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

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

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SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

(1) PROPOSED ADOPTION OF THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME

(2) PROPOSED ISSUE OF NEW RMB SHARES UNDER THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

(3) CONNECTED TRANSACTION – PROPOSED ISSUE OF NEW RMB SHARES TO CONNECTED PERSONS UNDER THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

AND

(4) NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

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



FDB Financial Group Ltd
灃展金融集團有限公司

A letter from the Board is set out on pages 5 to 40 of this circular. A letter from the Independent Board Committee in respect of the grant and issue of Restricted Shares to the Connected Awardees under the Scheme is set out on pages 41 to 42 of this circular. A letter of advice from FDB Financial Group Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 55 of this circular.

The EGM of the Company will be held at Evergreen Laurel Hotel Shanghai at Conference Hall on the 2nd Floor, 1136 Zuchongzhi Road, Pu Dong New Area, Shanghai, People's Republic of China on 25 June 2021 at 2: 20 p.m. (or immediately after the conclusion or adjournment of the 2021 annual general meeting of the Company held at the same place on the same date at 2: 00 p.m.) For details, please refer to the notice of EGM 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 Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the 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. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 25 June 2021 or, registered holders of the RMB Shares whose names appear on the register of members of RMB Shares on 21 June 2021, will be entitled to attend and vote at the EGM. Further announcement will be made by the Company on the website of the SSE regarding the record date and arrangements for holders of RMB Shares listed on the STAR Market of the SSE in accordance with the requirements of the SSE.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“Administrative Measures”	the Administrative Measures on Incentive Scheme of Listed Companies (《上市公司股權激勵管理辦法》)
“Announcement”	the announcement of the Company dated 20 May 2021 in relation to the proposed adoption of the Scheme and the proposed grant and issue of new RMB Shares under the Scheme pursuant to the Specific Mandate
“Articles of Association”	the Twelfth Amended and Restated Articles of Association of the Company adopted by special resolution passed at the extraordinary general meeting of the Company held on 1 June 2020 which became effective on 16 July 2020
“Assessment Management Measures”	the management measures for assessment for the implementation of the Scheme
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Awardee(s)”	the awardee(s) of the Scheme
“Board”	the board of Directors
“CICT”	China Information and Communication Technology Group Co., Ltd.
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the STAR Market
“Compensation Committee”	the compensation committee of the Board
“Connected Awardees”	Awardees who are connected persons of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Datang HK”	Datang Holdings (Hongkong) Investment Company Limited
“Datang Holdings”	Datang Telecom Technology & Industry Holdings Co., Ltd.

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 25 June 2021
“First Grant”	the proposed grant of not more than 68,085,200 Restricted Shares, representing approximately 90.00% of the total number of Restricted Shares under the Scheme
“Grant Date”	the date on which the Company grants the Restricted Shares to the Awardees
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Hong Kong Shares”	the existing common Shares which are listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee of the Board comprising all independent non-executive Directors who do not have material interest in the grant and issue of Restricted Shares by the Company to the Connected Awardees
“Independent Financial Adviser”	FDB Financial Group Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the grant and issue of the Restricted Shares by the Company to the Connected Awardees
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions in relation to the grant and issue of the Restricted Share by the Company to the Connected Awardees to be considered and, if thought fit, approved at the EGM
“Latest Practicable Date”	3 June 2021, 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

DEFINITIONS

“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, and for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan China
“PRC Company Law”	the Company Law of the PRC
“PRC Independent Financial Adviser”	the independent financial adviser engaged by the Company to opine on the Scheme as required by the Administrative Measures
“PRC Securities Law”	the Securities Law of the PRC
“Preferred Share(s)”	the preferred Share(s) of US\$0.004 each in the share capital of the Company
“Reserved Grant”	the reserved grant of not more than 7,565,200 Restricted Shares, representing approximately 10.00% of the total number of Restricted Shares under the Scheme
“Restricted Share(s)”	RMB Share(s) to be granted to the Awardees by the Company on such condition and at a price to be paid, determined in accordance with the relevant regulations of the CSRC relating to restricted share units, upon satisfaction of the conditions for grant and attribution of the Restricted Share Units stipulated under the Scheme
“Restricted Share Price”	the price of each Restricted Share to be paid upon satisfaction of the conditions for grant and attribution of the Restricted Share Units
“Restricted Share Units”	an unsecured promise of the Company to pay eligible individuals a specific number of RMB Shares, on a specified date pursuant to the Scheme, subject to all applicable laws, rules, regulations and the applicable vesting, transfer or forfeiture restrictions as set out in the Scheme and the applicable award document
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Shares”	the common Shares listed on the STAR Market and traded in RMB
“Scheme”	the proposed STAR Market restricted share incentive scheme of the Company, as amended from time to time

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	shares of all classes in the capital of the Company (including but not limited to Ordinary Shares and Preferred Shares) and warrants and other securities which carry a right to subscribe for or purchase shares of the Company
“Shareholder(s)”	holder(s) of existing Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM to allot and issue not more than a total of 75,650,400 RMB Shares as Restricted Shares under the Scheme
“SSE”	the Shanghai Stock Exchange
“STAR Market”	the Science and Technology Innovation Board of the SSE
“STAR Market Listing Rules”	Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange 《上海證券交易所科創板股票上市規則》
“Type II Restricted Shares”	Shares to be acquired and registered in tranches upon satisfaction of vesting conditions by awardees who have fulfilled conditions for the grant
“United States”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States
“Xinxin HK”	Xinxin (Hongkong) Capital Co., Ltd.
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



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)

CHIANG Shang-Yi (Vice Chairman)

ZHAO Haijun (Co-Chief Executive Officer)

LIANG Mong Song (Co-Chief Executive Officer)

GAO Yonggang (Chief Financial Officer and Company Secretary)

Non-executive Directors:

CHEN Shanzhi

ZHOU Jie

REN Kai

HUANG Dengshan

LU Guoging

Independent Non-executive Directors:

William Tudor BROWN

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

YOUNG Kwang Leei

LIU Ming

Registered office:

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY 1-1111

Cayman Islands

Principal place of business:

18 Zhangjiang Road

Pu Dong New Area

Shanghai 201203

People's Republic of China

8 June 2021

To the Shareholders

Dear Sir or Madam,

LETTER FROM THE BOARD

(1) PROPOSED ADOPTION OF THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME

(2) PROPOSED ISSUE OF NEW RMB SHARES UNDER THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

(3) CONNECTED TRANSACTION – PROPOSED ISSUE OF NEW RMB SHARES TO CONNECTED PERSONS UNDER THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

AND

(4) NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 20 May 2021 in relation to the proposed adoption of the Scheme and the proposed grant and issue of new RMB Shares under the Scheme pursuant to the Specific Mandate.

Purpose of this circular is to provide you with information regarding resolutions to be proposed at the EGM, amongst other things, (i) further details of the terms of the Scheme; (ii) the proposed grant under the Scheme pursuant to the Specific Mandate, (iii) the recommendation from the Independent Financial Adviser, (iv) the letter from the Independent Board Committee on the grant and issue of Restricted Shares by the Company to the Connected Awardees and (v) the notice of EGM, to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the EGM.

THE PROPOSED ADOPTION OF 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME

On 19 May 2021, the Board approved the proposed adoption of the Scheme and the proposed grant and issue of new RMB Shares under the Scheme pursuant to the Specific Mandate. The Scheme is subject to Shareholders' approval by way of ordinary resolution at the EGM.

A summary of the principal terms of the Scheme is set out below.

(1) Purposes

The purposes of the Scheme are to improve the Company's long-term incentive mechanism, attract and retain outstanding personnel, fully mobilise the enthusiasm of the Company's employees, effectively bond the interests of Shareholders, the Company and core teams together, enable all parties to jointly pay attention to the long-term development of the Company.

(2) Form and source of the Restricted Shares to be granted

The form of incentive adopted under the Scheme is Type II Restricted Shares.

LETTER FROM THE BOARD

The source of all Restricted Shares under the Scheme will be new RMB Shares to be issued by the Company to the Awardees.

(3) Number of Restricted Shares to be granted

The total number of the Restricted Shares that may be issued pursuant to the Scheme is 75,650,400 RMB Shares, representing approximately 0.96% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.95% of the enlarged total issued share capital of the Company. 68,085,200 Restricted Shares, representing (a) approximately 0.86% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.85% of the enlarged total issued share capital of the Company and (b) approximately 90.00% of the total number of Restricted Shares under the Scheme, will be granted as the First Grant and 7,565,200 Restricted Shares, representing (a) approximately 0.10% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.10% of the enlarged total issued share capital of the Company and (b) approximately 10.00% of the total number of Restricted Shares under the Scheme, will be reserved for the Reserved Grant.

The cumulative total number of underlying Shares involved under the fully effective share incentive schemes of the Company shall not exceed 20.00% of the total share capital of the Company as at the date the Scheme is submitted for approval at the EGM. The total number of Shares to be granted to any Awardee under the Scheme shall not exceed 1.00% of the total share capital of the Company as at the date of the Scheme is submitted for approval at the EGM.

(4) Awardees of the Scheme

(A) Basis for determining the Awardees

(1) Legal basis for determining the Awardees

The Awardees are determined after taking into account the actual circumstances of the Company and in accordance with the PRC Company Law, the PRC Securities Law, the Administrative Measures, the Listing Rules, the STAR Market Listing Rules, the Business Guidelines for Information Disclosure of Companies Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange No. 4 – Information Disclosure on Equity Incentives (《科创板上市公司信息披露業務指南第4號—股權激勵信息披露》) and other relevant laws, regulations and regulatory documents as well as the Articles of Association.

(2) Positions held by the Awardees in the Company

The Awardees include Directors, senior management, core technicians, middle and senior business management and key technical and business staff of the Company (excluding independent non-executive Directors, Shareholders who individually or collectively hold more than 5% of the Shares and their spouses, parents, and children).

LETTER FROM THE BOARD

(B) Scope of the Awardees

The total number of the Awardees for the First Grant proposed under the Scheme shall not exceed 4,000, accounting for approximately 23.05% of the Company's 17,354 employees as of 31 December 2020. The Awardees include Directors, senior management, core technicians, middle and senior business management and key technical and business staff of the Company. For the Shareholders' information, the Awardees for the First Grant will be determined before the EGM.

All the Awardees must have an employment or labour relationship with the Company or its branches, subsidiaries when the Company grants the Restricted Shares and during the assessment period as specified in the Scheme.

Awardees for the Reserved Grant shall be determined within 12 months from the date on which the Scheme is considered and passed at the EGM. Following the proposals from the Board, and issue of professional opinions and legal opinions by the legal adviser of the Company, the Company will announce the relevant information on the designated website pursuant to the relevant requirements. The Reserved Grant shall become invalid where the Awardees for the Reserved Grant are not determined after 12 months from the aforesaid date. The Awardees for the Reserved Grant shall be determined by reference to the criteria for the First Grant.

The Awardees also include foreign employees. The Company has established subsidiaries or offices in the United States, Europe, Japan, Hong Kong, PRC and other countries and regions. Foreign Awardees play an important role in the Company's technology research and development, product iteration and updates, and domestic and foreign business development, which strongly guarantees the advanced position of the Company's research and development in the industry, and enables the Company to maintain and improve the international competitiveness of its products and its international market position. Therefore, to incentivise foreign employees is an effective measure for the Company to achieve sustainable development. Equity incentives are commonly used as incentives for overseas companies, the Scheme will further promote the construction and stability of the Company's core talent team, thereby contributing to the long-term development of the Company.

(C) Persons who are prohibited to participate in the Scheme

During the implementation process of the Scheme, if any of the following circumstances in relation to an Awardee arises, the Company shall terminate his/her right to participate in the Scheme, and any granted Restricted Shares which have not yet been attributed shall not be attributed and shall lapse:

- (1) the Awardee has been determined as an inappropriate candidate by the SSE within the most recent 12 months;
- (2) the Awardee has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;

LETTER FROM THE BOARD

- (3) the Awardee has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
- (4) the Awardee has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of a company;
- (5) laws and regulations stipulate that the Awardee shall not participate in the equity incentives of listed companies; or
- (6) other circumstances as determined by the CSRC.

(D) Allocation of Restricted Shares to be granted

The allocation of the Restricted Shares to be granted under the Scheme is set out in the table below.

Name	Position	Number of Restricted Shares to be granted (*0,000 Shares)	Percentage to the total number of Restricted Shares to be granted	Percentage to the total share capital as at the Latest Practicable Date
I. Directors				
Zhou Zixue	Chairman and Executive Director	40	0.53%	0.005%
Chiang Shang-Yi	Vice Chairman and Executive Director	40	0.53%	0.005%
Zhao Haijun	Co-Chief Executive Officer and Executive Director, core technician	40	0.53%	0.005%
Liang Mong Song	Co-Chief Executive Officer and Executive Director, core technician	40	0.53%	0.005%
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President, Company Secretary	36	0.48%	0.005%
II. Senior management				
Zhou Meisheng	Executive vice president of technology, research and development, core technician, and director of subsidiaries of the Company	36	0.48%	0.005%
Guo Guangli	Board secretary, vice president	16	0.21%	0.002%
III. Core technicians				
Zhang Xin	Senior vice president of operations and engineering and director of subsidiaries of the Company	32	0.42%	0.004%

LETTER FROM THE BOARD

Name	Position	Number of Restricted Shares to be granted (‘0,000 Shares)	Percentage to the total number of Restricted Shares to be granted	Percentage to the total share capital as at the Latest Practicable Date
Wu Jingang	Vice president of technology, research and development	16	0.21%	0.002%
IV. Middle and senior business management				
Lin Hsin-Fa	Director of subsidiaries of the Company	16	0.21%	0.002%
Wang Yong	Director of subsidiaries of the Company	10	0.13%	0.001%
	Other middle and senior business management	690.92	9.13%	0.087%
V. Key technical and business staff				
	Key technical staff and business staff	5,795.60	76.61%	0.734%
	<i>Total number of Restricted Shares to be granted under the First Grant</i>	6,808.52	90.00%	0.862%
	<i>Total number of Restricted Shares to be granted under the Reserved Grant</i>	756.52	10.00%	0.096%
	Total	7,565.04	100.00%	0.958%

The Connected Awardees for the First Grant under the Scheme are Dr. Zhou Zixue, Dr. Chiang Shang-Yi, Dr. Zhao Haijun, Dr. Liang Mong Song, Dr. Gao Yonggang, Dr. Zhou Meisheng, Mr. Zhang Xin, Mr. Lin Hsin Fa and Dr. Wang Yong. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, save for the Connected Awardees set out above, the other Awardees under the First Grant are independent of the Company and its connected persons.

(5) Restricted Share Price and basis for determination of the Restricted Share Price

(A) Restricted Share Price

The Restricted Share Price of the First Grant shall be RMB20.0 per RMB Share. An Awardee who has satisfied the conditions for grant and attribution may purchase new RMB Shares issued by the Company at such Restricted Share Price. The Restricted Share Price of the Reserved Grant shall be the same as the Restricted Share Price of the First Grant, i.e. RMB20.0 per RMB Share.

The basis for determining the Awardees for the Reserved Grant shall be the same as the basis for determining the Awardees for the First Grant.

LETTER FROM THE BOARD

(B) Basis for determination of the Restricted Share Price

(1) Pricing methodology

The Restricted Share Price was determined based on the average trading price of the RMB Shares listed on the STAR Market, being RMB54.86 per RMB Share on the trading day preceding the date of the Announcement, being 19 May 2021. In accordance with the requirements of the Administrative Measures, the Restricted Share Price shall not be lower than the higher of (i) 50% of the average trading price of the RMB Shares for the last trading day immediately preceding the announcement of the Scheme; and (ii) 50% of the average trading price of the RMB Shares for either the last 20 trading days, 60 trading days or 120 trading days immediately preceding the announcement of the Scheme, unless an independent financial adviser, engaged by the Company to opine on the Scheme as required by the Administrative Measures, provides an opinion supporting a lower price.

The Restricted Share Price represents:

- (a) a discount of approximately 1.49% to the closing price of HK\$24.70 per Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 64.38% to the average trading price of RMB56.15 per RMB Share as quoted on the SSE on the trading day immediately preceding the Latest Practicable Date;
- (b) a premium of approximately 2.11% over the average closing price of HK\$23.83 per Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 64.00% to the average trading price of RMB55.56 per RMB Share as quoted on the SSE on the 20 consecutive trading days immediately preceding the Latest Practicable Date;
- (c) a discount of approximately 2.54% to the average closing price of HK\$24.97 per Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 64.29% to the average trading price of RMB56.00 per RMB Share as quoted on the SSE on the 60 consecutive trading days immediately preceding the Latest Practicable Date; and
- (d) a discount of approximately 2.07% to the average closing price of HK\$24.85 per Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 65.29% to the average trading price of RMB57.62 per RMB Share as quoted on the SSE on the 120 consecutive trading days immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

(2) *Pricing basis*

An independent pricing methodology is adopted for determining the Restricted Share Price. The Restricted Share Price and pricing methodology of the Company's Restricted Shares are with the fundamental aim of promoting the development the Company, and safeguarding the rights and interests of Shareholders, and based on the confidence in the future development prospects and the confidence in the intrinsic value of the Company, pursuant to the principle of equal incentives and restraints.

The IC wafer foundry industry in which the Company operates is a technology-intensive industry. IC wafer foundry involves the comprehensive application of dozens of disciplines in science, technology and engineering, and requires relevant talents to have solid professional knowledge and long-term technical precipitation. Besides, the extremely high requirements for process coordination and error control in each link require relevant talents to have strong comprehensive capabilities and experience accumulation. In recent years, the number of IC companies has been growing rapidly, resulting in a gap between the supply and demand of outstanding technical talents in the industry, and the competition for talents is becoming increasingly fierce. The Restricted Share Price under the Scheme is conducive to the Company to grasp the flexibility and effectiveness of talent incentives in different time periods and operating environments, so that the Company can take the initiative in the competition for outstanding talents in the industry. Besides, the performance of talents in this industry presents in long term, which requires mid- and long-term incentive policies. Therefore, this equity incentive enables the Company to grasp the initiative in the competition for outstanding talents in the industry and continuously enhance its core competitiveness.

Based on the principle of equal incentives and restraints, the Company has arrived at the price of the Restricted Shares upon taking into account factors including the effectiveness of the Scheme and the impact of the share payment costs of the Company, and has determined the scope of Awardees and the number of Restricted Shares to be granted on a reasonable basis. Such price will have no material impact on the Company's operations. It reflects the actual incentive needs of the Company. Besides, the future gains of Awardees depend on the performance development of the Company and secondary market stock prices in the future.

Given the above, on the basis of complying with relevant laws and regulations and regulatory documents, the Company has decided to set the Restricted Share Price of the Scheme for the First Grant and Reserved Grant at RMB20.0 per RMB Share. The implementation of the Scheme will further stabilise its core team and align the interests of employees and the Shareholders.

The PRC Independent Financial Adviser with securities qualifications engaged by the Company has expressed its opinion on the feasibility of the Scheme, the rationale of the relevant pricing basis and pricing method, whether it is conducive to the sustainable development of the Company, and whether it harms the interests of Shareholders. For details, please refer to the PRC Independent Financial Adviser's Report of Shanghai

LETTER FROM THE BOARD

Realize Investment Consulting Co., Ltd. on the 2021 Restricted Share Incentive Scheme (Draft) of Semiconductor Manufacturing International Corporation (《上海榮正投資諮詢股份有限公司關於中芯國際集成電路製造有限公司2021年科創板限制性股票激勵計劃(草案)之獨立財務顧問報告》) published on the website of the SSE (www.sse.com.cn) on 20 May 2021.

(6) Validity period, Grant Date, attribution arrangements and black-out periods

(A) *Validity period of the Scheme*

The validity period of the Scheme will commence from the Grant Date of the First Grant, until the date on which all Restricted Shares granted to the Awardees have been attributed or lapsed, such period shall not exceed 72 months.

(B) *Grant Date of the Restricted Shares*

The Grant Date shall be determined by the Board after the Scheme has been adopted and approved at the EGM.

The Company shall grant the Restricted Shares for the First Grant to the Awardees and complete the relevant procedures including making relevant announcement(s) within 60 days after the Scheme having been adopted and approved at the EGM and the conditions for the grant having been satisfied. If the Company is unable to complete the procedures within the 60-day period, the Company will make a timely announcement to disclose the reason for being unable to complete the procedures and declare the termination of the Scheme. According to the Administrative Measures, such 60-day period does not include the period during which the Restricted Shares cannot be granted in accordance with the Administrative Measures and relevant laws and regulations.

The Restricted Shares for the Reserved Grant shall be granted within 12 months after the Scheme having been adopted and approved at the EGM. The Reserved Grant shall lapse if the Awardees for the Reserved Grant cannot be determined within the 12-month period.

(C) *Attribution arrangements under the Scheme*

The Restricted Shares granted under the Scheme may be attributed in tranches as per the agreed proportions upon the Awardees satisfying the corresponding attribution conditions. An attribution date must be a trading day within the validity period of the Scheme, and shall not fall within any of the following periods:

- (1) 30 days prior to the publication of the periodic reports of the Company or in the event that the publication of such reports is postponed due to special reasons, 30 days prior to the originally scheduled date of publication until the day prior to the date of publication;

LETTER FROM THE BOARD

- (2) within 10 days prior to the disclosure of results preview or preliminary financial results of the Company;
- (3) during the period from the date of occurrence of a material event which may have considerable impact on the trading price of the shares and their derivatives of the Company, or the date of entering the decision-making process, up to 2 trading days after relevant disclosure has been made in accordance with the laws;
- (4) any other period as stipulated by the CSRC and the SSE.

The aforementioned “material events” are the transactions or other major events that should be disclosed by the Company in accordance with the requirement of the STAR Market Listing Rules.

If relevant laws, administrative regulations, and departmental rules have otherwise provided the period during which attribution is prohibited, the relevant provisions shall prevail.

Attribution arrangements of the First Grant under the Scheme are as follows:

Tranche	Attribution period	Attribution percentage
First tranche	From the first trading day after the expiry of 12 months following the date of the First Grant until the last trading day within the 24 months following the date of First Grant	30%
Second tranche	From the first trading day after the expiry of 24 months following the date of the First Grant until the last trading day within the 36 months following the date of First Grant	25%
Third tranche	From the first trading day after the expiry of 36 months following the date of the First Grant until the last trading day within the 48 months following the date of First Grant	25%
Fourth tranche	From the first trading day after the expiry of 48 months following the date of the First Grant until the last trading day within the 60 months following the date of First Grant	20%

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Attribution arrangements of the Reserved Grant under the Scheme are as follows:

Tranche	Attribution period	Attribution percentage
First tranche	From the first trading day after the expiry of 12 months following the date of the Reserved Grant until the last trading day within the 24 months following the date of the Reserved Grant	30%
Second tranche	From the first trading day after the expiry of 24 months following the date of the Reserved Grant until the last trading day within the 36 months following the date of the Reserved Grant	25%
Third tranche	From the first trading day after the expiry of 36 months following the date of the Reserved Grant until the last trading day within the 48 months following the date of the Reserved Grant	25%
Fourth tranche	From the first trading day after the expiry of 48 months following the date of the Reserved Grant until the last trading day within the 60 months following the date of the Reserved Grant	20%

(D) Black-out periods

The black-out requirements under the Scheme are implemented in accordance with the requirements of relevant laws, regulations and regulatory documents including the Several Provisions on Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies (《上市公司股東、董監高減持股份的若干規定》), the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》), the Articles of Association, the PRC Company Law and the PRC Securities Law as follows:

- (1) where the Awardee is a Director and a member of the senior management of the Company, the number of Shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her in the Company. No Shares held by him/her may be transferred within 6 months after his/her termination of office;

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- (2) for the Awardees who are Directors and members of the senior management of the Company, if they have sold the Shares held by them within 6 months after purchasing such Shares, or if they have purchased the Shares within 6 months after selling their Shares, the gains obtained therefrom shall be attributed to the Company and the Board shall forfeit the gains; and
- (3) during the validity period of the Scheme, if the relevant requirements under the relevant laws, regulations, regulatory documents including the PRC Company Law, the PRC Securities Law, the Several Provisions on Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies, and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies as well as the Articles of Association regarding the transfer of Shares held by the Directors and members of the senior management of the Company are changed, the transfer of the Shares held by the Awardees shall comply with the requirements as amended at the time of transfer.

(7) Conditions for grant and attribution of Restricted Shares

(A) Conditions for grant of Restricted Shares

The Company shall grant the Restricted Shares to the Awardees upon satisfaction of all of the following granting conditions; or conversely, if any of the following granting conditions has not been satisfied, no Restricted Shares shall be granted to the Awardees.

- (1) None of the following has occurred on the part of the Company:
 - (a) an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (b) an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (c) in the most recent 36 months upon listing on the STAR Market, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - (d) laws and regulations stipulate that equity incentives shall not be implemented; or
 - (e) other circumstances as determined by the CSRC.
- (2) None of the following has occurred on the part of the Awardees:

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- (a) the Awardee has been determined as an inappropriate candidate by the SSE within the most recent 12 months;
- (b) the Awardee has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- (c) the Awardee has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
- (d) the Awardee has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of a company;
- (e) laws and regulations stipulate that the Awardee shall not participate in the equity incentives of listed companies; or
- (f) other circumstances as determined by the CSRC.

(B) Conditions for attribution of the Restricted Shares

Restricted Shares granted to the Awardees need to satisfy all of the following conditions before they are attributed in tranches:

- (1) None of the following has occurred on the part of the Company:
 - (a) an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (b) an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (c) in the most recent 36 months upon listing on the STAR Market, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - (d) laws and regulations stipulate that equity incentives shall not be implemented; or
 - (e) other circumstances as determined by the CSRC.

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In the event that any one of the circumstances specified above arises, the Restricted Shares that have been granted but have not yet been attributed to the Awardee under the Scheme shall not be attributed and shall lapse.

- (2) None of the following has occurred on the part of the Awardees:
- (a) the Awardee has been determined as an inappropriate candidate by the SSE within the most recent 12 months;
 - (b) the Awardee has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - (c) the Awardee has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
 - (d) the Awardee has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of a company;
 - (e) laws and regulations stipulate that the Awardee shall not participate in the equity incentives of listed companies; or
 - (f) other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified above arises in relation to a certain Awardee, the Restricted Shares that have been granted but have not yet been attributed to such Awardee shall not be attributed and shall lapse.

- (3) Length of employment of the Awardees

Before each tranche of Restricted Shares granted to the Awardees is attributed, the length of employment of the Awardee must be more than 12 months.

- (4) Performance assessment requirements at the Company level

Under the Scheme, the assessment years of the First Grant are the four accounting years of 2021, 2022, 2023 and 2024, and the assessment shall be conducted once an accounting year. Taking the average operating income and the average EBITDA of 2018 to 2020 as the performance base, the performance assessment target for each year will be determined based on the growth rate of cumulative operating income (A) and the growth rate of cumulative EBITDA (B) deriving from the definite proportion of the cumulative value of the operating income and cumulative value of EBITDA of each assessment year to the

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performance base. The Company will assess the attribution ratio at the Company level in each year based on factors (X) and (Y) according to the level of completion of the above two indicators.

For the First Grant, the annual performance assessment target of each year is arranged as follows:

Attribution period	Corresponding assessment year	Growth rate of cumulative operating income (A)		Growth rate of cumulative EBITDA (B)	
		Target value (Am)	Trigger value (An)	Target value (Bm)	Trigger value (Bn)
First	2021	22%	19%	22%	19%
Second	2022	152%	145%	152%	145%
Third	2023	291%	276%	291%	276%
Fourth	2024	440%	415%	440%	415%

Performance appraisal indicators	Range of performance appraisal indicators	Corresponding factor of indicators
Growth rate of cumulative operating income (A)	$A \geq Am$	$X=100\%$
	$An \leq A < Am$	$X=A/Am$
	$A < An$	$X=0$
Growth rate of cumulative EBITDA (B)	$B \geq Bm$	$Y=100\%$
	$Bn \leq B < Bm$	$Y=B/Bm$
	$B < Bn$	$Y=0$
Attribution ratio at the Company level	$X*50\%+Y*50\%$	

As referred to in the table above, “EBITDA” means earnings before interest, tax, depreciation and amortisation of the Company.

As referred to in the table above, “operating income” and “EBITDA” are calculated based on the data contained in the consolidated statements prepared and audited by the accounting firm engaged by the Company in accordance with the “Accounting Standards for Business Enterprises” promulgated by the Ministry of Finance in the PRC.

The cumulative operating income and EBITDA for each year is the respective sum of the operating income and EBITDA for each year since 2021. For example, the cumulative operating income in 2021 is the operating income of 2021, and the cumulative EBITDA in 2021 is the EBITDA of 2021; the cumulative operating income of 2022 is the sum of the operating income of 2021 and 2022, and the cumulative EBITDA of 2022 is the sum of the EBITDA of 2021 and 2022, so on and so forth.

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For the Reserved Grant, the performance assessment years and performance assessment target of each assessment year shall be the same as the First Grant.

(5) Performance assessment requirements at the Awardee's individual level

All assessments at the individual level for the Awardees are organised and implemented in accordance with the existing relevant regulations of the Company, and the actual number of Restricted Shares attributable to the Awardees shall be determined based on the assessment results of them. The assessment result of an Awardee consists of two parts: personal punishment verification and personal performance assessment. Then, the number of Shares for the year actually attributed to the Awardee will be determined as per the corresponding individual attribution ratio in the following assessment rating table:

Punishment verification results	No punishment record of demerit or above		Punishment record of demerit or above		
Individual attribution ratio		100%			0
Performance assessment results	A	B	C	C-	D/E
Individual attribution ratio	100%	100%	100%	80%	0

The number of Restricted Shares to be attributed to the Awardee in the current year equals to the number of Restricted Shares planned to be attributed to the individual Awardee in the current year \times the attribution level at the Company level \times the attribution ratio of the individual punishment verification results \times the attribution ratio of the individual performance assessment results.

If the Restricted Shares to be attributed to the Awardee in the current period cannot be attributed or fully attributed due to assessment reasons, such Restricted Shares shall lapse and cannot be deferred to the subsequent year for attribution.

The assessment under the Scheme is implemented in accordance with the Assessment Management Measures.

If major changes, special and abnormal circumstances, or other force majeure factors occur during the validity period of the Scheme, the performance assessment indicators at the Company level can be adjusted after review by the Board.

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(C) Explanation on scientificness and reasonableness of the performance appraisal indicators of the Restricted Shares

The cumulative operating income growth rate and the cumulative EBITDA growth rate are selected as the performance indicators of the Company. The operating income growth rate is an important indicator for the IC foundry industry in measuring the operating conditions, market share and market position of the Company and predicting the business expansion trend, and is also an effective indicator to reflect the growth of the Company. Being a heavy-asset industry, the profits of the IC foundry industry is strongly associated with its corporate sizable effect, production expanded speed and equipment depreciation. EBITDA, taking into account the above characteristics of the IC foundry industry, reflects the actual business performance and the profitability of the Company.

The main source of the revenue of the Company's principal businesses is IC wafer foundry, which requires a relatively high technical content, early technical demonstration, continuous R&D practice in the later period, and consists of a long cycle. The rich terminal application scenarios of integrated circuits determine the differences in the mainstream technology nodes and processes of chip products in various subdivisions, and both the technological iteration and corresponding market demand change rapidly. The Company faces a relatively complex internal and external operating environment, which is greatly affected by downstream market demand, industry competition and other factors, and the development of which as a whole shows certain cyclical characteristics. In this context, based on the industry development characteristics and actual conditions, with reasonable business predictions, and taking into account the incentive effect of the Scheme, the Company has selected the average operating income and the average EBITDA from 2018 to 2020 as the performance basis, and the growth rate of the definite proportion of the cumulative operating income and the cumulative EBITDA in 2021, 2022, 2023 and 2024 to the performance basis shall not be less than 22%, 152%, 291%, and 440% respectively. Assessment model of comprehensive weight and stepped attribution was set to achieve the dynamic adjustment between the level of performance growth and proportion of equity attribution, which reflects certain growth while ensuring the expected incentive effect.

Besides performance assessment of the Company, the Company has established a strict assessment system for all Awardees to accurately and comprehensively evaluate the performance of the Awardees. The Company will determine whether the Awardees fulfil the attribution conditions based on their individual assessment results of the previous year.

In summary, the assessment system of the Scheme is all-round, comprehensive and practicable, and the assessment indicators are scientific and reasonable, which are binding on the Awardees and can serve the assessment purpose of the Scheme.

(8) Implementation, grant and attribution procedures

(A) Procedures for the implementation of the Scheme

- (1) The Compensation Committee is responsible for drafting the Scheme.

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- (2) The Board shall approve the Scheme in accordance with laws. When the Board considers the proposed grant of Restricted Shares under the Scheme, any Director who is also a Connected Awardee or is a related party to an Awardee shall abstain from voting. The Board shall, after reviewing and approving the Scheme and completing the publication, announcement and registration procedures, submit the Scheme to the general meeting of the Company for approval. The Board shall seek approval from the general meeting of the Company for the implementation of the grant and attribution of the Restricted Shares.
- (3) The Company will engage a PRC Independent Financial Adviser with securities qualifications to give its professional opinion on the feasibility of the Scheme, whether the Scheme is conducive to the sustainable development of the Company, and whether it harms the interests of the Company, and the impact on the interests of Shareholders. The legal adviser engaged by the Company will issue a legal opinion on the Scheme.
- (4) The Company shall carry out self-examination on the trading of the Shares of the Company by insiders within 6 months prior to the announcement of the Scheme.
- (5) The implementation of the Scheme is subject to consideration and approval at the general meeting of the Company. Before convening the general meeting, the Company shall publish the names and positions of the Awardees within the Company through the Company's website or other channels for a publication period of not less than 10 days. After such publication period and before reviewing and approving the Scheme at the general meeting of the Company, the Company will announce the results based on internal feedback.
- (6) At the general meeting of the Company, the Scheme and relevant resolutions shall be considered and, if thought fit, approved by the Shareholders by way of ordinary resolution. Except for the Directors and senior management of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Shares, the voting by other Shareholders shall be separately counted and disclosed. When the Scheme is considered at the general meeting of the Company, Connected Awardees who are Shareholders or Shareholders who are related to the Awardees shall abstain from voting.
- (7) The Company shall grant the Restricted Shares to the Awardees within the prescribed period upon approval of the Scheme at the general meeting of the Company and the fulfillment of grant conditions stipulated under the Scheme. The Board shall be responsible for the grant and attribution of the Restricted Shares in accordance with the mandate granted at the general meeting.

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(B) Procedures for the grant of the Restricted Shares

- (1) Before granting the Restricted Shares to the Awardees, the Board shall convene a meeting to consider whether the Awardees have satisfied the conditions for grant prescribed in the Scheme and make an announcement thereafter. The legal adviser engaged by the Company shall issue legal opinions on whether the Awardees have satisfied the conditions of the grant.
- (2) Where there is discrepancy between the Company's grant of Restricted Shares to the Awardees and the arrangements prescribed under the Scheme, the legal adviser engaged by the Company shall express clear opinions.
- (3) The Company shall enter into an "Agreement on the Grant of STAR Market Restricted Shares" with the Awardees setting out their respective rights and obligations.
- (4) The Company shall grant Restricted Shares to the Awardees under the First Grant and make an announcement within 60 days after the Scheme is considered and approved at the general meeting of the Company. If the Company fails to make the announcement in respect of the grant within such 60 days, the Scheme shall be terminated, and the Board shall disclose the reason for such failure timely and shall be prohibited from approving a share incentive scheme again within 3 months thereafter (the period in which listed companies are not allowed to grant Restricted Shares in accordance with the Administrative Measures and relevant laws and regulations is not included in such 60 days).
- (5) Awardees of the Reserved Grant shall be determined within 12 months after the Scheme is considered and approved at the general meeting of the Company. If Awardees are not determined within such 12 months, the Reserved Grant shall lapse.

(C) Procedures for the attribution of the Restricted Shares

- (1) Prior to attribution, the Board shall confirm whether the Awardees have satisfied the attribution conditions. The legal adviser engaged by the Company shall issue legal opinions as to whether the conditions for attributing the Restricted Shares have been satisfied.
- (2) For the Awardees who have fulfilled the attribution conditions, the Company shall handle the attribution in a unified manner, and for the Awardees who have not fulfilled the attribution conditions, the Restricted Shares in the relevant tranche shall not be attributed and shall lapse. The Company shall make timely disclosure in respect of the implementation of the Scheme.

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- (3) The Company shall apply to the SSE for the attribution of the Restricted Shares to Awardees, and apply to the securities depository and clearing institution for the registration and settlement matters after confirmation by the SSE.

(9) Methods and procedure for amendments to the Scheme

(A) Adjustment method of the number of the Restricted Shares

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from the date of announcement of the Scheme to the completion of attribution and registration of the Restricted Shares by the Awardees, the number of Restricted Shares granted or attributed shall be adjusted accordingly. The adjustment method is as follows:

- (1) *Capitalisation issue, bonus issue and sub-division of share capital*

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted Shares granted or attributed before the adjustment; n represents the ratio of increase per Share resulting from capitalisation of capital reserves, bonus issue or subdivision of shares (i.e. the number of increased share(s) per share upon capitalisation of capital reserves, bonus issue or subdivision of shares); Q represents the adjusted number of Restricted Shares granted or attributed.

- (2) *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted Shares granted or attributed before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted Shares granted or attributed.

- (3) *Share consolidation*

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted Shares granted or attributed before the adjustment; n represents the ratio of share consolidation; Q represents the adjusted number of Restricted Shares granted or attributed.

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(4) *New issue*

In the event of issue of new Shares, no adjustment shall be made to the number of Restricted Shares granted/attributed.

(B) *Adjustment method of the Restricted Share Price*

In the event of any capitalisation issue, bonus issue, sub-division, rights issue, share consolidation or dividend distribution of the Company in the period from the date of announcement of the Scheme to the completion of attribution and registration of Restricted Shares by the Awardees, an adjustment to the Restricted Share Price shall be made accordingly. The adjustment method is as follows:

(1) *Capitalisation issue, bonus issue and sub-division of share capital*

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Restricted Share Price before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of share capital; P represents the adjusted Restricted Share Price.

(2) *Rights issue*

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_0 represents the Restricted Share Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); P represents the adjusted Restricted Share Price.

(3) *Share consolidation*

$$P = P_0 \div n$$

Where: P_0 represents the Restricted Share Price before the adjustment; n represents the ratio of share consolidation; P represents the adjusted Restricted Share Price.

(4) *Dividend distribution*

$$P = P_0 - V$$

Where: P_0 represents the Restricted Share Price before the adjustment; V represents the dividend per Share; P represents the adjusted Restricted Share Price. P shall be greater than 1 after the dividend distribution.

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(5) *Additional issue of new shares*

In the event of issue of new Shares, no adjustment will be made to the Restricted Share Price.

(C) *Adjustment procedure*

The Board shall adjust the number of Restricted Shares granted or attributed, and the relevant Restricted Share Price upon occurrence of any of the aforementioned circumstances. The Company shall engage a legal adviser to give professional opinion as to whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme. After the Board approves the adjustment, the Company shall make an announcement on the adjustment and the opinion of the legal adviser.

(10) Other rights and obligations of the Company and the Awardees and dispute settlement mechanism

(A) *Rights and obligations of the Company*

- (1) The Company is entitled to interpret and execute the Scheme and to conduct performance assessment of the Awardees. If an Awardee fails to fulfill the conditions required under the Scheme, the Restricted Shares that have been granted to the Awardee but not yet attributed shall not be attributed and shall lapse.
- (2) The Company undertakes not to provide loans and financial assistance in any other forms, including provision of guarantee for their loans, to the Awardees with respect to the acquisition of relevant Restricted Shares under the Scheme.
- (3) The Company shall timely, truthfully, accurately and completely disclose the information disclosure documents related to the Scheme in accordance with the relevant laws, regulations and normative documents.
- (4) The Company shall handle the attribution of the Restricted Shares for the Awardees who have fulfilled the attribution conditions in accordance with the Scheme and relevant regulations of the CSRC, the SSE and China Securities Depository and Clearing Corporation Limited. The Company shall not be liable for losses incurred by the Awardees who fail to complete the attribution of the Restricted Shares caused by the CSRC, the SSE and China Securities Depository and Clearing Corporation Limited.
- (5) If the Awardee violates the laws and professional ethics, leaks confidential information of the Company, and is negligent or gross misconduct in performance of duties, and, which has caused serious damages to the interests or reputation of the Company, the Restricted Shares of the Awardee that have been granted but have not attributed shall not be attributed and shall lapse upon

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the approval of the Board. In serious circumstances, the Company may also recover the losses suffered by the Company in accordance with relevant laws and regulations.

(B) *Rights and obligations of the Awardees*

- (1) The Awardees shall comply with the requirements of their positions within the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make due contributions to the development of the Company.
- (2) Source of funds of the Awardees shall be derived from funds owned or raised by them.
- (3) The Restricted Shares granted to the Awardees shall not be transferred, used for guarantee or repayment of debts before attribution.
- (4) The Awardees shall pay the individual income tax and other taxes and levies for their gains from the Scheme in accordance with the PRC tax laws and regulations.
- (5) The Awardees undertake that, in the event that the Awardees become unqualified to be granted with the relevant interest arrangement due to false statements, misleading statements or material omissions contained in the information disclosure documents of the Company, the Awardees shall return all interests received from the Scheme to the Company after the confirmation that there are such false statements, misleading statements or material omissions contained in the relevant information disclosure documents in accordance with their commitments.
- (6) Upon consideration and approval of the Scheme at the general meeting of the Company and Board's approval of the grant to the Awardees, the Company shall enter into an "Agreement on the Grant of STAR Market Restricted Shares" with the Awardees setting out their respective rights and obligations.
- (7) Other relevant rights and obligations as stipulated by laws, administrative regulations, normative documents and the Scheme.

(C) *Dispute settlement mechanism between the Company and the Awardees*

The disputes between the Company and the Awardees arising from the execution of the Scheme, or the "Agreement on Grant of the STAR Market Restricted Shares" signed by the parties or in relation to the Scheme or the "Agreement on Grant of the STAR Market Restricted Shares" shall be resolved through negotiation and communication by both parties, or mediation by the Compensation Committee. If the relevant disputes are not resolved through

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the abovementioned methods within 60 days from the date of occurrence of the disputes, either party is entitled to file a lawsuit with the People's Court with jurisdiction in the place where the Company is domiciled.

(11) Amendment and termination of the Scheme

(A) Amendments of the Scheme

In the event that the Company intends to amend the Scheme prior to its consideration and approval at the general meeting of the Company, such amendment shall be considered and approved by the Board. If the Company intends to amend the Scheme after its approval at the general meeting of the Company, such amendment (other than matters related to the implementation of the Scheme authorised by the general meeting of the Company to be handled by the Board) shall be considered and approved at the general meeting of the Company provided that such amendment shall not result in accelerating attribution and lowering the Restricted Share Price (other than under circumstances where the Restricted Share Price is lowered due to capitalisation issue, bonus issue, sub-division, rights issue or share consolidation).

The legal adviser engaged by the Company shall issue professional opinions as to whether the amendments to the Scheme are in compliance with the requirements of the Administrative Measures and relevant laws and regulations, and are significantly detrimental to the interests of the Company and the Shareholders as a whole.

(B) Termination of the Scheme

If the Company intends to terminate the Scheme prior to its consideration and approval at the general meeting of the Company, such termination shall be considered and approved by the Board. If the Company intends to terminate the Scheme after its approval at the general meeting of the Company, such termination shall be considered and approved at the general meeting of the Company.

The legal adviser engaged by the Company shall issue professional opinions as to whether the termination is in compliance with the requirements of the Administrative Measures and relevant laws and regulations, and are significantly detrimental to the interests of the Company and the Shareholders as a whole.

(C) In the event of any changes occurred at the Company

- (1) If any of the circumstances below occurs, the Scheme shall be terminated and the Restricted Shares that have been granted to the Awardees under the Scheme but have not yet been attributed shall not be attributed:
 - (a) an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;

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- (b) an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (c) in the most recent 36 months upon listing on the STAR Market, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - (d) laws and regulations stipulate that equity incentives shall not be implemented; or
 - (e) other circumstances where the Scheme should be terminated as determined by the CSRC.
- (2) If any of the circumstances below occurs, the Scheme shall remain unchanged:
- (a) a change of control of the Company without reorganisation of major assets; or
 - (b) a merger or division of the Company, where the Company continues to exist.
- (3) If any of the circumstances below occurs, the general meeting of the Company shall decide whether to amend or adjust the Scheme:
- (a) a change of control of the Company involving reorganisation of major assets; or
 - (b) a merger or division of the Company, where the Company no longer exists.
- (4) If the Company fails to meet the conditions for granting or attributing the Restricted Shares due to false records, misleading statements or material omissions in the information disclosure documents, the Restricted Shares that have been granted to the Awardees under the Scheme but have not yet been attributed shall not be attributed.

If the Restricted Shares that have been granted to the Awardees have already been attributed, all the Awardees shall return the granted rights and interests. The Board shall recover the proceeds from the Awardees in accordance with the preceding paragraph and the relevant arrangements under the Scheme. If an Awardee who is not responsible for the above matters suffers from losses due to the return of rights and interests, such Awardee can recover such losses from the Company or the responsible targets in accordance with the relevant arrangements under the Scheme.

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- (5) If major changes, special and abnormal circumstances, or other force majeure factors occur during the validity period of the Scheme, the performance assessment indicators at the Company level can be adjusted after review by the Board.

(D) In the event of changes in the personal circumstances of the Awardees

- (1) Change in position of the Awardees
- (a) If the position of an Awardee changes but he/she still works in the Company or its branches or subsidiaries, the Restricted Shares granted to him/her shall still be carried out in accordance with the procedures stipulated in the Scheme.
- (b) If the position of an Awardee changes because he/she is not qualified for his/her job, violates laws, disobeys professional ethics, leaks confidential information of the Company, fails to discharge his duties or has willful misconduct, seriously breaches the Company's policies, causing damage to the interests or reputation of the Company, the Restricted Shares which have been granted to the Awardee that have not yet been attributed shall not be attributed and shall lapse.
- (2) Resignation of the Awardees
- (a) If an Awardee resigns, including voluntary resignation, resignation due to layoffs by the Company, expiration and non-renewal of employment agreement, dismissal by the Company due to personal fault, negotiated termination of employment agreement, Restricted Shares that have been granted to the Awardee that have not yet been attributed since the date of resignation shall not be attributed and shall lapse. The Awardee shall pay the Company the individual income tax involved in the attributed Restricted Shares before resignation.
- (b) Personal faults include, but are not limited to, the following behaviors, and the Company has the right to recover the losses incurred from the incentives in accordance with the provisions of relevant laws, depending on the seriousness of the circumstances:
- (i) violation of the employment contract, confidentiality agreement, non-competition agreement or any other similar agreements signed with the Company or its affiliates;
- (ii) violation of the laws of the country of residence resulting in criminal offenses or other negative conditions that affect the performance of the job;

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- (iii) collection of remuneration from companies other than the Company or individuals, which has not been disclosed to the Company in advance.

- (3) Retirement of the Awardees
 - (a) If an Awardee retires and has not been re-employed by the Company or has not continued his/her services to the Company in other forms, Restricted Shares that have been granted to the Awardee that have not yet attributed shall not be attributed and shall lapse.

 - (b) If an Awardee who has retired is re-employed by the Company or provides continued services to the Company in other forms after he/she retires, the Restricted Shares granted to him/her shall continue to be valid and shall still be attributed in accordance with the procedures stipulated in the Scheme.

 - (c) Upon the occurrence of the circumstances described in this paragraph, where no individual performance assessment is required for the Awardee, the individual performance assessment shall no longer be included as attribution conditions; otherwise, the individual performance assessment shall remain as one of the attribution conditions.

- (4) Death or incapacity of the Awardees
 - (a) In the event of work-related death or civil incapacitation of an Awardee, the Restricted Shares which have been granted to him/her will still be valid and shall be attributed according to the procedures specified in the Scheme prior to the occurrence of the relevant circumstances. The Board should decide that his/her individual performance assessment should no longer be included as conditions for attribution.

 - (b) In the event of non-work-related death or civil incapacitation of an Awardee, Restricted Shares that have been granted to the Awardee that have not yet attributed shall not be attributed and shall lapse as of the date of the occurrence of the relevant circumstances.

- (5) Others

The Board shall be responsible for making decisions on other unspecified situations and the methods of handling them.

LETTER FROM THE BOARD

(12) Accounting treatment and impact on the operating performance

(A) Accounting treatment

In accordance with the Application Case of Share-Based Payments Criteria – Grant of Restricted Shares issued by the Accounting Department of the Ministry of Finance, PRC, the share-based payments fees for the Type II Restricted Shares shall be calculated with reference to the shares options. In accordance with requirements of the Accounting Standards for Business Enterprises No.11–Share-Based Payments (《企業會計準則第11號－股份支付》), on each balance sheet date during the vesting period, the Company shall, on the basis of its best estimate of the number of exercisable share options, calculate the expenses to be recognised for share-based payments in the current period according to the fair value of the share options on the Grant Date, and such expenses shall be included in relevant costs or expenses and capital reserves.

In accordance with requirements of the Accounting Standards for Business Enterprises No.11 - Share-Based Payments (《企業會計準則第 11 號－股份支付》) and the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments (《企業會計準則第 22 號－金融工具確認和計量》), the fair value of the Restricted Shares is calculated using the Black-Scholes model. A forecast for the Restricted Shares granted under the First Grant is calculated using such model on 19 May 2021 (with formal calculations to be done on the Grant Date). The specific parameters are as follows:

- (1) the closing price of RMB Share (assuming the closing price on the Grant date is the same as the closing price on 19 May 2021): RMB54.79 per share;
- (2) validity periods (being the period starting from the Grant Date to the date of attribution) of 12 months, 24 months, 36 months and 48 months;
- (3) historical volatility (adopting the historical volatility of the STAR 50 Index in the past 12 months): 32.13%;
- (4) risk-free rate (adopting the respective RMB benchmark interest rates for deposits of financial institutions adopted by the People’s Bank of China for 1-year, 2-year, and 3-year periods): 1.50%, 2.10%, 2.75%; and
- (5) dividend rate (adopting the Company’s dividend rate for the most recent year): 0%.

LETTER FROM THE BOARD

(B) *Estimated impact on the operating performance in each accounting period due to the grant of the Restricted Shares*

The fair value of the Restricted Shares on the Grant Date will be determined by the Company in accordance with the requirements of the accounting standards and relevant valuation tools, and the cost of the Scheme will be further determined accordingly. The cost of the Scheme will be recognised according to the percentage of attribution during the implementation of the Scheme and will be charged to the recurring profit and loss.

According to the requirement of the accounting standards, assuming that the Company grants the Restricted Shares in August 2021, the amortised costs of Restricted Shares cost for each period are as follows (assuming the closing price of RMB55.36 per RMB Share and the Restricted Share Price of RMB20.0 per RMB Share):

Number of Restricted Shares under the First Grant (‘0,000 shares)	Total costs to be amortised (RMB‘0,000)	2021 (RMB‘0,000)	2022 (RMB‘0,000)	2023 (RMB‘0,000)	2024 (RMB‘0,000)	2025 (RMB‘0,000)
6,808.52	248,936.51	57,305.52	107,184.26	51,851.70	25,106.51	7,488.52

The calculations above do not represent the final accounting costs. The actual accounting costs are related to the Grant Date, the Restricted Share Price and the number of Restricted Shares attributed. If an Awardee resigns before attribution, or fails to meet the corresponding standards of the performance assessment of the Company or personal performance assessment, the actual number of RMB Shares attributed and the payment for the RMB Shares will be reduced accordingly. The possible dilutive effects are also brought to the attention of the Shareholders.

The impact on the Company’s operating results will be subject to the annual audit report to be issued by the accounting firm.

The calculations above do not include the 7.5652 million reserved Restricted Shares, and additional share payment fees will be incurred when the reserved shares are granted.

According to the preliminary evaluation by the Company based on the information available, the amortisation of the cost of the Scheme will have an impact on the net profit each year within the validity period. At the same time, the implementation of the Scheme will further enhance the cohesion of employees and team stability, and effectively motivate the management team, thereby improving operating efficiency and operating performance, bringing intrinsic value to the Company.

LETTER FROM THE BOARD

PROPOSED FIRST GRANT AND ISSUE OF NEW RMB SHARES UNDER THE SCHEME PURSUANT TO SPECIFIC MANDATE

Subject to the approval of the Independent Shareholders at the EGM, the Board has resolved to grant not more than a total of 75,650,400 Restricted Shares, of which (i) 68,085,200 Restricted Shares will be granted to not more than 4,000 Awardees under the First Grant, representing approximately 0.86% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.85% of the enlarged total issued share capital of the Company, and (ii) 7,565,200 Restricted Shares will be granted under the Reserved Grant, representing approximately 0.10% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.10% of the enlarged total issued share capital of the Company, pursuant to the terms of the Scheme set out in this circular. The Restricted Shares to be granted (including those under the First Grant and the Reserved Grant) will be allotted and issued pursuant to the Specific Mandate which may be granted at the EGM.

Among the Restricted Shares to be granted under the First Grant, 2,900,000 Restricted Shares will be granted to 9 Connected Awardees in total, and not more than 65,185,200 Restricted Shares will be granted to not more than 3,991 other Awardees who are not connected persons of the Company as set out in the paragraph “(4)(D) Allocation of Restricted Shares to be granted” above.

In addition to the principal terms of the Scheme summarised in the section “The Proposed Adoption of 2021 STAR Market Restricted Share Incentive Scheme” above, further information in relation to the allotment and issue of the Restricted Shares under the Scheme (including the First Grant and the Reserved Grant) are set out below:

The total funds to be raised: Not more than RMB1,513,008,000, being the aggregated Restricted Share Price, will be paid by the Awardees to subscribe for not more than 75,650,400 Restricted Shares under the Scheme.

Restricted Share Price: The Restricted Share Price under both the First Grant and the Reserved Grant shall be RMB20.0 per RMB Share which was determined with reference to the basis set out in the paragraph “(5)(B) Basis for determination of the Restricted Share Price” above. An Awardee who has satisfied the conditions for grant and attribution of the Restricted Shares may purchase new RMB Shares issued by the Company at such Restricted Share Price.

Aggregate nominal value: The nominal value of the RMB Shares of the Company is US\$0.004 per RMB Share. The aggregate nominal value of the Restricted Shares to be granted under the Scheme (including the First Grant and the Reserved Grant) is not more than US\$302,602.

Based on the closing price of RMB55.36 per RMB Share as quoted on the STAR Market on the Latest Practicable Date, the market value of the Restricted Shares under the Scheme amounts to approximately RMB4,188,006,144.

LETTER FROM THE BOARD

GRANT OF AUTHORISATION TO THE BOARD OF DIRECTORS BY THE GENERAL MEETING TO HANDLE MATTERS RELATED TO THE SCHEME

In order to implement of the Scheme, it is proposed at the EGM that the Board be authorised to handle matters related to the Scheme, including but not limited to the following:

1. To propose at the EGM that the Board be authorised to be responsible for the following matters in relation to the implementation of the Scheme:
 - (a) to authorise the Board to determine the Grant Date under the Scheme;
 - (b) to authorise the Board to adjust the number of Restricted Shares subject to grant and attribution according to the terms of the Scheme in the event of any capitalisation issue, bonus issue, sub-division, share consolidation or rights issue of the Company;
 - (c) to authorise the Board to adjust the Restricted Share Price in accordance with the terms of the Scheme in the event of any capitalisation issue, bonus issue, sub-division, share consolidation, rights issue or dividend distribution of the Company;
 - (d) to authorise the Board to adjust the portion of Restricted Shares, as a result of an Awardee's resignation or voluntary waiver of the portion granted, to the Reserved Grant, or to allocate and adjust such Restricted Shares among other Awardees before the grant of such Restricted Shares;
 - (e) to authorise the Board to grant the Restricted Shares to an Awardee upon his/her fulfilment of the conditions of grant and to handle all necessary matters in connection with the grant of the Restricted Shares, including signing the "Agreement on the Grant of STAR Market Restricted Shares" (《科创板限制性股票授予協議書》) with the Awardees;
 - (f) to authorise the Board to review and confirm the attribution qualification of, and the number of, Restricted Shares to be attributed to the Awardees, and to approve the Board delegating such rights to the Compensation Committee;
 - (g) to authorise the Board to determine whether the Restricted Shares granted to an Awardee may be attributed to the Awardee;
 - (h) to authorise the Board to handle all matters necessary in connection with the attribution of Restricted Shares to the Awardees, including but not limited to the submission of application to the SSE in respect of the attribution of the Restricted Shares, applying to clearing company for registration and clearing services;
 - (i) to authorise the Board to handle matters related to the amendment and termination of the Scheme in accordance with the terms of the Scheme, including but not limited to, disqualification of the Awardees for attribution, and cancellation of the Restricted Shares of the Awardees that have not yet been attributed. If major changes, special and

LETTER FROM THE BOARD

abnormal circumstances, or other force majeure factors occur during validity period of the Scheme, the performance assessment indicators at the Company level can be adjusted after review by the Board;

- (j) to authorise the Board to manage and adjust the Scheme, and from time to time formulate or amend the management and implementation rules of the Scheme, subject to compliance with the terms of the Scheme. However, if such amendments are subject to approval at the general meeting and/or by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board shall be subject to such approvals;
 - (k) to authorise the Board to determine all matters including the Awardees, the number of Restricted Shares to be granted, the Restricted Share Price and the Grant Date of the Restricted Shares under the Scheme;
 - (l) to authorise the Board to implement all other necessary matters in connection with the Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting.
2. To propose at the EGM to authorise the Board to complete procedures with relevant governments and authorities in relation to the Scheme including review, registration, filing, approval and consent; to sign, execute, amend and complete documents submitted to relevant governments, authorities, organisations, and individuals; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Scheme.
 3. To propose at the EGM to grant a specific mandate to the Board to issue new RMB Shares under the Scheme.
 4. To propose at the EGM to authorise the Board to engage intermediaries, such as financial advisers, receiving banks, accountants, lawyers or securities companies, for the implementation of the Scheme.
 5. To propose at the EGM to approve the period of authorisation given to the Board to be consistent with the validity period of the Scheme.

An ordinary resolution will be proposed at the EGM to consider and, if thought fit, approve the authorisation to be granted to the Board to deal with matters related to the Scheme.

REASONS FOR AND BENEFITS OF THE ADOPTION OF THE PROPOSED SCHEME

The purposes of the Scheme are to improve the Company's long-term incentive mechanism, attract and retain outstanding personnel, fully mobilise the enthusiasm of the Company's employees, effectively bond the interests of Shareholders, the Company and core teams together, enable all parties to jointly focus on the long-term development of the Company.

LETTER FROM THE BOARD

The Company is of the view that the adoption and implementation of the Scheme is beneficial to the Company and its Shareholders as whole. The Board is also of the view that the terms and conditions of the Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GRANT OF WAIVER FROM STRICT COMPLIANCE WITH CERTAIN PROVISIONS OF THE LISTING RULES

As the RMB Shares will be of the same class as the Hong Kong Shares but will not be listed on the Hong Kong Stock Exchange, the Company has applied for, and the Hong Kong Stock Exchange has granted, on 13 May 2021, a one-off waiver so that there is no need to seek listing of the RMB Shares to be issued under the Scheme on the Hong Kong Stock Exchange under Rules 8.20 and 13.26 of the Listing Rules, on the basis that the Company will continue to comply with the conditions for the Hong Kong Stock Exchange's granting of a similar waiver for the issue of the Company's RMB Shares as announced on 5 May 2020.

INFORMATION OF THE COMPANY AND THE CONNECTED AWARDEES

The Company and its subsidiaries collectively constitute one of the leading foundries in the world, is Mainland China's most advanced and largest foundry, broadest in technology coverage, and most comprehensive in semiconductor manufacturing services. The Group provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 14 nanometer. Headquartered in Shanghai, China, the Group has an international manufacturing and service base. In China, the Company has a 300mm wafer fabrication facility (fab), a 200mm fab and an effectively-controlled-joint-venture 300mm fab for advanced nodes in Shanghai; a 300mm fab and a majority-owned 300mm fab in Beijing; two 200mm fabs in Tianjin and Shenzhen. The Group also has marketing and customer service offices in the United States, Europe, Japan, and Taiwan China, and a representative office in Hong Kong.

The Connected Awardees as at the Latest Practicable Date are Dr. Zhou Zixue, Dr. Chiang Shang-Yi, Dr. Zhao Haijun, Dr. Liang Mong Song, Dr. Gao Yonggang, Dr. Zhou Meisheng, Mr. Zhang Xin, Mr. Lin Hsin Fa and Dr. Wang Yong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Connected Awardees set out above, the other Awardees under the First Grant are independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

The Scheme is a discretionary scheme of the Company and does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Each of the Connected Awardees is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the grant and issue of the Restricted Shares to the Connected Awardees under the Scheme constitutes non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

If any of the Awardees of the Reserved Grant are connected persons of the Company pursuant to Chapter 14A of the Listing Rules, the grant and issue of the Restricted Shares to them will constitute non-exempt connected transactions of the Company. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for such connected transactions separately.

Each of the Directors who are Connected Awardees has declared his interests in the Scheme and has abstained from voting on the relevant Board resolutions in respect of the portion of the proposed grant and issue of the Restricted Shares relating to himself. Save as the abovementioned Directors, there is no other Director who is required to abstain from voting on the Board resolutions in relation to the Scheme.

The Company has established an Independent Board Committee (consisting of all independent non-executive Directors who do not have material interest in the grant and issue of Restricted Shares by the Company to the Connected Awardees) to advise the Independent Shareholders of the Company in respect of the grant and issue of Restricted Shares by the Company to the Connected Awardees under the Scheme. The Company has appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the grant and issue of Restricted Shares by the Company to the Connected Awardees under the Scheme.

The Company will seek a Specific Mandate from the Shareholders at the EGM for the allotment and issue of Restricted Shares under the Scheme (including the grant to the Connected Awardees under the First Grant).

EGM

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.

Pursuant to Chapter 14A of the Listing Rules, each of Mr. Zhang Xin, Mr. Lin Hsin Fa, Dr. Wang Yong and their associates are required to abstain from voting on the relevant ordinary resolution to approve the proposed grant and issue of the Restricted Shares relating to Mr. Zhang Xin, Mr. Lin Hsin Fa and Dr. Wang Yong (as the case maybe). As at the Latest Practicable Date, each of Mr. Zhang Xin, Mr. Lin Hsin Fa and Dr. Wang Yong held 16,682, 62,544 and 6,511 Hong Kong Shares, respectively, representing approximately 0.0002%, 0.0008% and 0.0001% of the total issued share capital of the Company.

Save as aforementioned, to the best of the Directors' knowledge, information and belief, none of the Shareholders are required to abstain from voting at the EGM.

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

LETTER FROM THE BOARD

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 Hong Kong 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 of holders of Shares listed on the Hong Kong Stock Exchange to attend and vote at the EGM, the register of members of the Company will be closed from 22 June 2021 to 25 June 2021 (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 properly completed transfer forms, accompanied by the relevant certificates, must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 21 June 2021. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 25 June 2021 or, registered holders of the RMB Shares whose names appear on the register of members of RMB Shares on 21 June 2021, will be entitled to attend and vote at the EGM. Further announcement will be made by the Company on the website of the SSE regarding the record date and arrangements for holders of Shares listed on the STAR Market in accordance with the requirements of the SSE.

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

The Company will hold a Board meeting in due course (if applicable) to determine the Grant Date and the amount of Restricted Shares to be granted to Directors, management, other related parties and employees of the Group. The Company will publish an announcement on the websites of the Hong Kong Stock Exchange and the STAR Market in this respect.

RECOMMENDATION

The Board (including the independent non-executive Directors but excluding each of Dr. Zhou Zixue, Dr. Chiang Shang-Yi, Dr. Zhao Haijun, Dr. Liang Mong Song and Dr. Gao Yonggang in respect of the portion of the proposed grant and issue of the Restricted Shares relating to himself) is of the view that the proposed adoption of the Scheme (including the Specific Mandate for issue and allotment of the Restricted Shares under the Scheme and the grant and issue of the Restricted Shares (including the grant to the Connected Awardees under the First Grant) under the Scheme)), the Assessment Management Measures and the authorisation to the Board to handle all matters related to the Scheme are fair and reasonable, 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 Board (including the independent non-executive Directors but excluding each of Dr. Zhou Zixue, Dr. Chiang Shang-Yi, Dr. Zhao Haijun, Dr. Liang Mong Song and Dr. Gao Yonggang in respect of the portion of the proposed grant and issue of the Restricted Shares relating to himself) recommends the Independent Shareholders to vote in favour of the relevant resolutions in relation to the above matters to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in this circular.

By order of the Board

Semiconductor Manufacturing International Corporation

Gao Yonggang

Executive Director, Chief Financial Officer and Company Secretary

Shanghai, PRC, 8 June 2021

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

8 June 2021

To the Independent Shareholders,

Dear Sirs or Madam,

CONNECTED TRANSACTION IN RELATION TO PROPOSED ISSUE OF NEW RMB SHARES TO CONNECTED PERSONS UNDER THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

We refer to the circular dated 8 June 2021 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the proposed grant and issue of the Restricted Shares by the Company to the Connected Awardees under the Scheme are fair and reasonable, and whether the proposed grant and issue of the Restricted Shares by the Company to the Connected Awardees under the Scheme is on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the advice of FDB Financial Group Limited to the Independent Board Committee and the Independent Shareholders in respect of the grant and issue of the Restricted Shares by the Company to the Connected Awardees under the Scheme as set out in the “Letter from the Independent Financial Adviser” in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the proposed grant and issue of the Restricted Shares by the Company to the Connected Awardees under the Scheme are fair and reasonable, and the proposed grant and issue of the Restricted Shares by the Company to the Connected Awardees is on normal commercial terms, 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, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve, among other things, the grant and issue of the Restricted Shares by the Company to the Connected Awardees under the Scheme.

Yours faithfully,

Independent Board Committee

William Tudor BROWN

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

YOUNG Kwang Leei

LIU Ming

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



FDB Financial Group Ltd
豐展金融集團有限公司

8 June 2021

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

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF NEW RMB SHARES TO CONNECTED PERSONS UNDER THE RESTRICTED SHARE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant and issue of Restricted Shares to the Connected Awardees pursuant to the Specific Mandate under the Scheme to be adopted (the “**Connected Grant**”), 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 8 June 2021 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.

On 19 May 2021, the Board approved the resolution in relation to the proposed adoption of the Scheme and the proposed grant and issue of new RMB Shares under the Scheme pursuant to the Specific Mandate. The Scheme is subject to Shareholders’ approval by way of ordinary resolution at the EGM. The Board further resolved to grant not more than a total of 75,650,400 Restricted Shares, of which 68,085,200 Restricted Shares will be granted to not more than 4,000 Awardees under the First Grant, representing approximately 0.96% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.95% of the enlarged total issued share capital of the Company, while the remaining 7,565,200 Restricted Shares will be granted under the Reserved Grant. Among the Restricted Shares to be granted under the First Grant, 2,900,000 Restricted Shares will be granted to 9 Connected Awardees in total, and not more than 65,185,200 Restricted Shares will be granted to not more than 3,991 other Awardees who are not connected persons of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of the Connected Awardees is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Connected Grant constitutes non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise and provide recommendation to the Independent Shareholders on the Connected Grant and to advise the Independent Shareholders on how to vote. We, FDB Financial Group 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 Connected Grant are fair and reasonable, and whether the Connected Grant is on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"); (ii) the Scheme; and (iii) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

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

This letter is issued to the Independent Shareholders solely in connection for their consideration of the issue and grant of Restricted Shares by the Company to the Connected Awardees under the Scheme and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of Connected Grant are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

(1) Background of and reasons for the Scheme

Reference is made to the announcement of the Company dated 19 May 2021 in relation to, among other things, the proposed grant and issue of new RMB Shares pursuant to the Specific Mandate under the Scheme.

Information of the Company

Set out below is a summary of the financial information of the Company for the two years ended 31 December 2020, which is extracted from the 2020 Annual Report:

	For the year ended 31 December	
	2019	2020
	USD'000	USD'000
Revenue	3,115,672	3,906,975
Gross Profit	642,459	920,913
Net Profit	158,860	669,098

As shown in the above table, the Company's revenue increased by approximately 25.4% from approximately USD3,115.7 million for the year ended 31 December 2019 to approximately USD3,907.0 million for the year ended 31 December 2020. With reference to the 2020 Annual Report, such increase was mainly attributable to increase in the wafer shipments and the product-mix change during the year.

The Company's net profit increased significantly from approximately USD158.9 million for the year ended 31 December 2019 to approximately USD669.1 million for the year ended 31 December 2020. The increase in net profit was primarily due to the increase in wafer shipments, the product-mix change, increased foreign exchange gains and more gains on investment in entities accounted for using equity method.

Information of the Connected Awardees

With reference to the Letter from the Board, the Awardees are determined after taking into account the actual circumstances of the Company and in accordance with the PRC Company Law, the PRC Securities Law, the Administrative Measures, the Listing Rules, the STAR Market Listing Rules, the Business Guidelines for Information Disclosure of Companies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange No. 4 – Information Disclosure on Equity Incentives (《科創板上市公司信息披露業務指南第4號 — 股權激勵信息披露》) as well as other relevant laws, regulations, regulatory documents and the relevant requirements of the Articles of Association.

An aggregate of 2,900,000 Restricted Shares, representing approximately 4.3% of the total Restricted Shares under the First Grant are proposed to be granted to 9 Connected Awardees as below:

Name	Position	Number of Restricted Shares to be granted (‘0,000 shares)	Percentage to the total number of Restricted Shares under the First Grant	Percentage to the total number of Restricted Shares to be granted
Directors				
Zhou Zixue	Chairman and Executive Director	40	0.59%	0.53%
Chiang Shang-Yi	Vice Chairman and Executive Director	40	0.59%	0.53%
Zhao Haijun	Co-Chief Executive Officer and Executive Director, core technician	40	0.59%	0.53%
Liang Mong Song	Co-Chief Executive Officer and Executive Director, core technician	40	0.59%	0.53%
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President, Company Secretary	36	0.53%	0.48%
Senior management				
Zhou Meisheng	Executive vice president of technology, research and development, core technician, and director of subsidiaries of the Company	36	0.53%	0.48%
Core technician				
Zhang Xin	Senior vice president of operations and engineering and director of subsidiaries of the Company	32	0.47%	0.42%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name	Position	Number of Restricted Shares to be granted (‘0,000 shares)	Percentage to the total number of Restricted Shares under the First Grant	Percentage to the total number of Restricted Shares to be granted
Middle and senior business management				
Lin Hsin-Fa	Director of subsidiaries of the Company	16	0.23%	0.21%
Wang Yong	Director of subsidiaries of the Company	10	0.15%	0.13%
Total number of Restricted Shares granted under the First Grant		6,808.52	100.00%	N/A
Total number of Restricted Shares under the Scheme		7,565.04	N/A	100.00%

We understood from the Company that the Connected Awardees include Directors, senior management, core technicians, middle and senior business management, and key technical and business staff who are instrumental to the Company’s operation and they have made significant contribution to the Company. As shown in the section headed “Information of the Company”, the Company achieved a satisfactory financial performance and recorded a significant increase in the net profit for the year ended 31 December 2020. As such, it is expected that the grant of the Restricted Shares to the Connected Awardees will enable the Company to recognise their contribution and encourage and motivate them to contribute to the continual growth and development of the Company.

With reference to the Letter from the Board, Awardees for the Reserved Grant shall be determined within 12 months from the date on which the Scheme is considered and passed at the EGM. While the Awardees for the Reserved Grant are yet to be determined, we are given to understand that the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including reporting, announcement and Independent Shareholders’ approval requirements, in the event that the Restricted Shares under the Reserved Grant are to be granted and issued to any connected persons of the Company.

Reasons for and benefits of the adoption of the Scheme

With reference to the Letter from the Board, the purposes of the Scheme are to improve the Company’s long-term incentive mechanism, attract and retain outstanding personnel, fully mobilise the enthusiasm of the Company’s employees, effectively bond the interests of Shareholders, the Company and core teams together, enable all parties to jointly focus on to the long-term development of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, the Scheme is part of the Company's remuneration policy which aims to align the interests and benefits of the Company and the Awardees and motivate the Awardees to make contributions to the Company's long-term development. The Scheme will also assist the Company to attract and retain talents who are influential to the growth and development of the Company.

In addition, we have conducted searches in relation to the adoption of restricted share incentive scheme and we note that it is a common practice for companies listed on the STAR market of Shanghai Stock Exchange to adopt restricted share incentive scheme to motivate their directors, senior management and employees. As such, we consider the Scheme are in line with the market practice.

Having considered that (i) the Scheme serves as an incentive for and motivate the Awardees to contribute to the long-term development of the Company; (ii) the Scheme can align the interest of the Awardees with that of the Company; (iii) it is not uncommon to grant restricted shares to their directors, senior management and employees; and (iv) the dilution effect on the shareholding interests of the existing Shareholders of the Company is immaterial as discussed in the section headed "(3) Dilution effect on the shareholding interests of the existing Shareholders of the Company" below, we are of the view that the Scheme is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Independent Shareholders as a whole.

(2) **Principal terms of the Scheme**

Set out below are the principal terms of the Scheme. Details of the terms are set out under the section headed "The Proposed Adoption of 2021 STAR Market Restricted Share Incentive Scheme" of the Letter from the Board.

Number of the Restricted Shares to be granted

The total number of the Restricted Shares that may be granted under the Scheme is 75,650,400 RMB Shares, representing approximately 0.96% of the total issued share capital of the Company as at the Latest Practicable Date.

To assess the fairness and reasonableness of the terms of the Scheme, we have conducted searches to identify those restricted A share incentive scheme which (i) were announced by the companies listed on the STAR market of Shanghai Stock Exchange from 1 April 2021 to 13 May 2021, being approximately one month prior to the date of the announcement of the Scheme; and (ii) have adopted the independent pricing methodology to determine the grant price of the restricted shares. To the best of our knowledge, we have identified 6 companies (the "**Comparables**"), which are exhaustive as far as we are aware of. Although the Comparables might have different principal business activities, profitability and financial position as compared with the Company, and the grant of the restricted shares varies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

case by case, we consider the Comparables can provide a general reference to the market practice of restricted share incentive scheme adopted by companies listed on the STAR market of Shanghai Stock Exchange. Set out below is the summary of the Comparables:

Date of announcement	Company (stock code)	Percentage of the grant price to the average trading price of A shares on the last trading day immediately before the announcement	Attribution period from the date on which the grant registered	Conditions for attributing the restricted A shares which are based on, amongst others, the Awardees' performance and/or financial performance of the listed companies	Percentage of restricted A shares to be granted to individual director/senior management to the total issued share capital of the company as at the date of the scheme	Percentage of restricted A shares to be granted to the total issued share capital of the company as at the date of the scheme
		%			%	%
13/5/2021	Beijing Kingsoft Office Software, Inc. 北京金山辦公軟件股份有限公司 (688111)	13.01%	12 months 24 months 36 months	Yes	0.01%	0.19%
24/4/2021	CHISON Medical Technologies Co., LTD 無錫祥生醫療科技股份有限公司 (688358)	44.00%	12 months 24 months 36 months	Yes	nil (Note 1)	1.02%
20/4/2021	QuantumCTek Co., Ltd. 科太國盾量子技術股份有限公司 (688027)	34.45%	12 months 24 months 36 months	Yes	0.01% to 0.06%	0.75%
10/4/2021	Suzhou Shihua New Material Technology Co., Ltd. 蘇州世華新材料科技股份有限公司 (688093)	35.08%	12 months 24 months 36 months	Yes	0.01% to 0.04%	0.78%
10/4/2021	KINGSEMI Co. Ltd. 瀋陽芯源微電子設備股份有限公司 (688037)	48.55%	12 months 24 months 36 months	Yes	0.02% to 0.08%	0.97%
1/4/2021	Jiangsu Goodwe Power Supply Technology Co., Ltd. 江蘇固德威電源科技股份有限公司 (688390)	18.66%	24 months 36 months	Yes	0.02%	0.78%
	Max	48.55%				
	Min	13.01%				
	Average	32.29%				
	The Company (981)	36.46%	12 months 24 months 36 months 48 months	Yes	0.001% to 0.005%	0.96%

Sources: <http://www.cninfo.com.cn/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

1. No restricted A shares were granted to individual director or senior management under the incentive scheme.

As shown in the above table, the percentage of restricted A shares to be granted to individual director/senior management to the total issued share capital of each of the Comparable as at the date of their respective scheme ranged from approximately 0.01% to 0.08%. The percentage of Restricted Shares to be granted by the Company to the Connected Awardees to the total issued share capital of the Company as at the Latest Practicable Date ranged from approximately 0.001% to 0.005% which is lower than the range of the Comparables.

We also notice that it is a common practice for the Comparables to attribute the restricted shares to awardees in not less than three tranches within 36 months and is conditional upon satisfaction of certain attribution criteria including the awardees' individual performance and/or financial performance of the companies. Details of the attribution arrangements under the Scheme of the Company are set out in the Letter from the Board.

Having considered that (i) the percentage of Restricted Shares to be granted to the Connected Awardees to the total issued share capital of the Company is lower than that of the Comparables; (ii) the Scheme aims to align the interest of the Awardees including the Connected Awardees to contribute to the future development of the Company; and (iii) it is market practice of listed companies to grant restricted shares to their directors, senior management and employees under incentive schemes, we are of the view that the number of Restricted Shares to be granted to the Connected Awardees are fair and reasonable so far as the Independent Shareholders are concerned.

The Restricted Share Price

With reference to the Letter from the Board, the Restricted Share Price under the First Grant shall be RMB20.0 per RMB Share, which is determined based on independent pricing methodology. The Restricted Share Price represents approximately 36.46% of the average trading price of the RMB Shares for the last trading day immediately preceding the announcement of the Scheme.

We understood from the Company that the independent pricing methodology is aimed at promoting the development the Company, and safeguarding the rights and interests of Shareholders, and based on the recognition of the future development prospects and intrinsic value of the Company, pursuant to the principle of equal incentives and restraints. As shown in the above table, the percentage of the grant price to the average trading price of the A shares on the trading day preceding the date of announcement of the Comparables ranged from approximately 13.01% to approximately 48.55% with an average of approximately 32.29%. The Restricted Share Price, representing approximately 36.46% of the average trading price of the RMB Shares for the last trading day immediately preceding the announcement of the Scheme, is therefore set within the range of the Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the determination of Restricted Share Price is in line with that of the Comparables as discussed above; and (ii) all Awardees including the Connected Awardees are subject to the same Restricted Share Price, we are of the view that the grant and issue of Restricted Shares at the Restricted Share Price is fair and reasonable so far as the Independent Shareholders are concerned.

The validity period and attribution conditions

With reference to the Letter from the Board, the validity period of the Scheme shall commence from the Grant Date of the First Grant and end on the date when all the Restricted Shares granted to the Awardees have been attributed or lapsed. We note that the attribution period of 12 months, 24 months, 36 months and 48 months from the date of registration of the grant is similar to the range of the attribution period of the Comparables of 12 months to 36 months.

We understood from the Company that certain conditions must be fulfilled before the Company can grant the Restricted Shares under the Scheme, or the Restricted Shares granted under the Scheme can be attributed, for details, please refer to the paragraph headed “Conditions for attribution of the Restricted Shares” in the Letter from the Board. As shown in the above table, it is a common practice to make the attribution of restricted shares conditional on, amongst others, the awardees’ performance and/or financial performance of the companies. We are of the view that such arrangement could incentivise the Awardees including the Connected Awardees to put efforts on achieving the performance targets, which will contribute to the growth and development of the Company.

Having considered that (i) the validity period of the Scheme is within the range of those of the Comparables; and (ii) the attribution arrangement and performance appraisal mechanism introduced to the Scheme could align the interest of the Awardees including the Connected Awardees with the ongoing long-term development of the Company, we concur with the Directors that the validity period and attribution conditions are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Dilution effect on the shareholding interests of the existing Shareholders of the Company

The total number of Restricted Shares to be granted amount to 75,650,400 Restricted Shares, representing approximately 0.96% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders of Company will be immaterial.

(4) Fairness and reasonableness of the remuneration package

The Company is principally engaged in the manufacture and sale of semiconductor products. To assess the fairness and reasonableness of the Connected Grant on top of the existing remuneration, we have identified, with best efforts, an exhaustive list of 7 companies (the “**Reference Companies**”)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that are listed on the Hong Kong Stock Exchange and principally engaged in businesses in the semiconductor industry. We have made reference to and considered their respective remuneration of the executive directors and chief executive officers for the year ended 31 December 2020.

Set out below is a summary of the remuneration of the executive directors and/or chief executive officers of the Reference Companies:

Company	Stock Code	Name	Position	Total remuneration for the year ended 31 December 2020 <i>(Note 1)</i>	Percentage of the total remuneration to the total operating expenses for the year ended 31 December 2020 <i>(Note 2)</i>
Hua Hong Semiconductor Limited	1347	Mr. Junjun Tang	Chief Executive	USD705,000	0.071%
Solomon Systech (International) Limited	2878	Mr. Wang Wah Chi, Raymond	Executive Director	USD601,000	0.519%
ASM Pacific Technology Limited	522	Mr. Lee Wai Kwong	Executive Director and chief executive	HK\$6,404,000	0.041%
ASM Pacific Technology Limited	522	Mr. Robin Gerard Ng Cher Tat	Executive Director and chief executive	HK\$7,689,000	0.049%
ASM Pacific Technology Limited	522	Mr. Guenter Walter Lauber	Executive Director	HK\$5,640,000	0.036%
ASM Pacific Technology Limited	522	Ms. Patricia Chou Pei-Fen	Executive Director	HK\$2,137,000	0.014%
ASM Pacific Technology Limited	522	Mr. Tsui Ching Man, Stanley	Executive Director	HK\$2,189,000	0.014%
Brainhole Technology Limited	2203	Ms. Wan Duo	Executive Director	HK\$480,000	0.144%
Brainhole Technology Limited	2203	Mr. Tong Wen-Hsin	Executive Director	HK\$2,511,000	0.753%
Smart-Core Holdings Limited	2166	Mr. Tian Weidong	Executive Director	HK\$1,588,000	0.029%
Smart-Core Holdings Limited	2166	Mr. Wong Tsz Leung	Executive Director	HK\$1,198,000	0.022%
Smart-Core Holdings Limited	2166	Mr. Liu Hongbing	Executive Director	HK\$1,263,000	0.023%
Smart-Core Holdings Limited	2166	Mr. Yan Qing	Executive Director	HK\$1,963,000	0.036%
PFC Device Inc.	8231	Mr. Hong James Man-fai	Executive Director	USD199,000	0.952%
Shanghai Fudan Microelectronics Group Company Limited	1385	Mr. Jiang Guoxing	Executive Director	RMB300,000	0.026%
Shanghai Fudan Microelectronics Group Company Limited	1385	Mr. Shi Lei	Executive Director	RMB3,573,000	0.314%
Shanghai Fudan Microelectronics Group Company Limited	1385	Mr. Yu Jun	Executive Director	RMB2,693,000	0.237%
Shanghai Fudan Microelectronics Group Company Limited	1385	Ms. Cheng Junxia	Executive Director	RMB1,284,000	0.113%
				Max	0.952%
				Min	0.014%
				Average	0.189%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Total remuneration includes salaries and other allowances, performance-related bonus, equity-settled share option expense, retirement benefit scheme contributions as extracted from the latest annual reports of the respective companies.
2. Total operating expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses.

According to the Scheme, the Restricted Shares will be unevenly attributed in tranches. With reference to the preliminary estimation of amortised costs of Restricted Shares as shown in the Letter from the Board, the amortised cost is expected to be the highest in year 2022 (i.e. approximately RMB1,071,842,600), we have therefore assessed the estimated total remuneration of the Connected Awardees by topping up the year 2022 amortised cost of Restricted Shares. Based on the current remuneration of the Connected Awardees and the total operating expenses for the year ended 31 December 2020 as extracted from the 2020 Annual Report and management accounts provided by the Company, the estimated percentage of the total remuneration of the Connected Awardees to the total operating expenses for the year 2022 is calculated as below:

Name	Position	Total amortised cost of Restricted Shares for year 2022	Remuneration for the year ended 31 December 2020	Total remuneration for the year ending 31 December 2022	Percentage of the total remuneration to the total operating expenses
		(Note 1) (USD'000) A	(Note 2) (USD'000) B	(USD'000) C = A + B	(Note 3) (USD'000)
Directors					
Zhou Zixue	Chairman and Executive Director	913.1	1,583	2,496.1	0.063%
Chiang Shang-Yi	Vice Chairman and Executive Director	913.1	768	1,681.1	0.042%
			(Note 4)		
Zhao Haijun	Co-Chief Executive Officer and Executive Director, Core technician	913.1	1,111	2,024.1	0.051%
LIANG Mong Song	Co-Chief Executive Officer and Executive Director, Core technician	913.1	4,930	5,843.1	0.148%
GAO Yonggang	Co-Chief Executive Officer and Executive Director, Company Secretary	821.8	1,490	2,311.8	0.058%
Other Connected Awardees					
4 Connected Awardees		228.3-821.8	NA(Note 5)	NA(Note 5)	Within the range of the Comparable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The total amortised cost of Restricted Shares for the year 2022 for each of the Connected Awardees is calculated based on their respective percentage of the total number of Restricted Shares under the First Grant times the year 2022 amortised cost of approximately USD155.4 million based on the average exchange rate of RMB1:US\$0.145 for illustrative purpose only. Such amortised cost of Restricted Shares is expected to be the highest among the tranches of attribution based on the preliminary estimation of the Company.
2. Current remuneration includes salaries and other allowances, performance-related bonus, equity-settled share option expense, retirement benefit scheme contributions as extracted from the 2020 Annual Report and management accounts provided by the Company.
3. Total operating expenses amounted to approximately USD3,959.52 million which include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses, for the year ended 31 December 2020.
4. On December 15, 2020, Chiang Shang-Yi rejoined the Company as Vice Chairman and executive director. We have annualised the total remuneration of USD32,000 for the period for illustrative purpose only.
5. The information is not disclosed for confidential reason.

As shown in the above table, the percentage of the total remuneration (C) to the total operating expenses ranged from approximately 0.042% to 0.148%, which is within the range of approximately 0.014% to 0.952% of the Reference Companies and lower than the average of approximately 0.189% of the Reference Companies. In view that (i) the total remunerations of the Connected Awardees, taking into account the attributed Restricted Shares, are in line with those of the Reference Companies; and (ii) the total remunerations of the Connected Awardees represent an insignificant portion of the total operating expenses of the Company and hence the financial impact of the Connected Grant will be minimal, we are of the view that the grant and issue of the Restricted Shares to the Connected Awardees on top of their existing remuneration is fair and reasonable so far as the Independent Shareholders are concerned.

Save for the expenses relating to the allotment and issue of the new RMB Shares, the grant of the Restricted Shares will not have any impact on the Company's cash position and net current assets.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Connected Grant is on normal commercial terms and in the ordinary and usual course of business of the Group; 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. Accordingly, we recommend the Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Connected Grant and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
FDB Financial Group Limited
Wallace Cheung
Executive Director

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

**THE 2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME OF SEMICONDUCTOR
MANUFACTURING INTERNATIONAL CORPORATION****DISCLAIMER**

The board of directors and all directors of the Company guarantee that there are no false representations or misleading statements contained in, or material omissions from, this announcement, and accept responsibilities for the truthfulness, accuracy and completeness of its contents in accordance with law.

All Incentive Participants of the Company undertake that, where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the interests, the Incentive Participants concerned shall return to the Company all interests gained through the Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements, misleading representations or material omissions.

SPECIAL NOTICE

- I. The Incentive scheme is formulated in accordance with the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange, the Administrative Measures on Incentive Scheme of Listed Companies, the Business Guidelines for Information Disclosure of Companies Listed on the STAR Market No. 4 — Information Disclosure on Equity Incentives (《科创板上市公司信息披露業務指南第4號—股權激勵信息披露》), and other relevant laws, regulations and normative documents as well as the Articles of Association of Semiconductor Manufacturing International Corporation.
- II. The incentive tool adopted by the Incentive Scheme is Restricted Shares (Type II Restricted Shares). The source of the shares shall be the ordinary A shares of Semiconductor Manufacturing International Corporation (hereinafter referred to as the “**Company**”) listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange and issued to the Incentive Participants by the Company. Incentive Participants that meet the conditions for the grant under the Incentive Scheme, after fulfilling the corresponding Attribution Conditions, shall obtain in tranches the ordinary A shares newly issued by the Company on the Science and Technology Innovation Board of the Shanghai Stock Exchange at the grant price. Such shares will be registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Prior to the Attribution, the Restricted Shares granted to the Incentive Participants do not carry any rights of the shareholders of the Company, and such Restricted Shares shall not be transferred, used to guarantee or repay debts.

- III. The total number of Restricted Shares to be granted under the Incentive Scheme shall not exceed 75.6504 million shares, representing approximately 0.96% of the Company's total share capital of 7,900,064,794 shares as at the date of the announcement of the draft Incentive Scheme. Among them, the number of shares to be granted under the first grant shall not exceed 68.0852 million shares, representing approximately 0.86% of the Company's total share capital of 7,900,064,794 shares as at the date of the announcement of the draft Incentive Scheme, and approximately 90.00% of the total equity under this grant; 7.5652 million shares are reserved, representing approximately 0.10% of the Company's total share capital of 7,900,064,794 shares as at the date of the announcement of the draft Incentive Scheme and approximately 10.00% of the total equity under this grant.

The total shares of the Company to be granted under the Incentive Scheme during the validity period to any one of the Incentive Participant will not exceed 1.00% of the Company's total share capital as at the date of the proposal of the Incentive Scheme at the general meeting for consideration.

- IV. The grant price of the Restricted Shares under the Scheme (including reserved grant) shall be RMB20 per share. In the event of any capitalisation issue, bonus issue, sub-division, rights issue, share consolidation or distribution of dividends of the Company in the period from the date of announcement on the draft Incentive Scheme to the completion of the Attribution registration of Restricted Shares by the Incentive Participants, the grant price or number of Restricted Shares shall be adjusted in accordance with the relevant regulations of the Incentive Scheme accordingly.
- V. The total number of Incentive Participants under the first grant pursuant to the Incentive scheme shall not exceed 4,000, representing approximately 23.05% of the total number of 17,354 employees of the Company at the end of 2020. Participants of the Incentive Scheme include existing directors, senior management, core technicians, middle and senior business management, key technical and business staff of the Company at the time of the Company's announcement of the Incentive Scheme.

The reserved Incentive Participants refer to the Incentive Participants who were not determined when the Incentive Scheme was approved at the general meeting but have been included in the Incentive Scheme during the period of existence of the Incentive Scheme and who are determined within 12 months since the date the Incentive Scheme was considered and approved at the general meeting. The Incentive Participants of reserved Restricted Shares shall be determined with reference to the standard of the first grant, and may include other personnel that the board of directors believes should be incentivised.

- VI. The validity period of the Incentive Scheme commences from the grant date of the Restricted Shares until the date on which all Restricted Shares granted to the Incentive Participants have been attributed or lapsed. The validity period shall not exceed 72 months. The Restricted Shares granted to the Incentive Participants shall be attributed in tranches as per the agreed proportions, and it is a prerequisite for each equity Attribution to meet the corresponding Attribution Conditions.

- VII. None of the following circumstances under which the implementation of the share incentive shall not be conducted as stipulated in Article 7 of the Administrative Measures on Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) has occurred to the Company:
- (i) issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
 - (ii) issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
 - (iii) the Company has not distributed profit pursuant to the laws and regulations, Articles of Association or public undertakings within the most recent 36 months;
 - (iv) the implementation of the Incentive Scheme is forbidden by the laws and regulations; and
 - (v) other circumstances as determined by the CSRC.
- VIII. The Company does not have a board of supervisors, and the Incentive Participants under the Incentive Scheme exclude independent non-executive directors of the Company. Incentive Participants have satisfied the provisions of Article 8 of the Administrative Measures on Equity Incentives of Listed Companies, are not subject to any following circumstances where a person is prohibited to be an Incentive Participant:
- (i) such Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 - (ii) such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions in the most recent 12 months;
 - (iii) such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance of laws and regulations in the most recent 12 months;
 - (iv) occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;
 - (v) such Participant is prohibited by the law from participating in equity incentive scheme of listed companies;
 - (vi) other circumstances as determined by the CSRC.

- IX. The Company undertakes that it shall not provide loans and any other forms of financial assistance to the Incentive Participants for acquiring the Restricted Shares under the Incentive Scheme, including provision of guarantee for their loans.
- X. The implementation of the Incentive Scheme is subject to consideration and approval at the general meeting of the Company.
- XI. The implementation of the Incentive Scheme will not cause the shareholding structure of the Company to fail to meet listing requirements.

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CHAPTER I DEFINITIONS

Unless otherwise specified, capitalised terms shall have the same meanings as those hereinafter defined:

Company, Listed Company	Semiconductor Manufacturing International Corporation, Chinese Name: 中芯国际集成电路制造有限公司
the Incentive Scheme, the Scheme	2021 STAR Market Restricted Shares Incentive Scheme of Semiconductor Manufacturing International Corporation
Restricted Shares, Type II Restricted Shares	the shares of the Company to be obtained in tranches and registered by the Incentive Participants who meet the conditions for grant under the Incentive Scheme after meeting the corresponding Attribution Conditions
Incentive Participant(s)	directors, senior management, core technicians, middle and senior business management, and key technical and business staff of the Company, who shall be granted the Restricted Shares pursuant to the Incentive Scheme.
Grant Date	the date on which the Company grants the Restricted Shares to the Incentive Participants
Grant Price	the price of each Restricted Share granted to the Incentive Participants
Validity Period	the period commencing on the Grant Date of the Restricted Shares and ending on the date on which all Restricted Shares granted to the Incentive Participants have been attributed or lapsed
Attribution	the act of registering the Restricted Shares by the Listed Company to the account of an Incentive Participant after the Attribution Conditions having been satisfied by the Incentive Participant
Attribution Conditions	the Attribution Conditions as stipulated under the Restricted Share Incentive Scheme which must be satisfied by an Incentive Participant in order to obtain the incentive shares
Attribution Date	the date on which the registration of the granted Restricted Shares is completed after the Attribution Conditions having been satisfied by an Incentive Participant, which must be a trading day

Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Administrative Measures	the Administrative Measures on Equity Incentives of Listed Companies
Listing Rules	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange
Disclosure Guidelines	the Business Guidelines for Information Disclosure of Companies Listed on the STAR Market No. 4 — Information Disclosure of Equity Incentives
Articles of Association	Articles of Association of Semiconductor Manufacturing International Corporation
CSRC	the China Securities Regulatory Commission
Stock Exchange	Shanghai Stock Exchange
RMB	RMB

- Notes:*
1. Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data on a consolidated basis and financial indicators calculated based on such financial data.
 2. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

CHAPTER II PURPOSE AND PRINCIPLE OF THE INCENTIVE SCHEME

To improve the Company's long-term incentive mechanism, attract and retain outstanding personnel, fully mobilise the enthusiasm of the Company's employees, effectively bond the interests of shareholders, the Company and core teams together, enable all parties to jointly pay attention to the long-term development of the Company, and under the premise of fully safeguarding the interests of shareholders, the Incentive Scheme is formulated following the principle of income equivalent to contribution in accordance with the relevant laws, regulations and regulatory documents including the Securities Law, Administrative Measures, Listing Rules and Disclosure Guidelines, as well as the Articles of Association.

The Company is implementing the 2014 Equity Incentive Plan and 2014 Stock Option Plan, all the shares of the two plans are Hong Kong Shares listed on the Hong Kong Stock Exchange. As of 31 March 2021, details of the grant by the Company are as follows:

	2014 Stock Option Plan (shares)	2014 Equity Incentive Plan (shares)
Granted	57,074,892	51,786,832
Outstanding	275,033,024	27,801,756

The Incentive Scheme and other incentive schemes, which are currently being implemented, are independent of each other, and there is no interrelation between them.

CHAPTER III ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME

- I. The general meeting, as the body vested with the supreme authority of the Company, is responsible for consideration and approval of the implementation, change and termination of the Incentive Scheme. The general meeting may authorise the board of directors to deal with certain matters related to the Incentive Scheme to the extent of its authority.
- II. The board of directors shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. Its subordinate compensation committee is responsible for drafting and revising the Incentive Scheme and submitting the same to the board of directors for consideration. Upon consideration and approval of the Incentive Scheme, the board of directors will submit the Incentive Scheme to the general meeting for consideration. The board of directors may handle other matters related to the Incentive Scheme within its scope of authority as delegated by the general meeting.

CHAPTER IV BASIS FOR DETERMINING AND SCOPE OF THE INCENTIVE PARTICIPANTS

I. Basis for determination of the Incentive Participants

1. Legal basis for determining the Incentive Participants

The Incentive Participants of the Incentive Scheme are determined after taking into account the actual circumstances of the Company and in accordance with the relevant laws, regulations, regulatory documents including the Securities Law, Administrative Measures, Listing Rules and Disclosure Guidelines, as well as the relevant provisions of the Articles of Association.

2. *Functional basis for determining the Incentive Participants*

The Incentive Participants involved in the first grant under the Incentive Scheme are as directors, senior management, core technicians, middle and senior business management, and key technical and business staff of the Company (excluding independent non-executive directors, shareholders who individually or collectively hold more than 5% of the shares of the Listed Company and their spouses, parents, and children).

II. Scope of the Incentive Participants

The total number of Incentive Participants for the first grant proposed under the Incentive Scheme shall not exceed 4,000, accounting for approximately 23.05% of the total number of the Company's 17,354 employees as of 31 December 2020. The Incentive Participants include:

1. Directors;
2. Senior management;
3. Core technicians;
4. Middle and senior business management;
5. Key technical and business staff.

All the Participants must have an employment or labour relationship with the Company or its branches, subsidiaries when the Company grants the Restricted Shares and during the assessment period as specified in the Incentive Scheme.

Incentive Participants for the reserved grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Following the proposals from the board of directors, and issue of professional opinions and legal opinions by the legal adviser of the Company, the Company will announce the relevant information on the designated website pursuant to the relevant requirements. The reserved entitlements shall become invalid where the Incentive Participants for the reserved grant are not determined after 12 months from the aforesaid date. The Incentive Participants for the reserved Restricted Shares shall be determined by reference to the criteria for the first grant.

The Incentive Participants also include certain foreign employees. The reasons for which they are included in the Incentive Scheme are that:

The Company has established subsidiaries or offices in the United States, Europe, Japan, Hong Kong, China and other countries and regions. Foreign Incentive Participants play an important role in the Company's technology research and development, product iteration and updates, and domestic and foreign business development, which strongly guarantees the advanced position of the Company's research and development in the industry, and enables the Company to maintain and improve the

international competitiveness of its products and its international market position. Therefore, to incentivise foreign employees is an effective measure for the Company to achieve sustainable development. Equity incentives are commonly used as incentives for overseas companies, the Incentive Scheme will further promote the construction and stability of the Company's core talent team, thereby contributing to the long-term development of the Company

III. Verification of Incentive Participants

1. After the Incentive Scheme has been reviewed and approved by the board of directors, the Company shall publish the names and positions of the Incentive Participants internally for 10 days.
2. After such publication period and before reviewing and approving the Incentive Scheme at the general meeting, the Company will announce the results based on internal feedback.

CHAPTER V INCENTIVE METHOD, SOURCE, NUMBER AND ALLOCATION OF RESTRICTED SHARES

I. Source of shares under the Incentive Scheme

The incentive tool adopted by the Incentive Scheme is the Type II Restricted Shares, and the underlying shares shall be the Company's ordinary A shares listed on the STAR Market of the Stock Exchange issued to the Incentive Participants by the Company.

II. Number of Restricted Shares to be granted

The total number of Restricted Shares to be granted under the Incentive Scheme shall not exceed 75.6504 million shares, representing approximately 0.96% of the Company's total share capital of 7,900,064,794 shares as at the date of the announcement of the draft Incentive Scheme. Among them, the number of shares to be granted under the first grant shall not exceed 68.0852 million shares, representing approximately 0.86% of the Company's total share capital of 7,900,064,794 shares as at the date of the announcement of the draft Incentive Scheme, and approximately 90.00% of the total equity under this grant; 7.5652 million shares are reserved, representing approximately 0.10% of the Company's total share capital of 7,900,064,794 shares as at the date of the announcement of the draft Incentive Scheme and approximately 10.00% of the total equity under this grant.

III. Allocation of Restricted Shares granted to the Incentive Participants

Allocation of Restricted Shares to be granted to each Incentive Participant under the Incentive Scheme is as follows:

Name	Position	Number of Restricted Shares to be granted (*0,000 shares)	Percentage to the total number of Restricted Shares to be granted	Percentage to the total share capital as at the date of the announcement of the Incentive Scheme
I. Directors				
Zhou Zixue	Chairman and Executive Director	40	0.53%	0.005%
Chiang Shang-Yi	Vice Chairman and Executive Director	40	0.53%	0.005%
Zhao Haijun	Co-Chief Executive Officer and Executive Director, core technician	40	0.53%	0.005%
Liang Mong Song	Co-Chief Executive Officer and Executive Director, core technician	40	0.53%	0.005%
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President, Company Secretary	36	0.48%	0.005%
II. Senior management				
Zhou Meisheng	Executive vice president of technology, research and development, core technician, and director of subsidiaries of the Company	36	0.48%	0.005%
Guo Guangli	Board secretary, vice president	16	0.21%	0.002%
III. Core technicians				
Zhang Xin	Senior vice president of operations and engineering, and director of subsidiaries of the Company	32	0.42%	0.004%
Wu Jingang	Vice president of technology, research and development	16	0.21%	0.002%
Subtotal		296	3.91%	0.037%
IV. Middle and senior business management				
Lin Hsin-Fa	Director of subsidiaries of the Company	16	0.21%	0.002%
Wang Yong	Director of subsidiaries of the Company	10	0.13%	0.001%
Other middle and senior business management		690.92	9.13%	0.087%
Subtotal		716.92	9.48%	0.091%

Name	Position	Number of Restricted Shares to be granted (‘0,000 shares)	Percentage to	Percentage to
			the total share capital as at the date of the announcement of the Incentive Scheme	the total number of Restricted Shares to be granted
V. Key technical and business staff		5,795.60		76.61%
Total number of Restricted Shares to be granted under the First Grant		6,808.52		90.00%
Total number of Restricted Shares to be granted under the Reserved Grant		756.52		10.00%
Total		7,565.04		100.00%

- Note:*
- The total number of shares to be granted to any of the above Incentive Participants under the share incentive schemes during their validity periods does not exceed 1% of the total share capital of the Company. The cumulative total number of underlying shares of the Company involved under the share incentive schemes during their validity periods does not exceed 10% of the total share capital of the Company when the Incentive Scheme is submitted to the general meeting for consideration.
 - Incentive Participants subject to the first grant under the Scheme exclude independent non-executive directors, shareholders who individually or collectively hold more than 5% of the shares of the Listed Company, and their spouses, parents or children.
 - Incentive Participants for the reserved grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Following the proposals from the board of directors, and issue of professional opinions and legal opinions by the legal adviser, the Company shall promptly and accurately disclose the relevant information on the designated website pursuant to the relevant requirements.
 - Any discrepancies in the value in above table between totals and sums of figures listed are due to rounding.
 - The Connected Awardees of initial grant under the Scheme are Zhou Zixue, Chiang Shang-Yi, Zhao Haijun, Liang Mong Song, Gao Yonggang, Zhou Meisheng, Zhang Xin, Lin Hsin-Fa and Wang Yong. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, save for the Connected Awardees set out above, the other Awardees under the first grant are independent of the Company and its connected persons as defined under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

**CHAPTER VI VALIDITY PERIOD, GRANT DATE, ATTRIBUTION ARRANGEMENT AND
BLACK-OUT PERIOD OF INCENTIVE SCHEME****I. Validity Period of the Incentive Scheme**

The Validity Period of the Incentive Scheme commences from the Grant Date of the Restricted Shares until the date on which all Restricted Shares granted to the Incentive Participants have been attributed or lapsed. The Validity Period shall not exceed 72 months.

II. Grant Date of the Incentive Scheme

The Grant Date shall be determined by the board of directors after the Incentive Scheme is considered and passed at the general meeting of the Company

III. Attribution arrangement under the Incentive Scheme

The Restricted Shares granted under the Incentive Scheme may be attributed in tranches as per the agreed proportions upon the Incentive Participants satisfying the corresponding Attribution Conditions. The Attribution Date must be a trading day, and shall not fall within any of the following periods:

1. 30 days prior to the publication of the periodic reports of the Company or in the event that the publication of such reports is postponed due to special reasons, 30 days prior to the originally scheduled date of publication until the day prior to the date of publication;
2. within 10 days prior to the disclosure of results preview or preliminary financial results of the Company;
3. during the period from the date of occurrence of a material event which may have considerable impact on the trading price of the shares and their derivatives of the Company, or the date of entering the decision-making process, up to 2 trading days after relevant disclosure has been made in accordance with the laws;
4. any other period as stipulated by the CSRC and the Stock Exchange.

The above “material events” are the transactions or other significant events that shall be disclosed by the Company in accordance with the requirement of the Listing Rules.

If relevant laws, administrative regulations, and departmental rules have otherwise provided the period during which Attribution is prohibited, the relevant provisions shall prevail.

The Attribution period and Attribution arrangements for the Restricted Shares under the first grant pursuant to the Incentive Scheme are as follows:

Tranche	Attribution period	Attribution percentage
First tranche	From the first trading day after the expiry of 12 months following the date of the first grant until the last trading day within the 24 months following the date of first grant	30%
Second tranche	From the first trading day after the expiry of 24 months following the date of the first grant until the last trading day within the 36 months following the date of first grant	25%
Third tranche	From the first trading day after the expiry of 36 months following the date of the first grant until the last trading day within the 48 months following the date of first grant	25%
Fourth tranche	From the first trading day after the expiry of 48 months following the date of the first grant until the last trading day within the 60 months following the date of first grant	20%

The Attribution period and Attribution arrangements for the reserved grant of the Restricted Shares under the Incentive Scheme are as follows:

Tranche	Attribution period	Attribution percentage
First tranche	From the first trading day after the expiry of 12 months following the date of the reserved grant until the last trading day within the 24 months following the date of the reserved grant	30%
Second tranche	From the first trading day after the expiry of 24 months following the date of the reserved grant until the last trading day within the 36 months following the date of the reserved grant	25%
Third tranche	From the first trading day after the expiry of 36 months following the date of the reserved grant until the last trading day within the 48 months following the date of the reserved grant	25%
Fourth tranche	From the first trading day after the expiry of 48 months following the date of the reserved grant until the last trading day within the 60 months following the date of the reserved grant	20%

Prior to the Attribution, the Restricted Shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred, used to guarantee or repay debts. For the Restricted Shares granted to the Incentive Participants, but not yet attributed, shares increased due to capitalisation issue, bonus issue, etc. are also subject to the Attribution Conditions, and shall not be transferred, used to guarantee or repay debts. Where the Restricted Shares are not allowed to be attributed at that time, shares obtained for the aforementioned reasons shall also not be attributed.

IV. Black-out period under the Incentive Scheme

The black-out period refers to the period of time during which the Restricted Shares granted to the Incentive Participants is attributed but shall not be sold. The black-out arrangement of the Restricted Shares under the Incentive Scheme shall be implemented in accordance with the requirements of relevant laws, regulations and regulatory documents including the Securities Law, the Several Provisions on Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies (《上市公司股東、董監高減持股份的若干規定》), and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》), the Articles of Association as well as the Company Law as follows:

1. Where the Incentive Participant is a director and a member of the senior management of the Company, the number of shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares held by him/her in the Company. No shares held by him/her may be transferred within six months after his/her termination of office.
2. For Incentive Participants who are directors and members of the senior management of the Company, if they have sold the Company's shares held by them within 6 months after purchasing such shares, or if they have purchased the shares within 6 months after selling their shares, the gains obtained therefrom shall be attributed to the Company and the board of directors shall forfeit the gains.
3. During the Validity Period of the Incentive Scheme, if the relevant requirements under the relevant laws, regulations, regulatory documents including the Company Law, the Securities Law, the Several Provisions on Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies, and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies as well as the Articles of Association regarding the transfer of shares held by the directors and members of the senior management of the Company are changed, the transfer of the shares held by the Incentive Participants under this section shall comply with the requirements as amended at the time of transfer.

**CHAPTER VII GRANT PRICE OF THE RESTRICTED SHARES AND THE BASIS FOR
DETERMINATION THEREOF****I. Grant Price of the Restricted Shares under the first grant**

The Grant Price of the Restricted Shares under the first grant pursuant to the Incentive Scheme shall be RMB20 per Share. An Incentive Participant who has satisfied the conditions for grant and attribution may purchase Restricted Shares newly issued to the Incentive Participants by the Company at the price of RMB20 per share.

II. Basis for determination of the Grant Price of the Restricted Shares under the first grant

An independent pricing method is adopted for determining the Grant Price of the Restricted Shares under the Incentive Scheme.

The price of the first grant under the Incentive Scheme shall be RMB20 per share, which is determined on the basis of 36.46% of the average trading price of the Company's A shares of RMB54.86 on the trading day preceding the date of announcement regarding the Scheme.

- (i) the average trading price of the A shares of the Company for the last 20 trading days preceding the date of announcement of the Incentive Scheme (the total transaction value of A shares for the last 20 trading days/total trading volume of A shares for the last 20 trading days) is RMB55.23 per share, and the Grant Price represents 36.21% of the average trading price of the A shares for the last 20 trading days;
- (ii) the average trading price of the A shares of the Company for the last 60 trading days preceding the date of announcement of the Incentive Scheme (the total transaction value of A shares for the last 60 trading days/total trading volume of A shares for the last 60 trading days) is RMB56.55 per share, and the Grant Price represents 35.37% of the average trading price of the A shares for the last 60 trading days.
- (iii) the average trading price of the A shares of the Company for the last 120 trading days preceding the date of announcement of the Incentive Scheme (the total transaction value of A shares for the last 120 trading days/total trading volume of A shares for the last 120 trading days) is RMB57.90 per share, and the Grant Price represents 34.54% of the average trading price of A shares for the last 120 trading days.

III. Basis for determination of the Grant Price of the reserved Restricted Shares

The Grant Price of Restricted Shares under the Incentive Scheme is the same as the Grant Price of Restricted Shares under the first grant, being RMB20 per share. Before granting reserved Restricted Shares, a meeting of the board of directors must be convened to review and approve relevant proposals and the grant shall be disclosed.

IV. Basis for price determination

The Grant Price and pricing methodology of the Company's Restricted Shares are with the fundamental aim of promoting the development the Company, and safeguarding the rights and interests of shareholders, and based on the confidence in the future development prospects and the confidence in the intrinsic value of the Company, pursuant to the principle of equal incentives and restraints.

The IC wafer foundry industry in which the Company operates is a technology-intensive industry. IC wafer foundry involves the comprehensive application of dozens of disciplines in science, technology and engineering, and requires relevant talents to have solid professional knowledge and long-term technical precipitation. Besides, the extremely high requirements for process coordination and error control in each link require relevant talents to have strong comprehensive capabilities and experience accumulation. In recent years, the number of IC companies has been growing rapidly, resulting in a gap between the supply and demand of outstanding technical talents in the industry, and the competition for talents is becoming increasingly fierce. The Grant Price under the Incentive Scheme is conducive to the Company to grasp the flexibility and effectiveness of talent incentives in different time periods and operating environments, so that the Company can take the initiative in the competition for outstanding talents in the industry. Besides, the performance of talents in this industry presents in long term, which requires mid- and long-term incentive policies. Therefore, this equity incentive enables the Company to grasp the initiative in the competition for outstanding talents in the industry and continuously enhance its core competitiveness.

Based on the principle of equal incentives and restraints, the Company has arrived at the price of the Incentive Scheme upon taking into account factors including the effectiveness of the Incentive Scheme and the impact of the share payment costs of the Company, and has determined the scope of Incentive Participants and the number of Restricted Shares to be granted on a reasonable basis. Such price will have no material impact on the Company's operations. It reflects the actual incentive needs of the Company. Besides, the future gains of Incentive Participants depend on the performance development of the Company and secondary market stock prices in the future.

Given the above, on the basis of complying with relevant laws and regulations and regulatory documents, the Company has decided to set the Grant Price of Restricted Shares Incentive Scheme for the first and reserved grant. The implementation of the Incentive Scheme will further stabilise its core team and align the interests of employees and the shareholders. The independent financial adviser with securities qualifications engaged by the Company will express its opinions on the feasibility of the Scheme, the rationale of the relevant pricing basis and pricing method, whether it is conducive to the sustainable development of the Company, and whether it harms the interests of shareholders. For details, please refer to the Independent Financial Adviser's Report of Shanghai Realize Investment Consulting Co., Ltd. on the 2021 Restricted Share Incentive Scheme (Draft) of Semiconductor Manufacturing International Corporation (《上海榮正投資諮詢股份有限公司關於中芯國際集成電路製造有限公司2021年限制性股票激勵計劃(草案)之獨立財務顧問報告》) published on the website of the Stock Exchange (www.sse.com.cn) on 20 May 2021.

CHAPTER VIII GRANT AND ATTRIBUTION CONDITIONS OF THE RESTRICTED SHARES**I. Conditions for grant of the Restricted Shares**

The Company shall grant the Restricted Shares to the Incentive Participants upon satisfaction of all of the following granting conditions; or conversely, if any of the following granting conditions has not been satisfied, no Restricted Shares shall be granted to the Incentive Participants.

- (i) None of the following has occurred on the part of the Company:
 - 1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - 2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - 4. laws and regulations stipulate that equity incentives shall not be implemented;
 - 5. other circumstances as determined by the CSRC.

- (ii) None of the following has occurred on the part of the Incentive Participants:
 - 1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 - 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - 3. the Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
 - 4. the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
 - 5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 - 6. other circumstances as determined by the CSRC.

II. Conditions for Attribution of the Restricted Shares

Restricted Shares granted to the Incentive Participants need to satisfy all of the following Attribution Conditions before they are attributed in tranches:

- (i) None of the following has occurred on the part of the Company:
 - 1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - 2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - 4. laws and regulations stipulate that equity incentives shall not be implemented;
 - 5. other circumstances as determined by the CSRC.

- (ii) None of the following has occurred on the part of the Incentive Participants:
 - 1. the Incentive Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 - 2. the Incentive Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - 3. the Incentive Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
 - 4. the Incentive Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
 - 5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 - 6. other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified in the above subparagraph (i) arises, the Restricted Shares that have been granted but have not yet been attributed to all of the Incentive Participants under the Incentive Scheme shall not be attributed and shall lapse. In the event that the Restricted Shares shall not be granted to an Incentive Participant as specified in the above subparagraph (ii), the Restricted Shares that have been granted but have not yet been attributed to such Incentive Participant shall not be attributed and shall lapse.

- (iii) Incentive Participants satisfying the requirements on length of employment in each Attribution period

Before each tranche of Restricted Shares granted to the Incentive Participants is attributed, the length of employment of the Incentive Participant must be more than 12 months.

- (iv) Performance assessment requirements at the Company level

Under the Incentive Scheme, the assessment years of the First Grant are the four accounting years of 2021, 2022, 2023 and 2024, and the assessment shall be conducted once an accounting year. Taking the average operating income and the average EBITDA of 2018 to 2020 as the performance base, the performance assessment target for each year will be determined based on the growth rate of cumulative operating income (A) and the growth rate of cumulative EBITDA (B) deriving from the definite proportion of the cumulative value of the operating income and cumulative value of EBITDA of each assessment year to the performance base. The Company will assess the attribution ratio at the Company level in each year based on factors (X) and (Y) according to the level of completion of the above two indicators. For the First Grant, the annual performance assessment target of each year is arranged as follows:

Attribution period	Corresponding assessment year	Growth rate of cumulative operating income (A)		Growth rate of cumulative EBITDA (B)	
		Target value (Am)	Trigger value (An)	Target value (Bm)	Trigger value (Bn)
First	2021	22%	19%	22%	19%
Second	2022	152%	145%	152%	145%
Third	2023	291%	276%	291%	276%
Fourth	2024	440%	415%	440%	415%

Performance appraisal indicators	Range of performance appraisal indicators	Corresponding factor of indicators
Growth rate of cumulative operating income (A)	$A \geq A_m$	$X = 100\%$
	$A_n \leq A < A_m$	$X = A/A_m$
	$A < A_n$	$X = 0$

Performance appraisal indicators	Range of performance appraisal indicators	Corresponding factor of indicators
Growth rate of cumulative EBITDA (B)	$B \geq B_m$	$Y = 100\%$
	$B_n \leq B < B_m$	$Y = B/B_m$
	$B < B_n$	$Y = 0$
Attribution ratio at the Company level	$X * 50\% + Y * 50\%$	

Note:

1. As referred to in the table above, "EBITDA" means earnings before interest, tax, depreciation and amortisation of the Company.
2. As referred to in the table above, "operating income" and "EBITDA" are calculated based on the data contained in the consolidated statements prepared and audited by the accounting firm engaged by the Company in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance in the PRC.
3. The cumulative operating income and EBITDA for each year is the respective sum of the operating income and EBITDA for each year since 2021. For example, the cumulative operating income in 2021 is the operating income of 2021, and the cumulative EBITDA in 2021 is the EBITDA of 2021; the cumulative operating income of 2022 is the sum of the operating income of 2021 and 2022, and the cumulative EBITDA of 2022 is the sum of the EBITDA of 2021 and 2022, so on and so forth.

For the Reserved Grant under the Incentive Scheme, the performance assessment years and performance assessment target of each assessment year shall be the same as the First Grant.

- (v) Performance assessment requirements at the Incentive Participant's individual level

All assessments at the individual level for Incentive Participants are organised and implemented in accordance with the existing relevant regulations of the Company, and the actual number of shares attributable to Incentive Participants shall be determined based on the assessment results of them. The assessment result of an Incentive Participant consists of two parts: personal punishment verification and personal

performance assessment. Then, the number of shares for the year actually attributed to the Incentive Participants will be determined as per the corresponding individual Attribution ratio in the following assessment rating table:

Punishment verification results	No punishment record of demerit or above		Punishment record of demerit or above		
Individual Attribution ratio	100%		0		
Performance assessment results	A	B	C	C-	D/E
Individual Attribution ratio	100%	100%	100%	80%	0

The number of Restricted Shares to be attributed to the Incentive Participant in the current year equals to the number of Restricted Shares planned to be attributed to the individual Participant in the current year \times the Attribution level at the Company level \times the Attribution ratio of the individual punishment verification results \times the Attribution ratio of the individual performance assessment results.

If the Restricted Shares to be attributed to the Incentive Participant in the current period cannot be attributed or fully attributed due to assessment reasons, such Restricted Shares shall lapse and cannot be deferred to the subsequent year for Attribution.

If major changes, special and abnormal circumstances, or other force majeure factors occur during the Validity Period of the Scheme, the performance assessment indicators at the Company level can be adjusted after review by the Board.

III. Explanation on scientificness and reasonableness of the performance appraisal indicators of the Restricted Shares

There are two sets of assessment indicators for the Incentive Scheme, i.e. performance assessment of the Company and performance assessment of individuals.

The cumulative operating income growth rate and the cumulative EBITDA growth rate are selected as the performance indicators of the Company. The operating income growth rate is an important indicator for the IC foundry industry in measuring the operating conditions, market share and market position of the Company and predicting the business expansion trend, and is also an effective indicator to reflect the growth of the Company. Being a heavy-asset industry, the profits of the IC foundry industry is strongly associated with its corporate sizable effect, production expanded speed and equipment depreciation. EBITDA, taking into account the above characteristics of the IC foundry industry, reflects the actual business performance and the profitability of the Company. The main source of the revenue of the Company's principal businesses is IC wafer foundry, which requires a relatively high technical content, early technical demonstration, continuous R&D practice in the later period, and consists of a long cycle. The rich terminal application scenarios of integrated

circuits determine the differences in the mainstream technology nodes and processes of chip products in various subdivisions, and both the technological iteration and corresponding market demand changes rapidly. The Company faces a relatively complex internal and external operating environment, which is greatly affected by downstream market demand, industry competition and other factors, and the development of which as a whole shows certain cyclical characteristics.

In this context, based on the industry development characteristics and actual conditions, with reasonable business predictions, and taking into account the incentive effect of the Incentive Scheme, the Company has selected the average operating income and the average EBITDA from 2018 to 2020 as the performance basis, and the growth rate of the definite proportion of the cumulative operating income and the cumulative EBITDA in 2021, 2022, 2023 and 2024 to the performance basis shall not be less than 22%, 152%, 291%, and 440% respectively. Assessment model of comprehensive weight and stepped attribution was set to achieve the dynamic adjustment between the level of performance growth and proportion of equity attribution, which reflects certain growth while ensuring the expected incentive effect.

Besides performance assessment of the Company, the Company has established a strict assessment system for all Incentive Participants to accurately and comprehensively evaluate the performance of Incentive Participants. The Company will determine whether the Incentive Participants fulfil the Attribution Conditions based on their individual assessment results of the previous year.

In summary, the assessment system of the Incentive Scheme of the Company is all-round, comprehensive and practicable, and the assessment indicators are scientific and reasonable, which are binding on the Incentive Participants and can serve the assessment purpose of the Incentive Scheme.

CHAPTER IX PROCEDURES OF IMPLEMENTATION OF THE RESTRICTED SHARES INCENTIVE SCHEME

I. Procedures for the implementation of the Incentive Scheme

- (i) The compensation committee of the board of directors of the Company is responsible for drafting the Incentive Scheme.
- (ii) The board of directors of the Company shall approve the Incentive Scheme in accordance with laws. When the board of directors considers the proposed grant of Restricted Shares under the Incentive Scheme, any Director who is also an Incentive Participant or is a connected party to an Incentive Participant shall abstain from voting. The board of directors shall, after reviewing and approving the Incentive Scheme and completing the publication, announcement and registration procedures, submit the Incentive Scheme to the general meeting for approval. The board of directors shall seek approval from the general meeting for the implementation of the grant and Attribution of the Restricted Shares.

- (iii) The Company will engage an independent financial adviser with securities qualifications to give its professional opinion on the feasibility of the Incentive Scheme, whether the Incentive Scheme is conducive to the sustainable development of the Company, and whether it harms the interests of the Company, and the impact on the interests of shareholders. The legal adviser engaged by the Company will issue a legal opinion on the Incentive Scheme.
- (iv) The Company shall carry out self-examination on the trading of shares of the Company by insiders within 6 months prior to the announcement of the Incentive Scheme.
- (v) The implementation of the Incentive Scheme is subject to consideration and approval at the general meeting of the Company. Before convening the general meeting, the Company shall publish the names and positions of the Incentive Participants through the Company's website or other channels for a publication period of not less than 10 days. After such publication period and before reviewing and approving the Incentive Scheme at the general meeting of the Company, the Company will announce the results based on internal feedback.
- (vi) At the general meeting, it is required to vote on the Incentive Scheme under clause 9 of the Management Measures, and according to the Articles of Association, the Incentive Scheme shall be passed by not less than 1/2 of the voting rights held by the shareholders present at the meeting. Except for the directors and senior management of the Company, as well as the shareholders individually or collectively holding more than 5% of the Company's shares, the voting by other shareholders shall be separately counted and disclosed.

When the Incentive Scheme is considered at the Company's general meeting, shareholders who are Incentive Participants or shareholders who are related to the Incentive Participants shall abstain from voting thereon.

- (vii) The Company shall grant the Restricted Shares to the Incentive Participants within the prescribed period upon approval of the Incentive Scheme at the general meeting of the Company and the fulfillment of grant conditions stipulated under the Incentive Scheme. The board of directors shall be responsible for the grant and Attribution of the Restricted Shares in accordance with the mandate granted at the general meeting.

II. Procedures for granting the Restricted Shares

- (i) Upon consideration and approval of the Incentive Scheme at the general meeting and passing the resolution of granting interests to the Incentive Participants at the board meeting, the Company shall sign an "Agreement on the Grant of STAR Market Restricted Shares" with the Incentive Participants in order to define their respective rights and obligations.

- (ii) The board of directors shall consider and announce whether the conditions of a grant to an Incentive Participant as set out in the Incentive Scheme have been satisfied before the Company makes a grant to such Incentive Participant, and the scheme for grant of reserved Restricted Shares shall be determined, considered and approved by the board of directors. The law firm shall issue legal opinions on whether the conditions for the granting of interests to the Incentive Participants are fulfilled or not.
- (iii) If there is any discrepancy between the grant of the equity to the Incentive Participants and the arrangement of the Incentive Scheme, the law firm shall all express their views explicitly.
- (iv) The Company shall grant Incentive Participants with Restricted Shares under the first grant and make an announcement. In the event the Company fails to make the announcement in respect of the grant within such 60 days, the Incentive Scheme shall be terminated, and the board of directors shall disclose the reason for such failure timely and shall be prohibited from approving a share incentive scheme again within three months thereafter (the period in which listed companies are not allowed to grant Restricted Shares in accordance with the Administrative Measures and relevant laws and regulations is not included in such 60 days).

Incentive Participants eligible for reserved grant shall be determined within 12 months after the Incentive Scheme is considered and approved at the general meeting of the Company. If Incentive Participants are not confirmed within such 12 months, the reserved grant will lapse.

III. Procedures for the Attribution of the Restricted Shares

- (i) Prior to Attribution, the board of directors of the Company shall confirm whether the Incentive Participants have satisfied the Attribution Conditions under the Incentive Scheme, The legal adviser engaged by the Company shall issue legal opinions as to whether the conditions for attributing the Restricted Shares have been satisfied. For the Incentive Participants who have fulfilled the Attribution Conditions, the Company shall handle the Attribution in a unified manner, and for the Incentive Participants who have not fulfilled the Attribution Conditions, the Restricted Shares in the relevant tranche shall not be attributed and shall lapse. The Listed Company shall make timely disclosure in respect of the implementation of the Incentive Scheme.
- (ii) Before handling the Attribution of the Restricted Shares in a unified manner, the Company shall apply to the Stock Exchange. The Company shall apply to the securities depository and clearing institution for the registration and settlement matters after confirmation by the Stock Exchange.

IV. Procedures for amendments to the Incentive Scheme

- (i) In the event that the Company intends to amend the Incentive Scheme before it is considered and approved at the general meeting, such amendment shall be considered and approved by the board of directors.
- (ii) In the event that the Company intends to amend the Incentive Scheme after it is considered and approved at the general meeting, such amendment shall be considered and determined at the general meeting (except for the matters implemented by the Board with authorisation of the general meeting) given that such amendment shall not result in the following:
 - 1. accelerating the Attribution;
 - 2. reducing the grant/Attribution price (Except for circumstances where the grant/ Attribution price is lowered due to shares by conversion of capital reserve, bonus issue, rights issue and other reasons).
- (iii) The law firm shall issue professional opinions on whether the amended scheme complies with the provisions of the Administrative Measures and relevant laws and regulations, and whether there is any obvious damage to the interests of the Company and its shareholders as a whole.

V. Procedures for termination of the Incentive Scheme

- (i) If the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the general meeting, such termination shall be considered and approved by the board of directors.
- (ii) If the Company intends to terminate the implementation of the Incentive Scheme after it is considered and approved at the general meeting, such termination shall be considered and approved at general meeting.
- (iii) The law firm shall issue professional opinions on whether the Company's termination of incentives complies with the provisions of the Administrative Measures and relevant laws and regulations, and whether there is any obvious damage to the interests of the Company and its shareholders as a whole.

CHAPTER X ADJUSTMENT METHOD AND PROCEDURES OF THE RESTRICTED SHARES
INCENTIVE SCHEME**I. Adjustment method of the number of Restricted Shares granted and the number attributed**

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from the date of announcement on the Incentive Scheme to the completion of Attribution and registration of Restricted Shares by the Incentive Participants, the number of Restricted Shares granted/attribution shall be adjusted accordingly. The adjustment method is as follows:

1. Capitalisation issue, bonus issue and sub-division of share capital

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted Shares granted/attribution before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by capitalisation of capital reserves, bonus issue or subdivision of Shares (i.e. the number of Shares increased per Share upon capitalisation of capital reserves, bonus issue or subdivision of Shares); Q represents the adjusted number of Restricted Shares granted/attribution.

2. Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted Shares granted/attribution before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted Shares granted/attribution.

3. Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted Shares granted/attribution before the adjustment; n represents the ratio of consolidation of shares (i.e. one share shall be consolidated into n shares); Q represents the adjusted number of Restricted Shares granted/attribution.

4. New issue of shares

In the event of issue of new shares, no adjustment shall be made to the number of Restricted Shares granted/attribution.

II. Adjustment method of the Grant Price of the Restricted Shares

In the event of any capitalisation issue, bonus issue, sub-division, rights issue, share consolidation or dividend distribution of the Company in the period from the date of announcement of the Incentive Scheme to the completion of Attribution and registration of Restricted Shares by the Incentive Participants, an adjustment to the Grant Price of Restricted Shares shall be made by the Company accordingly. The adjustment method is as follows:

1. Capitalisation issue, bonus issue and sub-division of share capital

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of increase per share resulting from the capitalisation issue, bonus issue and sub-division of share capital to each share; P represents the adjusted Grant Price.

2. Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_0 represents the Grant Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted Grant Price.

3. Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of share consolidation; P represents the adjusted Grant Price.

4. Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price before the adjustment; V represents the dividend per share; P represents the adjusted Grant Price. P shall be greater than 1 after the dividend distribution.

5. Additional issue of new shares

Under the circumstance of additional issue of new shares, no adjustment will be made on the Grant Price of the Restricted Shares.

III. Adjustment procedures for the Restricted Shares Incentive Scheme

The board of directors of the Company shall pass a resolution for adjusting the number of Restricted Shares granted/attributed, and the relevant Grant Price upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to give professional opinion as to whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Scheme. After the resolution for above-mentioned adjustment is considered and passed by the board of directors, the Company shall make an announcement on the adjustment and the opinion of the legal adviser.

CHAPTER XI ACCOUNTING TREATMENT ON THE RESTRICTED SHARES

In accordance with the Application Case of Share-Based Payments Criteria – Grant of Restricted Shares issued by the Accounting Department of the Ministry of Finance, PRC, the share-based payments fees for the second category of Restricted Shares shall be calculated with reference to the shares options. In accordance with requirements of the Accounting Standards for Business Enterprises No.11–Share-Based Payments (《企業會計準則第11號－股份支付》), on each balance sheet date during the vesting period, the Company shall, on the basis of its best estimate of the number of exercisable share options, calculate the expenses to be recognised for share-based payments in the current period according to the fair value of the share options on the Grant Date, and such expenses shall be included in relevant costs or expenses and capital reserves.

I. Fair value of the Restricted Shares and the determination method

In accordance with requirements of the Accounting Standards for Business Enterprises No.11 – Share-Based Payments (《企業會計準則第11號－股份支付》) and the Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments (《企業會計準則第22號－金融工具確認和計量》), the Company adopted the Black-Scholes model on the calculation of fair value of the Type II Restricted Shares and estimated the fair value of 68,085,200 Type II Restricted Shares under the First Grant on 19 May 2021 (with formal calculations to be done on the Grant Date). The specific parameters are as follows:

- (1) the closing price of RMB Share (assuming the closing price on the Grant date is the same as the closing price on 19 May 2021): RMB54.79 per share;
- (2) validity periods (being the period starting from the Grant Date to the date of attribution) of 12 months, 24 months, 36 months and 48 months;
- (3) historical volatility (adopting the historical volatility of the STAR 50 Index in the past 12 months): 32.13%;
- (4) risk-free rate (adopting the respective RMB benchmark interest rates for deposits of financial institutions adopted by the People’s Bank of China for 1-year, 2-year, and 3-year periods): 1.50%, 2.10%, 2.75%; and

(5) dividend rate (adopting the Company's dividend rate for the most recent year): 0%.

II. Estimated impact on operating performance in each period due to implementation of the Restricted Shares

The fair value of the Type II Restricted Shares on the Grant Date will be determined by the Company in accordance with the accounting standards and relevant valuation tools, and the costs of payment of shares under the Incentive Scheme will be further determined accordingly. The cost of the Incentive Scheme will be recognised according to the percentage of attribution during the implementation of the Incentive Scheme and will be charged to the recurring profit and loss.

According to the requirement of the China Accounting Standards for Business Enterprises, assuming that the grant will be made in August 2021, the impact of the Type II Restricted Shares under the first grant pursuant to the Incentive Scheme on accounting costs for each period is as follows: (assuming the market price of RMB54.79 per share and the grant price of RMB20 per share)

Number of Restricted Shares under the first grant (0'000 shares)	Total costs to be amortised (RMB0'000)	2021	2022	2023	2024	2025
		(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)
6808.52	245,208.85	56,422.77	105,550.78	51,095.96	24,754.08	7,385.26

Note: 1. The above calculation results do not represent the final accounting costs. The actual accounting costs are related to the Grant Date, the Grant Price and the number of Restricted Shares attributed. If an Incentive Participant resigns before Attribution, or fails to meet the corresponding standards of the performance assessment of the Company or personal performance assessment, the actual number of shares attributed will be reduced accordingly and thus lower the share payment. Besides, the possible dilutive effects are brought to the attention of shareholders.

2. The final result of the above impact on the Company's operating results will be subject to the annual audit report issued by the accounting firm.

The above calculation does not include the 7.5652 million reserved Type II Restricted Shares, and additional share payment fees will be incurred when the reserved shares are granted.

According to the preliminary evaluation by the Company based on the information available, the amortisation of expenses of the Type II Restricted Shares will have an impact on the net profit each year within the Validity Period. But at the same time, the implementation of the Restricted Shares Incentive Scheme will further enhance the cohesion of employees and team stability, and effectively motivate the management team, thereby improving operating efficiency and bringing higher operating performance and intrinsic value to the Company.

CHAPTER XII RIGHTS AND OBLIGATIONS OF THE COMPANY/THE INCENTIVE PARTICIPANTS**I. Rights and obligations of the Company**

- (i) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of Incentive Participants based on the requirements under the Incentive Scheme. If an Incentive Participant fails to fulfill the Attribution Conditions required under the Incentive Scheme, the Restricted Shares that have been granted to Incentive Participants but not yet attributed shall not be attributed and shall lapse.
- (ii) The Company undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Incentive Participants to obtain relevant Restricted Shares according to the Incentive Scheme.
- (iii) The Company shall promptly perform its obligations in relation to report and information disclosure under the Restricted Shares Incentive Scheme in accordance with the relevant requirements.
- (iv) The Company shall proactively procure the Attribution of Restricted Shares for Incentive Participants who have satisfied with the Attribution Conditions pursuant to the Incentive Scheme and the relevant requirements of the CSRC, the Stock Exchange and China Securities Depository and Clearing Corporation Limited. The Company shall not be held liable for losses incurred by the Incentive Participants who fail to complete the Attribution of their Restricted Shares due to reasons caused by the CSRC, the Stock Exchange and China Securities Depository and Clearing Corporation Limited.
- (v) If the Incentive Participants violate the laws and professional ethics, leak confidential information of the Company, and are negligent or gross misconduct in performance of duties, upon the approval of the Board, which may cause serious damage to the interests or reputation of the Company, upon being reviewed by the compensation committee of the board of directors and reported to the Company's board of directors for approval, the Restricted Shares that have been granted to Incentive Participants but not yet attributed shall not be attributed and shall lapse. At the same time, in the event of serious circumstances, the Company may also recover the losses suffered by the Company in accordance with relevant laws and regulations.

II. Rights and obligations of the Incentive Participants

- (i) Incentive Participants shall, based on the requirement of the position, perform their responsibilities diligently in compliance with professional ethic and strive to contribute to the development of the Company.
- (ii) The source of funding of Incentive Participants shall derive from their own funds.

- (iii) The Restricted Shares granted to the Incentive Participants shall not be transferred, used to guarantee or repay debts.
- (iv) The gains acquired by the Incentive Participants as a result of the Incentive Scheme shall be subject to individual income tax and other taxes and fees according to tax laws and regulations of the PRC.
- (v) Incentive Participants undertake that where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or Attribution arrangements, Incentive Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it's confirmed that the relevant information disclosure documents of the Company contain false statements or misleading representations or material omissions.
- (vi) Upon consideration and approval of the Incentive Scheme at the general meeting and passing the resolution of granting equities to the Incentive Participants at the board meeting, the Company shall sign an "Agreement on Grant of STAR Market Restricted Shares" with the Incentive Participants in order to define their respective rights and obligations as well as other matters.
- (vii) Other relevant rights and obligations under the laws, regulations and the Incentive Scheme.

CHAPTER XIII HANDLING UNUSUAL CHANGES TO THE COMPANY OR THE INCENTIVE PARTICIPANTS

I. Handling unusual changes to the Company

- (i) In the event that any of the circumstances below occurs in respect of the Company, the Incentive Scheme shall be terminated and the Restricted Shares that have been granted to the Participants but not yet attributed shall not be attributed:
 - 1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - 2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;

4. laws and regulations stipulate that equity incentives shall not be implemented;
 5. other circumstances where the Incentive Scheme should be terminated as determined by the CSRC.
- (ii) The Incentive Scheme shall remain unchanged if any of the following events occurs to the Company:
1. a change of control of the Company without reorganisation of major assets;
 2. a merger or division of the Company, where the Company continues to exist.
- (iii) If any of the following events occurs to the Company, the general meeting of the Company shall decide whether to amend or adjust the Scheme:
1. a change of control of the Company involving reorganisation of major assets;
 2. a merger or division of the Company, where Company no longer exists.
- (iv) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions for the grant or Attribution of Restricted Shares, the Restricted Shares granted to Incentive Participants but not yet attributed shall not be attributed. In respect of the Restricted Shares already attributed, the Incentive Participants concerned shall return to the Company all equities granted. The board of directors shall recover the income of Incentive Participants in accordance with the provisions of the preceding paragraph. The Incentive Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of interests granted may seek compensation from the Company or responsible parties.

II. Change in personal particulars of the Incentive Participants

- (i) In case an Incentive Participant has a change in job position but still works in the Company or its branches, subsidiaries of the Company, the Restricted Shares granted to him/her will be regulated in accordance with the procedures stipulated in the Incentive Scheme before the change of his/her job position; however, in case an Incentive Participant has a job position change because he/she is not qualified for his/her job, violates laws, disobeys professional ethics, reveals confidential information of the Company, fails to discharge his duties or has willful misconduct, seriously breaches the Company's policies, causing damages to the interests or reputation of the Company, the Restricted Shares which have been granted to the Incentive Participant but not yet attributed shall not be attributed and shall lapse.

- (ii) Where the an Incentive Participants resigns, including circumstances of voluntary resignation, resignation due to layoffs of the Company, labor contract/employment agreement expired and no longer renewed, dismissal by the Company due to personal fault, negotiated termination of labor contract or employment agreement, Restricted Shares that have been granted to the Incentive Participant but not yet attributed since the date of resignation shall not be attributed and shall lapse. The Incentive Participant shall pay the Company the individual income tax involved in the attributed Restricted Shares before resignation.

Personal faults include, but are not limited to, the following behaviors, and the Company has the right to recover the losses incurred from the incentives in accordance with the provisions of relevant laws, depending on the seriousness of the circumstances:

Violation of the employment contract, confidentiality agreement, non-competition agreement or any other similar agreements signed with the Company or its affiliates; violation of the laws of the country of residence, resulting in criminal offenses or other bad conditions that affect the performance of the job; collection of remuneration from companies other than the Company or individuals, which has not been disclosed to the Company in advance.

- (iii) Where an Incentive Participant retires according to regulations of China and the Company and has not been re-employed by the Company or has not continued services to the Company in other forms, Restricted Shares that have been granted to the Incentive Participant but not yet attributed shall not be attributed and shall lapse. Where an Incentive Participant is re-employed by the Company or provides continued services to the Company in other forms after he/she retires according to regulations of China and the Company, the Restricted Shares granted to him/her shall continue to be valid and shall still be attributed in accordance with the procedures stipulated in the Incentive Scheme. Upon the occurrence of the circumstances described in this paragraph, where no individual performance assessment is required for the Incentive Participant, the individual performance assessment shall no longer be included as Attribution Conditions; otherwise, the individual performance assessment shall remain as one of the Attribution Conditions.
- (iv) In the event of work-related death or civil incapacitation of an Incentive Participant, the Restricted Shares which have been granted to him/her will be still valid and shall be attributed according to the procedures specified in the Incentive Scheme prior to the occurrence of the relevant circumstances. The Company's board of directors should decide that his/her individual performance assessment are no longer be included as Attribution Conditions.
- (v) In the event of non-work-related death or civil incapacitation of an Incentive Participant, Restricted Shares that have been granted to the Incentive Participant but not yet attributed shall not be attributed and shall lapse as of the occurrence of the relevant circumstances.

- (vi) Other circumstances not stipulated in the Incentive Scheme and the handling method thereof shall be determined by the board of directors of the Company.

III. Settlement mechanism for relevant disputes between the Company and incentive participants

The disputes between the Company and the Incentive Participants arising from the execution of the Incentive Scheme, or the “Agreement on the Grant of STAR Market Restricted Shares” signed by the parties or in relation to the Incentive Scheme or the “Agreement on the Grant of STAR Market Restricted Shares” shall be solved through negotiation and communication by both parties, or mediation by the compensation committee of the board of directors of the Company. If relevant disputes are not solved through the abovementioned methods within 60 days from the date of occurrence of the disputes, either party is entitled to file a lawsuit with the people’s court with jurisdiction in the place where the Company is located.

CHAPTER XIV SUPPLEMENTARY PROVISIONS

- I. The Incentive Scheme shall become effective upon consideration and approval at the general meeting of the Company.
- II. The Incentive Scheme shall be interpreted by the board of directors of the Company.

Semiconductor Manufacturing International Corporation
Board of Directors

8 June 2021

**THE MANAGEMENT MEASURES FOR ASSESSMENT FOR THE IMPLEMENTATION OF THE
2021 STAR MARKET RESTRICTED SHARE INCENTIVE SCHEME**

To further improve the incentive and restraint mechanism of the Company for a well-balanced value distribution, Semiconductor Manufacturing International Corporation (hereinafter referred to as the “**Company**”) aligns the interests of shareholders, the Company and employees effectively and motivate employees to work more honestly and diligently to ensure the steady improvement of the Company’s performance and the fulfillment of the Company’s development strategies and business objectives. Following the principles of income equivalent to contribution, the Company intends to implement the 2021 STAR Market Restricted Shares Incentive Scheme (hereinafter referred to as the “**Incentive Scheme**”).

To ensure the smooth implementation of the Incentive Scheme of the Company, the Management Measures for Assessment for Implementation of the 2021 STAR Market Restricted Shares Incentive Scheme (hereinafter referred to as these “**Measures**”) are specially formulated according to the Securities Law of the People’s Republic of China, Administrative Measures on Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》), the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange, the Business Guidelines for Information Disclosure of Companies Listed on the STAR Market No.4 — Information Disclosure on Equity Incentives (《科創板上市公司信息披露業務指南第4號——股權激勵信息披露》) and other relevant laws, regulations and normative documents as well as the Articles of Association of Semiconductor Manufacturing International Corporation and the 2021 STAR Market Restricted Shares Incentive Scheme of Semiconductor Manufacturing International Corporation (Draft).

I. Purpose of Assessment

The purposes of these Measures are to further improve the incentive and restraint mechanism of the Company, ensure the smooth implementation of the Incentive Scheme of the Company, and maximize the role of the Incentive Scheme, thereby ensuring the achievement of the development strategies and business objectives of the Company.

II. Principles of Assessment

The assessment shall be impartial, open and fair, and shall be in strict compliance with the Measures based on the performance of the Incentive Participants so as to align the Incentive Scheme with the performance and contribution of Incentive Participants. As such, the overall performance of the Company will be enhanced while interests of the Company and its shareholders as a whole will be maximized.

III. Scope of Assessment

These Measures apply to all Incentive Participants identified in the Incentive Scheme of the Company, being all Incentive Participants determined by the compensation committee, and considered and approved by the board of directors, including Directors, Senior management, Core technicians, Middle and senior business management, and Key technical and business staff of the Company.

IV. Assessment Body

- (i) The compensation committee of the board of directors shall be responsible for overseeing and organizing the assessment for Incentive Participants.
- (ii) The human resources department of the Company is responsible for the specific assessment. The human resources department is accountable to and reports to the compensation committee.
- (iii) The human resources department, the financial department and relevant departments of the Company shall be responsible for the collection and provision of true and reliable assessment information.
- (iv) The board of directors of the Company is responsible for approving these Measures and reviewing the assessment results.

V. Assessment Indicators and Standards**(i) Performance assessment requirements at company level**

The assessment years of the First Grant are the four accounting years of 2021, 2022, 2023 and 2024, and the assessment shall be conducted once an accounting year. Taking the average operating income and the average EBITDA of 2018 to 2020 as the performance base, the performance assessment target for each year will be determined based on the growth rate of cumulative operating income (A) and the growth rate of cumulative EBITDA (B) deriving from the definite proportion of the cumulative value of the operating income and cumulative value of EBITDA of each assessment year to the performance base. The Company will assess the attribution ratio at the Company level in each year based on factors (X) and (Y) according to the level of completion of the above two indicators. For the First Grant, the annual performance assessment target of each year is arranged as follows:

Attribution period	Corresponding assessment year	Growth rate of cumulative operating income (A)		Growth rate of cumulative EBITDA (B)	
		Target value (Am)	Trigger value (An)	Target value (Bm)	Trigger value (Bn)
First	2021	22%	19%	22%	19%
Second	2022	152%	145%	152%	145%
Third	2023	291%	276%	291%	276%
Fourth	2024	440%	415%	440%	415%

Performance appraisal indicators	Range of performance appraisal indicators	Corresponding factor of indicators
Growth rate of cumulative operating income (A)	$A \geq A_m$	$X=100\%$
	$A_n \leq A < A_m$	$X=A/A_m$
	$A < A_n$	$X=0$
Growth rate of cumulative EBITDA (B)	$B \geq B_m$	$Y=100\%$
	$B_n \leq B < B_m$	$Y=B/B_m$
	$B < B_n$	$Y=0$
Attribution ratio at the Company level	$X*50\%+Y*50\%$	

Note:

1. "EBITDA" refers to the earnings before interest, tax, depreciation and amortization of the Company.
2. As referred to in the table above, "operating income" and "EBITDA" is calculated based on the data contained in the consolidated statements prepared and audited by the accounting firm engaged by the Company according to provisions of the China Accounting Standards for Business Enterprises issued by the PRC Ministry of Finance.
3. The calculation of the cumulative value of the operating income of each year and the cumulative value of EBITDA of each year is the sum of operating income and EBITDA for each year since 2021. For example, the cumulative value of the operating income of 2021 is the operating income in 2021 and the cumulative value of EBITDA of 2021 is the value of EBITDA in 2021; the cumulative value of the operating income of 2022 is the sum of the operating income in 2021 and 2022, and the cumulative value of EBITDA of 2022 is the sum of EBITDA in 2021 and 2022, and so on.

For the Reserved Grant, the performance assessment years and performance assessment target of each assessment year shall be the same as the First Grant.

(ii) Performance assessment requirements at individual level

From the date of grant to the Attribution Date of each tranche of the Restricted Shares granted to the Incentive Participants, to meet the conditions of obtaining the incentive shares, Incentive Participants must have served in the Company for no less than 12 consecutive months from the date of grant. All assessments at the individual level for Incentive Participants are organized and implemented in accordance with existing relevant regulations of the Company, and the actual number of shares attributable to Incentive Participants shall be determined based on the assessment results of them. The assessment result of an Incentive Participant consists of two parts: personal punishment verification and personal performance

assessment. Then, the number of shares of the year actually attributed to the Incentive Participants will be determined as per the corresponding individual Attribution ratio in the following assessment rating table:

Punishment verification results	No punishment record of demerit or above		Punishment record of demerit or above		
Individual Attribution ratio	100%		0		
Performance assessment results	A	B	C	C-	D/E
Individual Attribution ratio	100%	100%	100%	80%	0

The number of Restricted Shares to be attributed to the Incentive Participant in the current year equals to the number of Restricted Shares planned to be attributed to the individual Participant in the current year×the attribution level at the Company level×the Attribution ratio of the individual punishment verification results×the Attribution ratio of the individual performance assessment results.

In any event if the Restricted Shares to be attributed to the Incentive Participant in the current period cannot be attributed or fully attributed due to assessment reasons, such Restricted Shares shall lapse and cannot be deferred to the subsequent year for Attribution.

If major changes, special and abnormal circumstances, or other force majeure factors occur during validity period of the Scheme, the performance assessment indicators at the Company level can be adjusted after review by the Board.

VI. Period and Times of Assessment

The assessment years of the Restricted Shares granted under the Incentive Scheme are the four accounting years of 2021-2024, and the performance assessments at the company level and the individual level shall be conducted once a year.

VII. Assessment Procedures

The human resources department of the Company is responsible for the specific assessment under the guidance of the compensation committee of the board of directors and saving the assessment results. On this basis, a performance assessment report shall be submitted to the compensation committee of the board of directors.

VIII. Management of Assessment Results**(i) *Feedback and appeal of assessment results***

The personnel subject to assessment is entitled to know the assessment results. The human resources department shall inform the personnel the assessment results within 10 working days after the completion of the assessment.

If the personnel subject to assessment has objections against the assessment results, he or she can communicate with the human resources department to resolve. If the objections cannot be resolved through communication, the personnel subject to assessment may appeal to the compensation committee, which shall review and determine the final assessment results within 10 working days.

(ii) *Filing of assessment results*

After the completion of assessment, the assessment results shall be kept as confidential information by the human resources department. The performance assessment records shall be kept for 5 years. Documents and records that exceed the storage period shall be uniformly destroyed by the human resources department after approval by the compensation committee.

IX. Supplementary Provisions

- (i) These Measures shall be formulated, interpreted and amended by the board of directors. If there is a conflict between these Measures and the laws, administrative regulations, and department rules that will be issued and implemented in the future, such laws, administrative regulations, and department rules shall prevail.
- (ii) These Measures shall be subject to consideration and approval at the general meeting of the Company and become effective after the Incentive Scheme takes effect.

Semiconductor Manufacturing International Corporation
Board of Directors

8 June 2021

1. 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.

2. DISCLOSURE OF INTERESTS

Directors' Interests in Securities of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive officer in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Hong Kong 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 Hong Kong 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 Ordinary Shares held	Derivatives		Total Interests	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
				Options	Other		
<i>Unit: Share</i>							
Executive Directors							
Zhou Zixue	Long Position	Beneficial Owner	-	3,457,429 (Note 2)	1,478,356 (Note 3)	4,935,785	0.063%
Chiang Shang-Yi	-	-	-	-	-	-	-
Zhao Haijun	Long Position	Beneficial Owner	-	2,372,588 (Note 4)	224,653 (Note 5)	2,597,241	0.033%
Liang Mong Song	Long Position	Beneficial Owner	-	659,117 (Note 6)	259,808 (Note 7)	918,925	0.012%
Gao Yonggang	Long Position	Beneficial Owner	-	2,532,350 (Note 8)	464,287 (Note 9)	2,996,637	0.038%

Name of Director	Long/Short Position	Nature of Interests	Number of Ordinary Shares held	Derivatives		Total Interests	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
				Options	Other		
Non-executive Directors							
Chen Shanzhi	Long Position	Beneficial Owner	-	475,156 (Note 10)	475,156 (Note 11)	950,312	0.012%
Zhou Jie	-	-	-	-	-	-	-
Ren Kai	-	-	-	-	-	-	-
Huang Dengshan	-	-	-	-	-	-	-
Lu Guoqing	Long Position	Beneficial Owner	-	187,500 (Note 12)	187,500 (Note 13)	375,000	0.005%
Independent Non-executive Directors							
William Tudor Brown	Long Position	Beneficial Owner	-	275,000 (Note 14)	275,000 (Note 15)	550,000	0.007%
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	-	220,377 (Note 16)	220,377 (Note 17)	440,754	0.006%
Fan Ren Da Anthony	Long Position	Beneficial Owner	-	220,377 (Note 18)	220,377 (Note 19)	440,754	0.006%
Young Kwang Leei	Long Position	Beneficial Owner	375,000	-	-	375,000	0.005%
Liu Ming	Long Position	Beneficial Owner	-	187,500 (Note 20)	187,500 (Note 21)	375,000	0.005%

Notes:

- Based on 7,900,613,395 shares in issue as at the Latest Practicable Date.
- (a) On May 20, 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 May 19, 2025 or 120 days after termination of his service as a Director to the Board. (b) On May 25, 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 May 24, 2030 or 120 days after termination of his service as a Director to the Board. (c) On May 31, 2021, Dr. Zhou was granted options to purchase 277,149 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 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.
- (a) On May 20, 2015, Dr. Zhou was granted an award of 1,080,498 Restricted Share Units (“RSUs”, 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 March 6, 2015, shall fully vest on March 6, 2019. (b) On May 25, 2020, Dr. Zhou was granted an award of 259,808 RSUs (each representing the right to

receive one share) pursuant to the 2014 Equity Incentive Plan, consisting of (i) 86,603 RSUs, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 173,205 RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. (c) On May 31, 2021, Dr. Zhou was granted an award of 138,050 RSUs (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 March 1, 2021 and which shall fully vest on March 1, 2025. 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 June 11, 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 June 10, 2023 or 90 days after termination of his service, (b) options which were granted to Dr. Zhao on September 7, 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 September 6, 2027 or 90 days after termination of his service as Co-Chief Executive Officer. (c) On May 25, 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 May 24, 2030 or 120 days after termination of his service as a Director to the Board. (d) On May 31, 2021, Dr. Zhao was granted options to purchase 277,149 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 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. (a) On May 25, 2020, Dr. Zhao was granted an award of 86,603 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. (b) On May 31, 2021, Dr. Zhao was granted an award of 138,050 RSUs (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 March 1, 2021 and which shall fully vest on March 1, 2025. As of the Latest Practicable Date, none of these RSUs has been exercised.
6. On May 25, 2020, Dr. Liang 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 May 24, 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. On May 25, 2020, Dr. Liang was granted an award of 259,808 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, consisting of (i) 86,603 RSUs, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 173,205 RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. As of the Latest Practicable Date, none of these RSUs has been exercised.
8. These options comprise: (a) options which were granted to Dr. Gao on June 17, 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 June 16, 2023 or 120 days after termination of his service as a Director to the Board; (b) options which were granted to Dr. Gao on June 12, 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 June 11, 2024 or 120 days after termination of his service as a Director to the Board. (c) On May 25, 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 May 24, 2030 or 120 days after termination of his service as a Director to the Board. (d) On May 31, 2021, Dr. Gao was granted options to purchase 296,085 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option

Plan. These options will expire on the earlier of May 30, 2031 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.

9. (a) On November 17, 2014, Dr. Gao was granted an award of 291,083 RSUs pursuant to the 2014 Equity Incentive Plan, consisting of (i) 240,145 RSUs, 25% of which vest on each anniversary of June 17, 2013 and which shall fully vest on June 17, 2017; and (ii) 50,938 RSUs, 25% of which vest on each anniversary of March 1, 2014 and which shall fully vest on March 1, 2018. (b) On May 25, 2020, Dr. Gao was granted an award of 231,300 RSUs pursuant to the 2014 Equity Incentive Plan, consisting of (i) 74,016 RSUs, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 157,284 RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. (c) On May 31, 2021, Dr. Gao was granted an award of 147,482 RSUs (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 March 1, 2021 and which shall fully vest on March 1, 2025. As of the Latest Practicable Date, 205,578 of these RSUs were exercised.
10. These options comprise: (a) On May 25, 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 were vested immediately and will expire on the earlier of May 24, 2026 or 120 days after termination of his service as a Director to the Board. (b) On September 12, 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 were vested immediately and will expire on the earlier of September 11, 2026 or 120 days after termination of his service as a Director to the Board. (c) On April 5, 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 were vested immediately and will expire on the earlier of April 4, 2027 or 120 days after termination of his service as a Director to the Board. (d) On May 23, 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 May 22, 2028 or 120 days after termination of his service as a Director to the Board. (e) On May 21, 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 May 20, 2029 or 120 days after termination of his service as a Director to the Board. (f) On May 25, 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 May 24, 2030 or 120 days after termination of his service as a Director to the Board. (g) On May 31, 2021, options to purchase 62,500 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of May 30, 2031 or 120 days after termination of his service as a Director to the Board. As of the Latest Practicable Date, none of the options has been exercised.
11. These RSUs comprise: (a) On May 25, 2016, 98,958 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's RSUs were vested immediately. (b) On September 12, 2016, 1,198 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's RSUs were vested immediately. (c) On April 5, 2017, 62,500 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's RSUs were vested immediately. (d) On May 23, 2018, 125,000 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Among the 125,000 RSUs, 62,500 RSUs were vested immediately and 62,500 RSUs shall vest on 1 January 2019. (e) On May 21, 2019, 62,500 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. These RSUs shall vest on January 1, 2020. (f) On May 25, 2020, 62,500 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. These RSUs shall vest on January 1, 2021. (g) On May 31, 2021, 62,500 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of the Latest Practicable Date, none of these RSUs has been exercised.

12. On May 31, 2021, Mr. Lu was granted options to purchase 187,500 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 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. On May 31, 2021, Mr. Lu was granted an award of 187,500 RSUs (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 vest on each anniversary of May 13, 2021 at the rate of 33%, 33% and 34% over a period of three years, and shall fully vest on May 13, 2024. As of the Latest Practicable Date, none of these RSUs has been exercised.
14. These options comprise: (a) On May 23, 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 May 22, 2028 or 120 days after termination of his service as a Director to the Board. (b) On May 21, 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 January 1, 2020 and will expire on the earlier of May 20, 2029 or 120 days after termination of his service as a Director to the Board. (c) On May 25, 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 May 24, 2030 or 120 days after termination of his service as a Director to the Board. (d) On May 31, 2021, options to purchase 62,500 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options will expire on the earlier of May 30, 2031 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 May 23, 2018, 87,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. Among the 87,500 RSUs, 25,000 RSUs were vested immediately and 62,500 RSUs shall vest on January 1, 2019. (b) On May 21, 2019, 62,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These RSUs shall vest on January 1, 2020. (c) On May 25, 2020, 62,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These RSUs shall vest on January 1, 2021. (d) On May 31, 2021, 62,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of the Latest Practicable Date, none of these RSUs has been exercised.
16. (a) On September 13, 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 September 12, 2028 or 120 days after termination of his service as a Director to the Board. (b) On May 31, 2021, options to purchase 32,877 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan were granted to Professor Lau. These options will expire on the earlier of May 30, 2031 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. (a) On September 13, 2018, Professor Lau was granted an award of 187,500 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs vest on each anniversary of June 22, 2018 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on June 22, 2021. (b) On May 31, 2021, 32,877 RSUs were granted to Professor Lau pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of the Latest Practicable Date, none of these RSUs was exercised.
18. (a) On September 13, 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 September 12, 2028 or 120 days after termination of his service as a Director to the Board. (b) On May

31, 2021, options to purchase 32,877 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan were granted to Mr. Fan. These options will expire on the earlier of May 30, 2031 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. (a) On September 13, 2018, Mr. Fan was granted an award of 187,500 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs vest on each anniversary of June 22, 2018 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on June 22, 2021. (b) On May 31, 2021, 32,877 RSUs were granted to Mr. Fan pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of the Latest Practicable Date, none of these RSUs was exercised.
20. On May 31, 2021, Dr. Liu was granted options to purchase 187,500 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 or 120 days after termination of her service as a Director to the Board. As of the Latest Practicable Date, none of these options has been exercised.
21. On May 31, 2021, Dr. Liu was granted an award of 187,500 RSUs (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 vest on each anniversary of February 4, 2021 at the rate of 33%, 33% and 34% over a period of three years, and shall fully vest on February 4, 2024. As of the Latest Practicable Date, none of these RSUs was exercised.

Substantial shareholders

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

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Ordinary Shares held		Percentage of Ordinary Shares held to total issued Share Capital(1) Derivatives		Percentage of total interests to total issued Share Capital(1)	
			Held Directly	Held Indirectly	Share Capital(1)	Derivatives	Total Interests	issued Share Capital(1)
China Information and Communication Technology Group Co., Ltd. and related stakeholders								
China Information and Communication Technology Group Co., Ltd.	Interest of corporation controlled	Long Position	72,470,855(2)	859,522,595(2)	11.80	-	931,993,450	11.80

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Ordinary Shares held		Percentage of Ordinary Shares held to total issued		Total Interests	Percentage of total interests to total issued Share Capital(1)
			Held Directly	Held Indirectly	Share Capital(1)	Derivatives		
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	859,522,595(2)	-	10.88	-	859,522,595	10.88
Pagoda Tree Investment Company Limited	A concert party to an agreement described in s.317(1)(a)	Long Position	-	859,522,595(3)	10.88	-	859,522,595	10.88
China Integrated Circuit Industry Investment Fund Co., Ltd. and related stakeholders								
China Integrated Circuit Industry Investment Fund Co., Ltd.	Interest of corporation controlled	Long Position	-	705,233,304 (4)	8.93	-	705,233,304	8.93
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	705,233,304 (4)	-	8.93	-	705,233,304	8.93

Notes:

- Based on 7,900,613,395 shares in issue as at the Latest Practicable Date.
- 859,522,595 shares are held by Datang HK which is a wholly-owned subsidiary of Datang Holdings, which in turn is wholly-owned by CICT. In addition, CICT directly holds 72,470,855 Ordinary Shares denominated in RMB, for a total of 931,993,450 shares.
- Lightman 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 HK with terms falling under the Section 317(1)(a) of the SFO.
- 705,233,304 shares are held by Xinxin HK, a wholly-owned subsidiary of Xunxin (Shanghai) Investment Co., Ltd., which in turn is wholly-owned by China Integrated Circuit Industry Investment Fund Co., Ltd.

3. MATERIAL CHANGES

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

4. DIRECTORS' INTEREST IN SERVICE CONTRACTS

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

5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

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

6. EXPERT AND CONSENT

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

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

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

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

As at the Latest Practicable Date, FDB Financial Group Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2020, the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter from FDB Financial Group Limited dated 8 June 2021 is set out on pages 43 to 55 for incorporation herein.

7. MISCELLANEOUS

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

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

8. 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, up to the date which is 14 days from the date of the circular:

- (a) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (c) the Scheme;
- (d) the Assessment Management Measures;
- (e) the written consent of FDB Financial Group Limited, the Independent Financial Adviser, referred to in this appendix; and
- (f) this circular.

NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING



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 2021 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (“EGM”) of Semiconductor Manufacturing International Corporation (the “Company”) will be held at Evergreen Laurel Hotel Shanghai at Conference Hall on the 2nd Floor, 1136 Zuchongzhi Road, Pu Dong New Area, Shanghai, People’s Republic of China on 25 June 2021 at 2:20 p.m. (or immediately after the conclusion or adjournment of the 2021 annual general meeting of the Company held at the same place on the same date at 2:00 p.m.) for the purpose of transacting the following businesses:

ORDINARY RESOLUTIONS

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

1. “**THAT** the proposal in relation to the 2021 STAR Market Restricted Share Incentive Scheme of the Company (draft) be approved.”
2. “**THAT** the proposal in relation to the Assessment Management Measures for the implementation of the 2021 STAR Market Restricted Share Incentive Scheme of the Company be approved.”
3. “**THAT** the proposal in relation to the authorisation granted by the general meeting to the Board to handle matters related to the 2021 STAR Market Restricted Share Incentive Scheme of the Company be approved.”
4. “**THAT:**
 - a. the proposed grant of 400,000 Restricted Shares to Dr. Zhou Zixue, an executive director of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
 - b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider

NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

5. **“THAT:**

- a. the proposed grant of 400,000 Restricted Shares to Dr. Chiang Shang-Yi, an executive director of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

6. **“THAT:**

- a. the proposed grant of 400,000 Restricted Shares to Dr. Zhao Haijun, an executive director of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

7. **“THAT:**

- a. the proposed grant of 400,000 Restricted Shares to Dr. Liang Mong Song, an executive director of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the

NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

8. **“THAT:**

- a. the proposed grant of 360,000 Restricted Shares to Dr. Gao Yonggang, an executive director of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

9. **“THAT:**

- a. the proposed grant of 360,000 Restricted Shares to Dr. Zhou Meisheng, a director of subsidiaries of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

10. **“THAT:**

- a. the proposed grant of 320,000 Restricted Shares to Mr. Zhang Xin, a director of subsidiaries of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and

NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

11. **“THAT:**

- a. the proposed grant of 160,000 Restricted Shares to Mr. Lin Hsin Fa, a director of subsidiaries of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

12. **“THAT:**

- a. proposed grant of 100,000 Restricted Shares to Dr. Wang Yong, a director of subsidiaries of the Company, in accordance with the terms of the Scheme, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- b. any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue new RMB Shares pursuant to the proposed grant of Restricted Shares under the specific mandate granted to the Directors by the Shareholders at the EGM held on 25 June 2021 in accordance with the terms of the Scheme and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed grant of Restricted Shares.”

By order of the Board

Semiconductor Manufacturing International Corporation

Gao Yonggang

Executive Director, Chief Financial Officer and Company Secretary

NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

Shanghai, PRC, 8 June 2021

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 KY 1-1111

As at the date of this notice, the Board comprises five executive Directors, namely Dr. Zhou Zixue (Chairman), Dr. Chiang Shang-Yi (Vice Chairman), Dr. Zhao Haijun (Co-Chief Executive Officer), Dr. Liang Mong Song (Co-Chief Executive Officer) and Dr. Gao Yonggang (Chief Financial Officer and Company Secretary); five non-executive Directors, namely Dr. Chen Shanzhi, Mr. Zhou Jie, Mr. Ren Kai, Mr. Huang Dengshan and Mr. Lu Guoging; and five independent non-executive Directors, namely Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony, Dr. Young Kwang Leei and Dr. Liu Ming.

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 Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the meeting or adjourned meeting (or 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting). If a 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 Hong Kong 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 and in such event, the proxy shall be deemed to be revoked.
3. For holders of Shares listed on the Hong Kong Stock Exchange, the register of members of the Company will be closed from 22 June 2021 to 25 June 2021 (both days inclusive), during which period no transfer of Hong Kong Shares in the Company will be registered. In order to qualify for attending and voting at the EGM, all properly completed transfer forms, accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 21 June 2021. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 25 June 2021 or, registered holders of the RMB Shares whose names appear on the register of members of RMB Shares on 21 June 2021, will be entitled to attend and vote at the EGM. Further announcement will be made by the Company on the website of the SSE regarding the record date and arrangements for holders of Shares listed on the STAR Market of the SSE in accordance with the requirements of the SSE.

NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

4. Shareholders are advised to read the circular of the Company dated 8 June 2021 (the “**Circular**”) which contains information concerning the resolutions to be proposed at the EGM. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as ascribed to them in the Circular.
5. The voting at the EGM will be taken by a poll.
6. This notice and the proxy form have also been posted on the websites of the Company and the Hong Kong Stock Exchange respectively.
7. 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 EGM, at the same time ensuring that the Shareholders may exercise their respective shareholders’ rights, the Company reminds the Shareholders who choose to attend the EGM 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.