion schedule will be subject to market demand. In terms of market opportunity, we note from the Feasibility Report that the current supply of integrated circuit ("IC") chips in the PRC are far from enough to satisfy the large demand in the PRC. According to the data published by the General Administration of

LETTER FROM MESSIS CAPITAL

Customs and the National Bureau of Statistics of the PRC, for 2019, the total production of IC chips in the PRC amounted to approximately 201.8 billion pieces, while the number of imported IC chips was approximately 445.1 billion pieces. We also note from the annual report for the year ended 31 December 2019 of the Company that the Company's sales in China (including Hong Kong) amounted to approximately 59%–60% of total sales for the years ended 31 December 2018 and 2019. With the large local demand and production gap in the PRC and the Company's large portion of sales in the PRC, we consider that the development plan of SMSC could capture and take advantage of such market opportunity.

As discussed with the Company, SMSC targets to produce 14 nanometre and more advanced technology products. We note from the Feasibility Report that a number of end products such as mobile phones, wireless routers, cloud computing, motor vehicles and Internet of Things would gradually apply more advanced integrated circuit (“IC”) chips in the production, and it is expected that the 14 nanometre and more advanced IC chips would be gradually applied to these end products throughout 2020 to 2025. We had discussed with the Company in relation to SMSC's product application and were given to understand that the introduction of the 5G technology to the telecommunication industry would be one of the major growth drivers for the IC chips market in 2020. According to the article “The 5G infrastructure market is estimated to be valued at USD784 million in 2019 and is projected to reach USD47,775 million by 2027, at a CAGR of 67.1%” (<https://www.prnewswire.com/news-releases/the-5g-infrastructure-market-is-estimated-to-be-valued-at-usd-784-million-in-2019-and-is-projected-to-reach-usd-47-775-million-by-2027-at-a-cagr-of-67-1-300946285.html>) published on 28 October 2019 by PR Newswire, the 5G infrastructure market is estimated to be over US\$700 million in 2019 and is projected to reach over US\$40,000 million by 2027, which represents a compound annual growth rate of more than 60%. PR Newswire is a subsidiary of Cision Ltd (NYSE: CISON). Cision Ltd mainly provides public relations services, marketing resources and press release distribution with over 5,000 employees. It is also stated in the article that the growth in mobile data traffic is expected to be one of the key major drivers in the future growth of the 5G infrastructure market. According to the research article, “5G is here: Early insights from our experts” (https://cdn.ihsmarket.com/www/pdf/0819/IHS_Markit_5G_Insights.pdf) published in 2019 by IHS Markit, the first batch of 5G capable devices would include mobile phones and routers, given the introduction of the enhanced mobile broadband which uses the 5G technology. IHS Markit (NYSE: INFO) is a global information provider and has more than 50,000 business and government customers, including 80% of the Fortune Global 500 and the world's leading financial institutions. The article published by IHS Market also stated that the global 5G mobile phone shipments is expected to increase significantly from approximately 9 million units in 2019 to more than 400 million units in 2023. Given the near term market opportunity, we consider that the speed up of the introduction of advanced manufacturing process and products through the Capital Contribution is beneficial to the development of the Company.

LETTER FROM MESSIS CAPITAL

In terms of the cost of the development plan of SMSC, we have discussed with the Company and were advised that the total investment cost is expected to be over US\$9 billion for the latest development plan of targeting a manufacturing capacity of 35,000 14 nanometre and more advanced wafers per month. According to the Feasibility report, a substantial part of the development cost would be capital expenditure, which approximately 90% of total investment would be applied to the addition of equipment, the relating installation cost and construction of the manufacturing plant. We notice that from the list of equipment as stated in the Feasibility Report that over 1,500 pieces of equipment would be required for the development. As discussed with the Company, the quantity of equipment required is based on the requirement for each production department in reaching the target manufacturing capacity of 35,000 14 nanometre and more advanced wafers per month. As discussed with the Company, the production 14 nanometre and more advanced technology chips would involve a more complex process and the cost of the relevant equipment would also be higher as compared with less advanced technology. The total cost of the equipment was estimated based on previous purchase costs for the same type of equipment. We have reviewed the list of equipment required for reaching the target manufacturing capacity of 35,000 14 nanometre and more advanced wafers per month, and note that the unit price of equipment could be over US\$10 million. For due diligence purpose, we have reviewed three sets of previous purchase invoices for different types of equipment which is over US\$5 million per unit issued by three different independent equipment suppliers, and note that the unit price on the invoices is similar to the unit price of the same type of equipment as stated on the list of equipment required for reaching the target manufacturing capacity of 35,000 14 nanometre and more advanced wafers per month. As such, we consider that the equipment cost on the list of equipment represents the market price of the equipment. Taking into account of the high cost of development and the total investment of over US\$9 billion for the target manufacturing capacity of 35,000 14 nanometre and more advanced wafers per month, we consider that the Capital Contribution of increasing the registered capital of SMSC from US\$3.5 billion to US\$6.5 billion could relieve the Company from contributing large amount of cash investment alone, and could speed up the introduction of advanced manufacturing process and products.

Having considered the above factors, we consider that the entering into the New JV Agreement and the New Capital Contribution Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Effect of the Capital Contribution on the shareholding structure

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

- (a) SMIC Holdings has committed to contribute US\$2.5035 billion, representing 38.515% of the enlarged Registered Capital after the Capital Contribution. US\$1.7535 billion has been contributed prior to the entering into of the New JV Agreement;

LETTER FROM MESSIS CAPITAL

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

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

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

Principal terms of the New JV Agreement

Business Scope of SMSC

SMSC is principally engaged in wafer manufacturing, wafer probing and bumping, technology development, design service, mask manufacturing, assembly and final testing of integrated circuits and sales of self-manufactured products, wholesale, import/export of relevant abovementioned products, commission agent (except auctions), and the provision of relevant complementary services.

LETTER FROM MESSIS CAPITAL

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

The board of directors of SMSC will comprise seven directors. SMIC Holdings is entitled to appoint four directors in total. Shanghai IC Fund is entitled to appoint one director in total. China IC Fund is entitled to appoint one director in total. China IC Fund II is entitled to appoint one director in total. SMIC Holdings is entitled to nominate the chairman of the board of directors of SMSC, who will also act as the legal representative of SMSC. The board of directors oversees the operations of SMSC and is the major decision making body of SMSC. Unanimous approval of all directors is required for certain matters of SMSC, including amendments to the articles of association of SMSC, change of register capital of SMSC, investments from new investors and etc..

The supervisory board of SMSC will comprise five members with one member to be appointed jointly by China IC Fund and China IC Fund II who will be nominated and elected as the chairman of the supervisory board, one member to be appointed by Shanghai IC Fund, one member to be appointed by Shanghai IC Fund II and two members member will be elected by the employees of SMSC. The supervisory board of SMSC oversees the work of the board of directors and management of SMSC. Members of the supervisory board have the right to attend the meetings of the board of directors of SMSC and review the financial matters of SMSC.

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

Principal terms of the New Capital Contribution Agreement

Subscription of Registered Capital

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

Financial effect of the Capital Contribution

The registered capital of SMSC will be increased from US\$3.5 billion to US\$6.5 billion. The Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.515%. SMSC will continue to be a subsidiary of the Company following completion of the transactions contemplated under the New JV Agreement and the New Capital Contribution Agreement since SMIC Holdings will be entitled to appoint the majority of the directors in SMSC's board of directors and veto certain material matters

LETTER FROM MESSIS CAPITAL

discussed at a general meeting of SMSC at its sole discretion. Accordingly, the financial results of SMSC will be consolidated into the consolidated financial statements of the Group under the relevant accounting policy.

RECOMMENDATION

We consider the entering into the New JV Agreement and the New Capital Contribution Agreement, which are for the expansion of manufacturing capacity of SMSC in wafer manufacturing, is in the usual and ordinary course of business of the Group. Based on the information and representations provided and opinions given by the Board and having taken into account the above principal factors and reasons, we are of the view that the terms of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions in connection with the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Wallace Cheung
Director

Note: Mr. Wallace Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 9 years of experience in the corporate finance industry.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

DISCLOSURE OF INTERESTS

(a) Director's Interests in Securities

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:

Name of Director	Long/Short Position	Nature of Interests	Number of Shares held (Note 22)	Derivatives		Total Interests (Note 22)	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
				Share Options (Note 22)	Other (Note 22)		
Executive Directors							
Zhou Zixue	Long Position	Beneficial Owner	—	3,180,280 (Note 2)	1,340,306 (Note 3)	4,520,586	0.082%
Zhao Haijun	Long Position	Beneficial Owner	163	2,095,439 (Note 4)	86,603 (Note 5)	2,182,205	0.039%
Liang Mong Song	—	—	—	—	—	—	—
Gao Yonggang	Long Position	Beneficial Owner	—	2,236,265 (Note 6)	316,805 (Note 7)	2,553,070	0.046%
Non-executive Directors							
Chen Shanzhi	Long Position	Beneficial Owner	—	412,656 (Note 8)	412,656 (Note 9)	825,312	0.015%
Zhou Jie	—	—	—	—	—	—	—
Ren Kai	—	—	—	—	—	—	—
Lu Jun	—	—	—	—	—	—	—
Tong Guohua	Long Position	Beneficial Owner	—	242,466 (Note 10)	242,466 (Note 11)	484,932	0.009%

Name of Director	Long/Short Position	Nature of Interests	Number of Shares held (Note 22)	Derivatives		Total Interests (Note 22)	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
				Share Options (Note 22)	Other (Note 22)		
Independent non-executive Directors							
William Tudor Brown	Long Position	Beneficial Owner	—	212,500 (Note 12)	212,500 (Note 13)	425,000	0.008%
Cong Jingsheng Jason	Long Position	Beneficial Owner	123,750	242,466 (Note 14)	118,716 (Note 15)	484,932	0.009%
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	—	187,500 (Note 16)	187,500 (Note 17)	375,000	0.007%
Fan Ren Da Anthony	Long Position	Beneficial Owner	—	187,500 (Note 18)	187,500 (Note 19)	375,000	0.007%
Young Kwang Leei	Long Position	Beneficial Owner	—	187,500 (Note 20)	187,500 (Note 21)	375,000	0.007%

Notes:

- (1) Based on 5,528,279,785 Shares in issue as at the Latest Practicable Date.
- (2) (a) On 20 May 2015, Dr. Zhou was granted options to purchase 2,521,163 Shares at a price of HK\$8.30 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 19 May 2025 or 120 days after termination of his service as a Director to the Board. (b) On 25 May 2020, Dr. Zhou was granted options to purchase 659,117 Shares at a price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (3) (a) On 20 May 2015, Dr. Zhou was granted an award of 1,080,498 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan. These RSUs, 25% of which will vest on each anniversary of 6 March 2015, shall fully vest on 6 March 2019. (b) On 25 May 2020, Dr. Zhou was granted an award of 259,808 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting, consisting of (i) 86,603 Restricted Share Units, 25% of which vest on each anniversary of 1 March 2019 and which shall fully vest on 1 March 2023, and (ii) 173,205 Restricted Share Units, 25% of which vest on each anniversary of 1 March 2020 and which shall fully vest on 1 March 2024. As of the Latest Practicable Date, none of these RSUs has been exercised.
- (4) These options comprise: (a) options which were granted to Dr. Zhao on 11 June 2013 to purchase 1,505,854 Shares at a price of HK\$6.40 per Share pursuant to the 2004 Stock Option Plan and will expire on the earlier of 10 June 2023 or 90 days after termination of his service, (b) options which were granted to Dr. Zhao on 7 September 2017 to purchase 1,687,500 Shares at a price of HK\$7.9 per Share pursuant to the 2014 Stock Option Plan and will expire on the earlier of 6 September 2027 or 90 days after termination of his service as Co-Chief Executive Officer. (c) On 25 May 2020, Dr. Zhao was granted options to purchase 219,706 Shares at a price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, 1,317,621 of these options have been exercised.
- (5) On 25 May 2020, Dr. Zhao was granted an award of 86,603 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs, 25% of which vest on each anniversary of 1 March 2020 and which shall fully vest on 1 March 2024. As of the Latest Practicable Date, none of these RSUs has been exercised.

- (6) These options comprise: (a) options which were granted to Dr. Gao on 17 June 2013 to purchase 1,360,824 Shares at a price of HK\$6.24 per Share pursuant to the 2004 Stock Option Plan and will expire on the earlier of 16 June 2023 or 120 days after termination of his service as a Director to the Board, (b) options which were granted to Dr. Gao on 12 June 2014 to purchase 288,648 Shares at a price of HK\$6.4 per Share pursuant to the 2014 Stock Option Plan and will expire on the earlier of 11 June 2024 or 120 days after termination of his service as a Director to the Board. (c) On 25 May 2020, Dr. Gao was granted options to purchase 586,793 Shares at a price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (7) (a) On 17 November 2014, Dr. Gao was granted an award of 291,083 Restricted Share Units pursuant to the 2014 Equity Incentive Plan, consisting of (i) 240,145 Restricted Share Units, 25% of which vest on each anniversary of 17 June 2013 and which shall fully vest on 17 June 2017; and (ii) 50,938 Restricted Share Units, 25% of which vest on each anniversary of 1 March 2014 and which shall fully vest on 1 March 2018. (b) On 25 May 2020, Dr. Gao was granted an award of 231,300 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting, consisting of (i) 74,016 Restricted Share Units, 25% of which vest on each anniversary of 1 March 2019 and which shall fully vest on 1 March 2023, and (ii) 157,284 Restricted Share Units, 25% of which vest on each anniversary of 1 March 2020 and which shall fully vest on 1 March 2024. As of the Latest Practicable Date, 205,578 of these Restricted Share Units were exercised.
- (8) These options comprise: (a) On 25 May 2016, options to purchase 98,958 Shares at a price of HK\$6.42 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options are vested immediately and will expire on the earlier of 24 May 2026 or 120 days after termination of his service as a Director to the Board. (b) On 12 September 2016, options to purchase 1,198 Shares at a price of HK\$8.72 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options are vested immediately and will expire on the earlier of 11 September 2026 or 120 days after termination of his service as a Director to the Board. (c) On 5 April 2017, options to purchase 62,500 Shares at a price of HK\$9.834 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options are vested immediately and will expire on the earlier of 4 April 2027 or 120 days after termination of his service as a Director to the Board. (d) On 23 May 2018, options to purchase 125,000 Shares at a price of HK\$10.512 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of 22 May 2028 or 120 days after termination of his service as a Director to the Board. (e) On 21 May 2019, options to purchase 62,500 Shares at a price of HK\$8.580 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of 20 May 2029 or 120 days after termination of his service as a Director to the Board. (f) On 25 May 2020, options to purchase 62,500 Shares at a price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, options has been exercised.
- (9) These Restricted Share Units comprise: (a) On 25 May 2016, 98,958 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's Restricted Share Units are vested immediately. (b) On 12 September 2016, 1,198 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's Restricted Share Units are vested immediately. (c) On 5 April 2017, 62,500 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's Restricted Share Units are vested immediately. (d) On 23 May 2018, 125,000 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Among the 125,000 Restricted Share Units, 62,500 Restricted Share Units are vested immediately and 62,500 Restricted Share Units shall vest on 1 January 2019. (e) On 21 May 2019, 62,500 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on 1 January 2020. (f) On 25 May 2020, 62,500 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These Restricted Share Units shall vest on 1 January 2021. As of the Latest Practicable Date, none of these RSUs has been exercised.
- (10) (a) On 5 April 2017, Dr. Tong was granted options to purchase 187,500 Shares at a price of HK\$9.834 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 4 April 2027 or 120 days after termination of his service as a Director to the Board. (b) On 25 May 2020, options to purchase 54,966 Shares at a

price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Tong. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.

- (11) (a) On 5 April 2017, Dr. Tong was granted an award of 187,500 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan. These RSUs have vested on each anniversary of 14 February 2017 at the rate of 33%, 33% and 34% over a period of three years, and have fully vested on 14 February 2020. (b) On 25 May 2020, 54,966 Restricted Share Units were granted to Dr. Tong pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These Restricted Share Units shall vest on 1 January 2021. As of the Latest Practicable Date, none of these RSUs has been exercised.
- (12) These options comprise: (a) On 23 May 2018, options to purchase 87,500 Shares at a price of HK\$10.512 per Share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options will expire on the earlier of 22 May 2028 or 120 days after termination of his service as a Director to the Board. (b) On 21 May 2019, options to purchase 62,500 Shares at a price of HK\$8.580 per Share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options shall vest on 1 January 2020 and will expire on the earlier of 20 May 2029 or 120 days after termination of his service as a Director to the Board. (c) On 25 May 2020, options to purchase 62,500 Shares at a price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (13) (a) On 23 May 2018, 87,500 Restricted Share Units were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. Among the 87,500 Restricted Share Units, 25,000 Restricted Share Units are vested immediately and 62,500 Restricted Share Units will vest on 1 January 2019. (b) On 21 May 2019, 62,500 Restricted Share Units were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on 1 January 2020. (c) On 25 May 2020, 62,500 Restricted Share Units were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These Restricted Share Units shall vest on 1 January 2021. As of the Latest Practicable Date, none of these RSUs has been exercised.
- (14) (a) On 5 April 2017, Dr. Cong was granted options to purchase 187,500 Shares at a price of HK\$9.834 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 4 April 2027 or 120 days after termination of his service as a Director to the Board. (b) On 25 May 2020, options to purchase 54,966 Shares at a price of HK\$18.096 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Cong. These options will expire on the earlier of 24 May 2030 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (15) (a) On 5 April 2017, Dr. Cong was granted an award of 187,500 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan. These RSUs have vested on each anniversary of 14 February 2017 at the rate of 33%, 33% and 34% over a period of three years, and have fully vested on 14 February 2020. (b) On 25 May 2020, 54,966 Restricted Share Units were granted to Dr. Cong pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These Restricted Share Units shall vest on 1 January 2021. As of the Latest Practicable Date, 123,750 of these Restricted Share Units were exercised.
- (16) On 13 September 2018, Professor Lau was granted options to purchase 187,500 Shares at a price of HK\$8.574 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 12 September 2028 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (17) On 13 September 2018, Professor Lau was granted an award of 187,500 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan. These RSUs will vest on each anniversary of 22 June 2019 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on 22 June 2021. As of the Latest Practicable Date, none of these Restricted Share Units was exercised.

- (18) On 13 September 2018, Mr. Fan was granted options to purchase 187,500 Shares at a price of HK\$8.574 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of 12 September 2028 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (19) On 13 September 2018, Mr. Fan was granted an award of 187,500 Restricted Share Units (each representing the right to receive one Share) pursuant to the 2014 Equity Incentive Plan. These RSUs will vest on each anniversary of 22 June 2018 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on 22 June 2021. As of the Latest Practicable Date, none of these Restricted Share Units was exercised.
- (20) On 12 September 2019, Dr. Young was granted options to purchase 187,500 Ordinary Shares at a price of HK\$9.820 per Ordinary Share pursuant to the 2014 Stock Option Plan. These options will expire on 11 September 2029 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
- (21) On 12 September 2019, Dr. Young was granted an award of 187,500 Restricted Share Units (each representing the right to receive one Ordinary Share) pursuant to the 2014 Equity Incentive Plan. These RSUs will vest on each anniversary of 7 August 2019 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on 7 August 2022. As of the Latest Practicable Date, none of these Restricted Share Units was exercised.
- (22) These interests have been adjusted upon the Share Consolidation taking effect from 7 December 2016 on the basis of consolidating every ten ordinary shares of US\$0.0004 each into one ordinary share of US\$0.004 each.

(b) 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 interest	Long/Short Position	Number of Ordinary Shares held (Note 8)	Percentage of Ordinary Shares Held to Total Issues Share Capital of the Company (Note 1)	Derivatives		Percentage Total Interests to Total Issues Share Capital of the Company (Note 1)
					Derivatives (Note 8)	Total Interests (Note 8)	
Pagoda Tree Investment Company Limited	A concert party to an agreement to buy shares described in s.317(1)(a)	Long Position	859,522,595 (Note 2)	15.55%	122,118,935 (Note 2)	981,641,530	17.76%
Datang Telecom Technology & Industry Holdings Co., Ltd.	Interest of corporation controlled	Long Position	859,522,595 (Note 3)	15.55%	122,118,935 (Note 4)	981,641,530	17.76%
China Integrated Circuit Industry Investment Fund Co., Ltd.	Interest of corporation controlled	Long Position	797,054,901 (Note 5)	14.42%	183,178,403 (Note 6)	980,233,304	17.73%
Citigroup Inc.	Interest of corporation controlled	Long Position	305,927,011 (Note 7)	5.53%	—	305,927,011	5.53%
		Short Position	126,479,893 (Note 7)	2.29%	—	126,479,893	2.29%
		Lending Pool	177,375,730 (Note 7)	3.21%	—	177,375,730	3.21%

Notes:

- (1) Based on 5,528,279,785 Shares in issue as at the Latest Practicable Date.
- (2) Lightmane Holdings Company Limited, a wholly-owned subsidiary of CNIC Corporation Limited, of which Compass Investment Company Limited, a wholly owned subsidiary of Pagoda Tree Investment Company Limited, has a 90% control, signed an agreement with Datang Holdings (Hongkong) Investment Company Limited (“**Datang HK**”) with terms falling under the Section 317 (1)(a) or (b) of the SFO. Lightmane Holdings Company Limited, CNIC Corporation Limited, Compass Investment Company Limited, Pagoda Tree Investment Company Limited are therefore deemed to be interested in 981,641,530 Shares of the Company.
- (3) 859,522,595 Shares are held by Datang HK which is a wholly-owned subsidiary of Datang Telecom Technology & Industry Holdings Co., Ltd. (“**Datang**”).
- (4) On 23 April 2018, the Company entered into the Datang PSCS Subscription Agreement with Datang and Datang HK, pursuant to which, on and subject to the terms of the Datang PSCS Subscription Agreement, the Company conditionally agreed to issue, and Datang, through Datang HK, conditionally agreed to subscribe for, the Datang PSCS which are convertible into 122,118,935 Shares (assuming full conversion of the Datang PSCS at the initial Conversion Price of HK\$12.78 per Share). In this regard, Datang and Datang HK are deemed to be interested in these 122,118,935 Shares under the SFO. Completion of the Datang PSCS Subscription Agreement has occurred on 29 June 2018.
- (5) 797,054,901 Shares are held by Xinxin (Hongkong) Capital Co., Ltd (“**Xinxin HK**”), a wholly-owned subsidiary of Xunxin (Shanghai) Investment Co., Ltd., which in turn is wholly-owned by China IC Fund.
- (6) On 23 April 2018, the Company entered into the China IC Fund PSCS Subscription Agreement with China IC Fund and Xinxin HK, pursuant to which, on and subject to the terms of the China IC Fund PSCS Subscription Agreement, the Company conditionally agreed to issue, and China IC Fund, through Xinxin HK, conditionally agreed to subscribe for, the China IC Fund PSCS which are convertible into 183,178,403 Shares (assuming full conversion of the China IC Fund PSCS at the initial Conversion Price of HK\$12.78 per Share). In this regard, China IC Fund and Xinxin HK are deemed to be interested in these 183,178,403 Shares under the SFO. Completion of the China IC Fund PSCS Subscription Agreement has occurred on 29 August 2018.
- (7) Citigroup Inc. holds 305,927,011 Ordinary Shares in long position, 126,479,893 Ordinary Shares in short position and 177,375,730 Ordinary Shares in lending pool. Citigroup Inc. has borrowed Shares under a securities borrowing and lending agreement.
- (8) These interests have been adjusted upon the Share Consolidation taking effect from 7 December 2016 on the basis of consolidating every ten ordinary shares of US\$0.0004 each into one ordinary share of US\$0.004.

MATERIAL CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial and trading position of the Group since 31 December 2019, the date of the latest published audited accounts of the Group.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

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)).

OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) 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;
- (b) save for the fact that Dr. Chen Shanzhi, a non-executive Director, is currently the senior vice president of Datang Telecom Technology & Industry Holdings Co., Ltd., a substantial shareholder of the Company and Dr. Tong Guo Hua, a non-executive Director of the Company, is currently the president and an executive director of Datang Telecom Technology & Industry Holdings Co., Ltd., a substantial shareholder of the Company, 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;
- (c) 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
- (d) 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.

EXPERT AND CONSENT

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

Name	Qualification
Messis Capital	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Mesis Capital 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, Mesis Capital 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, Mesis Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2019, 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 Mesis Capital dated 6 June 2020 is set out on pages 22 to 31 for incorporation herein.

MISCELLANEOUS

The Company has two joint company secretaries, Dr. Gao Yonggang and Dr. Liu Wei.

Dr. Gao graduated from Nankai University with a PhD in management. He is the chief financial officer of the Company. Dr. Gao is also a Founding Member and director of The Hong Kong Independent Non-Executive Director Association.

Dr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law and the University of Cambridge with a bachelor in Chinese literature, a master degree in law and a PhD in law respectively. Dr. Liu has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and England and Wales.

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, PuDong New Area, Shanghai 201203, People's Republic of China.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 3003, 30th Floor, 9 Queen's Road Central, Hong Kong during normal business hours on any weekday, excluding public holidays, from 8 June 2020 to 23 June 2020 (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the New JV Agreement and the New Capital Contribution Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (e) the written consent of Messis Capital referred to in this appendix; and
- (f) 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)

(Stock Code: 981)

NOTICE OF THE 2020 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2020 third extraordinary general meeting (“EGM”) of Semiconductor Manufacturing International Corporation (the “Company”) will be held at 5 Floor SO1 Building, 18 Zhangjiang Road, Pudong New Area, Shanghai, People’s Republic of China on 23 June 2020 at 2:00 p.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company held at the same place on the same date at 1:30 p.m.) for the purpose of transacting the following businesses:

ORDINARY RESOLUTION

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

1. **“THAT:**

- (a) the joint venture agreement dated 15 May 2020 (the “**New JV Agreement**”) entered into among SMIC Holdings Corporation (“**SMIC Holdings**”), China Integrated Circuit Industry Investment Fund Co., Ltd. (“**China IC Fund**”), China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. (“**China IC Fund II**”), Shanghai Integrated Circuit Industry Investment Fund Co., Ltd. (“**Shanghai IC Fund**”) and Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. (“**Shanghai IC Fund II**”) in relation to the proposed capital contribution (the “**Capital Contribution**”) to the registered capital of Semiconductor Manufacturing South China Corporation (“**SMSC**”), a copy of the New JV Agreement having been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

* *For identification purpose only*

NOTICE OF THE 2020 THIRD EXTRAORDINARY GENERAL MEETING

- (b) the capital contribution agreement dated 15 May 2020 (the “**New Capital Contribution Agreement**”) entered into among SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund, Shanghai IC Fund II and SMSC in relation to the Capital Contribution to the registered capital of SMSC, a copy of the New Capital Contribution Agreement having been produced to the EGM marked “**B**” and signed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (c) any director(s) of the Company be and is/are hereby authorised, for and on behalf of the Company, to enter into any agreement, deed or instrument and/or to execute and deliver all such documents 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 (i) the implementations and completion of the New JV Agreement, the New Capital Contribution Agreement and transactions contemplated thereunder; and/or (ii) any amendment, variation or modification of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder upon such terms and conditions as the board of directors of the Company may think fit.”

By Order of the Board

Semiconductor Manufacturing International Corporation

Gao Yonggang

Executive Director, Chief Financial Officer and Joint Company Secretary

Shanghai, 6 June 2020

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 Board comprises four executive Directors, namely Dr. Zhou Zixue (Chairman), Dr. Zhao Haijun (Co-Chief Executive Officer), Dr. Liang Mong Song (Co-Chief Executive Officer) and Dr. Gao Yonggang (Chief Financial Officer and Joint Company Secretary); five non-executive Directors, namely Dr. Chen Shanzhi, Mr. Zhou Jie, Mr. Ren Kai, Mr. Lu Jun and Dr. Tong Guohua; and five independent non-executive Directors, namely Mr. William Tudor Brown, Dr. Cong Jingsheng Jason, Professor Lau Lawrence Juen- Yee, Mr. Fan Ren Da Anthony and Dr. Young Kwang Leei.

NOTICE OF THE 2020 THIRD EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the EGM 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 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 form of proxy 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 share registrar with the form of proxy, except that the 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 EGM or any adjournment thereof should he so wish.
3. The register of members of the Company will be closed from Thursday, 18 June 2020 to Tuesday, 23 June 2020 (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 EGM, all transfers, accompanied by the relevant certificates, must be lodged with the 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, 17 June 2020. All persons who are registered holders of the Shares on 23 June 2020, the record date for the EGM, will be entitled to attend and vote at the EGM.
4. Shareholders are advised to read the circular of the Company dated 6 June 2020 which contains information concerning the resolutions to be proposed at the EGM.
5. The voting at the meeting will be taken by a poll.
6. In the event that the containment of the novel coronavirus pneumonia pandemic is still ongoing at the time of the EGM, in order to cooperate with the prevention and control of the pandemic so as to safeguard the health and safety of the shareholders and the participants of the meeting, at the same time ensuring that the shareholders may exercise their respective shareholders' rights, the Company reminds the shareholders who choose to attend the meeting in person that they must comply with the relevant policies and requirements regarding the containment of novel coronavirus pneumonia pandemic. On the way to, from and at the venue of the EGM, please adopt proper personal preventive measures. Upon arrival at the venue of the EGM, please follow the arrangements and guidance of the staff and cooperate with the pandemic prevention and control requirements including, among others, attendee registration, temperature check and wearing of masks.