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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) RE-ELECTION OF DIRECTORS**
 - (2) RE-APPOINTMENT OF AUDITORS**
 - (3) PROPOSAL ON PROFIT DISTRIBUTION FOR THE YEAR 2021**
 - (4) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES**
 - (5) NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION
TO PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS
TO CONNECTED PERSONS ON 31 MAY 2021**
 - (6) NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION
TO PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS
TO CONNECTED PERSONS ON 8 APRIL 2022**
- AND**
- (7) NOTICE OF THE ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committees 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 6 to 24 of this circular. A letter from the Independent Board Committees to the Independent Shareholders is set out on pages 25 to 34 of this circular. A letter from FDB Financial Group Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 35 to 52 of this circular.

The notice convening the AGM of the Company to be held wholly by electronic means on 24 June 2022 at 2:00 p.m. or its adjournment (if any) at which the above proposals will be considered as set out on pages 70 to 79 of this Circular. Shareholders will NOT be able to attend the AGM in person. To exercise your rights as a Shareholder, please refer to the Notice for full details on how you may pre-register online to either attend and vote (in real time) at the AGM or appoint the chairman of the AGM or other person as your proxy to vote on your behalf. To avoid any interruption of the electronic meeting caused by network or system you are using, it is strongly recommended that Shareholders appoint the chairman of the AGM to attend and vote at the AGM on your behalf. To appoint the chairman of the AGM or other person as your proxy to attend the meeting and vote via electronic means on your behalf, please complete the accompanying proxy form in accordance with the instructions printed thereon and return it via post 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, as soon as possible but in any event no later than 48 hours before the time appointed for holding the AGM or its adjournment (if any). Completion and return of the proxy form will not preclude you from attending and voting via electronic means at the AGM or its adjournment (if any) should you so wish. Any appointment of proxy shall be deemed to be revoked should you attend and vote at the AGM or its adjournment (if any) via electronic means. Further announcement will be made by the Company on the website of the SSE regarding arrangements for holders of Shares listed on the STAR Market of the SSE in accordance with the requirements of the SSE.

1 June 2022

* For identification purpose only

SPECIAL ARRANGEMENTS FOR THE AGM

In order to promote the prevention and control of the COVID-19 epidemic and to protect the health and safety of shareholders and other participants, the Board hereby announces that the AGM will be conducted virtually via electronic means. The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote. The Company would be adapting the below arrangements for the AGM to enable Shareholders to attend and vote at the AGM via electronic means. Details of the special arrangements for the AGM are set out below.

NO PHYSICAL ATTENDANCE AT THE AGM

The Board hereby announces that the AGM will be conducted virtually via electronic means as an online meeting. The Shareholders and/or their proxies will NOT be able to attend the AGM in person, and can only view and listen to a live webcast of the AGM via electronic means.

Shareholders will be able to view and listen to the AGM through a live webcast on a computer, tablet or any browser enabled device. All Shareholders who have completed the registration (as detailed below) will be able to view the live streaming of the AGM and submit questions online during the AGM. From 1:30 p.m. on 24 June 2022, Shareholders can login to the online platform by visiting the website at http://meetings.computershare.com/SMIC_2022AGM.

Prior Registration

For registered Shareholders who wish to attend the AGM, please contact Company's Hong Kong share registrar at +852 2862 8555 as soon as possible for arrangement from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding Hong Kong public holidays), but in any event not later than 5:00 p.m. on 22 June 2022. If Shareholders have any enquiries regarding the above arrangement, they should contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at the same hotline and office hours stated above from Monday to Friday (excluding Hong Kong public holidays).

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the AGM and submit questions as mentioned above. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements. Shareholders who have obtained the login details/password for logging in the online platform shall not share such information with others.

Vote in real time by electronic means or by appointing the chairman of the AGM as proxy to vote on your behalf

All resolutions at the AGM will be decided by poll. Shareholders will be able to vote in real time by pre-registering by 5:00 p.m. on 22 June 2022 to attend and vote electronically at the AGM contacting Company's Hong Kong share registrar at +852 2862 8555 as soon as possible for arrangement from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding Hong Kong public holidays). Alternatively, a Shareholder may submit a proxy form in connection with the AGM to be received by the Company's Hong Kong share registrar by 2:00 p.m. on 22 June 2022 (being 48 hours before the time appointed for the holding of the AGM) to appoint the chairman of the AGM or other person, as his proxy to attend and vote (in real time) at

SPECIAL ARRANGEMENTS FOR THE AGM

the AGM on his behalf in accordance with his instructions via the online platform. To avoid any interruption of the electronic meeting caused by network or system you are using, it is strongly recommended that Shareholders appoint the chairman of the AGM to attend and vote at the AGM on your behalf.

A form of proxy for use at the AGM is enclosed. The proxy form may also be accessed at the Company's website at www.smics.com and the Stock Exchange's website at <https://www.hkexnews.hk>.

The proxy form should be returned no later than 48 hours before the time appointed for holding the AGM or at any adjournment thereof by depositing the duly completed proxy form at the office of 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.

Questions from Shareholders

Shareholders registered to participate in the AGM may submit questions related to the resolutions of the AGM in advance by 2:00 p.m. on 22 June 2022 to the Company by email at IR@smics.com; and/or via electronic means in writing via the online platform during the AGM.

Changes to arrangements

We are closely monitoring the impact of COVID-19 in the PRC. Should any changes be made to the AGM arrangements, we will notify Shareholders via an announcement posted on the Company's website at www.smics.com and the website of the Stock Exchange at www.hkexnews.hk.

Holders of Shares listed on STAR Market of the SSE

The above special arrangement of the AGM is applicable for holders of the Hong Kong Shares. The arrangement for holders of Shares listed on the STAR Market of the SSE will be provided by the Company under separate announcement to be made in accordance with the requirements of the SSE.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE A	25
LETTER FROM THE INDEPENDENT BOARD COMMITTEE B	27
LETTER FROM THE INDEPENDENT BOARD COMMITTEE C	29
LETTER FROM THE INDEPENDENT BOARD COMMITTEE D	31
LETTER FROM THE INDEPENDENT BOARD COMMITTEE E	33
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	35
APPENDIX I – DETAILS OF THE DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING	53
APPENDIX II – EXPLANATORY STATEMENT OF REPURCHASE MANDATE	56
APPENDIX III – GENERAL INFORMATION	60
NOTICE OF THE ANNUAL GENERAL MEETING	70

DEFINITIONS

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

“2004 Stock Option Plan”	the 2004 stock option plan adopted by the Company by way of a Shareholders’ resolution on 16 February 2004 but terminated by the Company on 15 November 2013
“2014 Equity Incentive Plan”	the 2014 equity incentive plan adopted by the Company pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 13 June 2013 and effective from 15 November 2013 upon its registration with the PRC State Administration of Foreign Exchange, a summary of which is set out in the annual report of the Company for the year ended 31 December 2015
“2014 Stock Option Plan”	the 2014 stock option plan adopted by the Company by way of a Shareholders’ resolution on 13 June 2013 which became effective from 15 November 2013
“2021 RSU Grant”	the proposed grant of Restricted Share Units under the 2014 Equity Incentive Plan on 31 May 2021, details of which are set out in the “Letter from the Board – V. PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021” in this circular
“2021 STAR Market Restricted Share Incentive Scheme”	the 2021 STAR Market restricted share incentive scheme adopted by the Company by way of a Shareholders’ resolution on 25 June 2021, a summary of which is set out in the annual report of the Company for the year ended 31 December 2021
“2022 RSU Grant”	the proposed grant of Restricted Share Units under the 2014 Equity Incentive Plan on 8 April 2022, details of which are set out in the “Letter from the Board – VI. PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 8 APRIL 2022” in this circular
“AGM”	the annual general meeting of the Company to be held by way of electronic means at 2:00 p.m. on 24 June 2022
“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
“associate(s)”	has the meaning as ascribed to it in the Hong Kong Listing Rules

DEFINITIONS

“Board”	the board of Directors
“Common Shares”	the common shares of US\$0.004 each in the share capital of the Company
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange and the STAR Market of the SSE
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group” or “SMIC Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Shares”	the existing common Shares which are listed on the Stock Exchange
“Independent Board Committee A”	an independent board committee of the Company comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming, all being the independent non-executive Directors, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the proposed grants of RSUs under the Proposed RSU Grants to the connected persons of the Company (save as any proposed grant thereof to each of the members of the Independent Board Committee A)

DEFINITIONS

“Independent Board Committee B”	an independent board committee of the Company comprising Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the proposed grants of RSUs under the Proposed RSU Grants to Mr. William Tudor Brown
“Independent Board Committee C”	an independent board committee of the Company comprising Mr. William Tudor Brown, Mr. Fan Ren Da Anthony and Dr. Liu Ming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the proposed grants of RSUs under the Proposed RSU Grants to Professor Lau Lawrence Juen-Yee
“Independent Board Committee D”	an independent board committee of the Company comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Dr. Liu Ming, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the proposed grants of RSUs under the Proposed RSU Grants to Mr. Fan Ren Da Anthony
“Independent Board Committee E”	an independent board committee of the Company comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Mr. Fan Ren Da Anthony, formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the proposed grants of RSUs under the 2021 RSU Grant to Dr. Liu Ming
“Independent Board Committees”	collectively, Independent Board Committee A, Independent Board Committee B, Independent Board Committee C, Independent Board Committee D and Independent Board Committee E
“Independent Financial Adviser”	FDB Financial Group Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser of the Company appointed to advise the Independent Board Committees and the Independent Shareholders in respect of the non-exempt connected transactions relating to the Proposed RSU Grants
“Independent Shareholders”	Shareholders who are not required under the Hong Kong Listing Rules to abstain from voting at the AGM to approve the non-exempt connected transactions relating to the Proposed RSU Grants

DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to, among other things, allot and issue Hong Kong Shares set out as resolution numbered 5 in the notice of AGM at pages 70 to 79 of this circular
“Latest Practicable Date”	24 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China
“Preferred Shares”	preferred share(s) of US\$0.004 each in the share capital of the Company
“Proposed RSU Grants”	collectively, the 2021 RSU Grant and the 2022 RSU Grant
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Hong Kong Shares set out as resolution numbered 6 in the notice of AGM at pages 70 to 79 of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Shares”	the Common Shares which are listed on the Science and Technology Innovation Board of the SSE and subscribed for and traded in RMB by investors in the PRC
“Restricted Shares”	RMB Share(s) to be granted to the awardees by the Company on such condition and at a price to be paid, determined in accordance with the relevant regulations of the CSRC relating to restricted shares, upon satisfaction of the conditions for grant and attribution of the Restricted Shares stipulated under the 2021 STAR Market Restricted Share Incentive Scheme
“Restricted Shares Units”	an unsecured promise of the Company to pay eligible individuals a specific number of Shares on a specified date pursuant to the 2014 Equity Incentive Plan, subject to all applicable laws, rules, regulations and the applicable vesting, transfer or forfeiture restrictions as set out in the 2014 Equity Incentive Plan and the applicable award document
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	shares of all classes in the capital of the Company (including but not limited to Common Shares and Preferred Shares) and warrants and other securities which carry a right to subscribe for or purchase shares of the Company
“Shareholder(s)”	the holder(s) of the Shares
“SSE”	the Shanghai Stock Exchange
“STAR Market”	the Science and Technology Innovation Board of the SSE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries Director(s)”	director(s) of certain subsidiary(ies) of the Group
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong
“US” or “United States”	the United States of America
“US\$”, “USD” or “US Dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

* *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:

GAO Yonggang
ZHAO Haijun

Non-executive Directors:

LU Guoging
CHEN Shanzhi
HUANG Dengshan
REN Kai

Independent Non-executive Directors:

William Tudor BROWN
LAU Lawrence Juen-Yee
FAN Ren Da Anthony
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

1 June 2022

To the Shareholders

Dear Sir or Madam,

- (1) RE-ELECTION OF DIRECTORS
(2) RE-APPOINTMENT OF AUDITORS
(3) PROPOSAL ON PROFIT DISTRIBUTION FOR THE YEAR 2021
(4) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES
(5) NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION
TO PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS
TO CONNECTED PERSONS ON 31 MAY 2021
(6) NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION
TO PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS
TO CONNECTED PERSONS ON 8 APRIL 2022
AND
(7) NOTICE OF THE ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

Purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM in respect of, amongst other things, (i) the re-election of Directors; (ii) the re-appointment of auditors, (iii) the proposal on profit distribution for the year 2021; (iv) the proposed grant to the Directors of the Issue Mandate and Repurchase Mandate; (v) the proposed grant of Hong Kong Shares of Restricted Shares Units to certain connected persons on 31 May 2021; and (vi) the proposed grant of Hong Kong Shares of Restricted Shares Units to certain connected persons on 8 April 2022.

I. RE-ELECTION OF DIRECTORS

The Board currently consists of three Class I Directors, namely Dr. Gao Yonggang, Mr. William Tudor Brown and Mr. Lu Guoqing, five Class II Directors, namely Dr. Zhao Haijun, Dr. Chen Shanzhi, Mr. Huang Dengshan, Professor Lau Lawrence Juen-Yee and Mr. Fan Ren Da Anthony and two Class III Directors, namely Mr. Ren Kai and Dr. Liu Ming.

Two Class III Directors Mr. Ren Kai and Dr. Liu Ming shall retire from office at the AGM pursuant to Article 95 of the Articles of Association. Each of Mr. Ren Kai and Dr. Liu Ming, being eligible, offer himself or herself for re-election as a Class III Director at the AGM. If re-elected at the AGM, each of them will hold office for a term ending on the earlier of (a) the end of three years after the date of re-election; or (b) the date of the 2025 annual general meeting of the Company, subject to the provisions of the Articles of Association and any other applicable law, regulations or rules of stock exchange.

The independent non-executive Director, Dr. Liu Ming has provided an annual confirmation of independence to the Company, and confirmed that she has fully complied with each of the factors for assessing independence set out in rule 3.13 of the Hong Kong Listing Rules. Dr. Liu Ming who will stand for re-election at the AGM, has provided valuable contributions to the Company and demonstrated her ability to exercise independence of judgment and provide a balanced and objective view in relation to the Company's affairs which continue to be of significant benefit to the Company.

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

II. RE-APPOINTMENT OF AUDITORS

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

III. PROPOSAL ON PROFIT DISTRIBUTION FOR THE YEAR 2021

The Company's profit distribution policy adopted pursuant to the ordinary resolution passed by the Shareholders on 1 June, 2020 stipulates that before the Company declares any cash dividend, the Company shall meet certain conditions that, among other things, the Company has no major external investment plan

LETTER FROM THE BOARD

or significant cash expenditure in the next twelve months (i.e. the cumulative expenditure of the proposed construction project, external investment, acquisition of assets or purchase of equipment reaches or exceeds 10% of the Company's audited net assets in the most recent period).

The Company expects its capital expenditure will be US\$5.0 billion for the year 2022, exceeding 10% of the Company's audited net assets for 2021. The capital expenditure is mainly used to continuously expand the existing fabs and roll out of the three new fabs projects. In view of the large capital demand of the Company in 2022, in order to ensure the Company's normal production and operation and its needs of future development, the Board did not recommend the payment of the cash dividend for the year 2021, nor distribute bonus shares, nor transfer capital reserve fund to increase equity or any other forms of distribution.

The above proposal on profit distribution for the year 2021 was considered and approved by the Board on 30 March 2022 and was also approved by the independent non-executive Directors. In light of the foregoing, a resolution will be proposed to the Shareholders at the AGM for consideration and, if thought fit, approval.

IV. GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 25 June 2021, the Shareholders passed resolutions granting general mandates to the Directors to issue and purchase shares of the Company. These general mandates will lapse upon the conclusion of the AGM. Resolutions will therefore be proposed at the AGM to renew the grant of these general mandates. The relevant resolutions, in summary, are:

- an ordinary resolution to give the Directors a general and unconditional mandate to allot, issue, grant, distribute and otherwise deal with additional Hong Kong Shares, not exceeding 20% of the number of issued Hong Kong Shares of the Company as at the date of passing such resolution (as adjusted in accordance with such resolution), for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in such resolution);
- an ordinary resolution to give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase an amount of Hong Kong Shares, not exceeding 10% of the number of issued Hong Kong Shares of the Company as at the date of passing such resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in such resolution); and
- conditional on the passing of the resolutions to grant the Issue Mandate and the Repurchase Mandate in the preceding paragraphs, an ordinary resolution to authorize the Directors to exercise the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Hong Kong Shares under the Issue Mandate in respect of the total number of issued Hong Kong Shares in the Company purchased by the Company.

As at the Latest Practicable Date, the total number of each of the Hong Kong Shares and RMB Shares in issue was 5,971,086,578 and 1,938,463,000, respectively. Subject to the passing of resolution no. 5 in relation to the Issue Mandate and in accordance with the terms therein, the Company would be allowed to

LETTER FROM THE BOARD

issue additional Hong Kong Shares of up to the aggregate amount of a maximum of 1,194,217,315 Hong Kong Shares, representing 20% of the existing number of issued Hong Kong Shares of the Company, on the basis that no further Hong Kong Shares will be issued or repurchased prior to the date of the AGM.

Save as disclosed in the 2021 annual report of the Company, there were no other outstanding options, warrants and other derivatives and there were no exercise of any outstanding options, warrants and other derivatives during the year ended 31 December 2021 and up to the Latest Practicable Date.

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

V. PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021

Reference is made to the announcement of the Company dated 31 May 2021, in which the Company announced that the Board proposed to grant 1,303,370 Restricted Share Units to the 14 eligible individuals, who are connected persons of the Company, under the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. As disclosed in the announcement of the Company dated 31 May 2021 in respect of the 2021 RSU Grant, the Board had resolved to grant 187,500 Restricted Share Units to Mr. Huang Dengshan and Mr. Huang Dengshan had subsequently indicated his intention to the Board that he will not accept the relevant Restricted Share Units.

Accordingly, subject to the Independent Shareholders' approval at the AGM, 1,115,870 Restricted Share Units are to be granted and each of the Restricted Share Unit to be granted represents the rights to receive a Hong Kong Share on the date it vests. The 1,115,870 Restricted Share Units to be granted represent approximately 0.014% of the Company's total issued share capital as at the Latest Practicable Date, among which, as follows:

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)		Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
			147,482	2,460,000		
Dr. Gao Yonggang	Chairman of the Board and executive Director	147,482	2,460,000	147,482	Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Dr. Gao for his contribution on overseeing the financial matters and corporate management of the Group as the executive director and Chief Financial Officer of the Company

LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Dr. Zhao Haijun	Executive Director and co-chief executive officer	138,050	2,302,674	138,050 Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Dr. Zhao for his contribution on the corporate management and operation of the Group as the executive Director and the co-chief executive officer of the Company
Mr. Lu Guoqing	Non-executive Director	187,500	3,127,500	187,500 Restricted Share Units to be granted will vest over a period of three years at the rate of 33%, 33% and 34% for each 12-month period commencing on 13 May 2021	Restricted Share Units were granted to Mr. Lu for his appointment as the non-executive Director of the Company
Dr. Chen Shanzhi	Non-executive Director	62,500	1,042,500	62,500 Restricted Share Units to be granted will vest on 1 January 2022	Restricted Share Units were granted to Dr. Chen for his contribution on the overseeing the operation and management of the Group as the non-executive Director of the Company
Mr. William Tudor Brown	Independent non-executive Director	62,500	1,042,500	62,500 Restricted Share Units to be granted will vest on 1 January 2022	Restricted Share Units were granted to Mr. Brown for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	32,877	548,388	32,877 Restricted Share Units to be granted will vest on 1 January 2022	Restricted Share Units were granted to Professor Lau for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company

LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Mr. Fan Ren Da Anthony	Independent non-executive Director	32,877	548,388	32,877 Restricted Share Units to be granted will vest on 1 January 2022	Restricted Share Units were granted to Mr. Fan for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company
Dr. Liu Ming	Independent non-executive Director	187,500	3,127,500	187,500 Restricted Share Units to be granted will vest over a period of three years at the rate of 33%, 33% and 34% for each 12-month period commencing on 4 February 2021	Restricted Share Units were granted to Dr. Liu for her appointment as the independent non-executive Director of the Company
Dr. Zhou Zixue	Former Director	138,050	2,302,674	138,050 Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Dr. Zhou for his contribution on development planning and key matters of the Group and as the then chairman of the Board and the executive Director of the Company
Dr. Zhou Meisheng	Subsidiary Director	61,138	1,019,782	61,138 Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Dr. Zhou for her contribution for the technical research and development of the Group and as the Subsidiary Director of the Company
Mr. Zhang Xin	Subsidiary Director	38,330	639,344	38,330 Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Mr. Zhang for his contribution for the overall operation and engineering matters of the Group and as the Subsidiary Director of the Company

LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Mr. Lin Hsin-Fa	Subsidiary Director	21,504	358,687	21,504 Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Mr. Lin for his contribution for the research and development and its production and operation and as the Subsidiary Director of the Company
Dr. Wang Yong	Subsidiary Director	5,562	92,774	5,562 Restricted Share Units to be granted will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021	Restricted Share Units were granted to Dr. Wang for his contribution for the management of the financing and accounting functions of the Group and as the Subsidiary Director of the Company

Each of the Restricted Share Units to be granted to the abovementioned 13 grantees under the 2014 Equity Incentive Plan represents the right to receive a Share on the date it vests.

In accordance with the terms of the 2014 Equity Incentive Plan, the 2021 RSU Grant will be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands (which is the par value of the Common Shares to be issued pursuant thereto).

Impact of the Shareholding Structure of the Company

In respect of the impact of the shareholding structure of the Company of the 2021 RSU Grant, please refer to the section headed “VI. Proposed Grant of Hong Kong Shares of Restricted Share Units to Connected Persons on 8 April 2022”.

Market Value

Based on the closing price of HK\$16.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the underlying Shares in relation to the RSUs under the 2021 RSU Grant amounts to approximately HK\$18,612,712.

LETTER FROM THE BOARD

Information about the Company

The Company and its subsidiaries are one of the leading foundries in the world and are the front runner in manufacturing capability, manufacturing scale, and comprehensive service in the Chinese Mainland. SMIC Group provides semiconductor foundry and technology services to global customers on 0.35 micron to 14 nanometer process node technologies. Headquartered in Shanghai, China, SMIC Group has an international manufacturing and service base, with three 8-inch wafer fabrication facilities (fabs) and three 12-inch fabs in Shanghai, Beijing, Tianjin and Shenzhen, and three 12-inch fabs under construction in Shanghai, Beijing and Shenzhen. SMIC Group also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, China, and a representative office in Hong Kong, China.

Reasons for and Benefits of the 2021 RSU Grant

The 2021 RSU Grant is part of the Company's remuneration system, the purpose of which is to closely align the interests and benefits of and risk sharing among the Shareholders, the Company and the employees in order to recognize the motivation of the Directors.

The 2021 RSU Grant aims to provide sufficient incentives to attract, retain and motivate the grantees to participate in the continuing operation and long-term development of the Company and to recognize their contributions to the growth of the Company.

Furthermore, there will not be substantial cash outflow by the Company under the 2021 RSU Grant. In this regard, the Directors (excluding the independent non-executive Directors and subject to advice from the Independent Financial Adviser) consider that the terms of the 2021 RSU Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Specific Mandate to Issue New Hong Kong Shares

The new Hong Kong Shares to be issued under the 2021 RSU Grant will be issued under the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 for the issue of the Hong Kong Shares under the 2014 Equity Incentive Plan. The Listing Committee of the Stock Exchange has previously granted its approval for the listing of, and permission to deal in, Hong Kong Shares to be issued under the 2014 Equity Incentive Plan, subject to the fulfilment of all other conditions of the 2014 Equity Incentive Plan. In the context of the grant of Restricted Share Units and issue of Hong Kong Shares pursuant thereto under the 2014 Equity Incentive Plan to a Director as a connected person, the requirements under Chapter 14A of the Hong Kong Listing Rules would be required to be satisfied, including the obtaining of the approval of the Independent Shareholders. The total number of such new Hong Kong Shares which may be issued under the 2014 Equity Incentive Plan will not exceed 80,184,428.

Implications under the Hong Kong Listing Rules

As the 13 grantees (excluding Mr. Huang Dengshan who had indicated his intention not to accept the grant of the Restricted Share Units) are, at the relevant time, Directors and Subsidiaries Directors, and therefore are connected persons of the Company under Rule 14A.07 of the Hong Kong

LETTER FROM THE BOARD

Listing Rules. The proposed grant of 1,115,870 Restricted Share Units to the 13 connected persons of the Company at the relevant time and any transactions contemplated thereunder (including the allotment and issue of any new Hong Kong Shares thereunder) constitutes non-exempt connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are thus subject to reporting, announcement and the Independent Shareholders' approval requirements.

Pursuant to Chapter 14A of Hong Kong Listing Rules, the 13 connected persons of the Company and their respective associates are required to abstain from voting on their respective resolutions at the AGM to approve the 2021 RSU Grant. As at the Latest Practicable Date, Mr. Fan Ren Da Anthony, Mr. Zhang Xin and Mr. Lin Hsin-Fa are interested in 187,500 Hong Kong Shares, 34,951 Hong Kong Shares and 61,734 Hong Kong Shares, respectively, representing approximately 0.0024%, 0.0004% and 0.0008% of the total issued share capital of the Company as at the Latest Practicable Date, and therefore required to abstain from voting on their respective resolutions at the AGM to approve the 2021 RSU Grant. Save as disclosed above, to the best of the Directors' knowledge, information and belief, there are no other Shareholders having any material interest in the 2021 RSU Grant. Accordingly, no other Shareholders are required to abstain from voting at the AGM on the relevant resolutions approving the 2021 RSU Grant.

Save as Dr. Chiang Shang-Yi (the then executive Director), Dr. Liang Mong Song (the then executive Director), Mr. Zhou Jie (the then non-executive Director), Dr. Young Kwang Leei (the then independent non-executive Director) and Mr. Ren Kai, the other Directors at the relevant time who were grantees of the RSUs under the 2021 RSU Grant were considered to be interested in the 2021 RSU Grant and therefore such Directors had abstained from voting on the relevant Board resolutions in respect of the 2021 RSU Grant.

Independent Board Committees and Independent Financial Adviser

The following independent board committees have been formed for the 2021 RSU Grant in accordance with Chapter 14A of the Hong Kong Listing Rules:

- (1) the Independent Board Committee A comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming, all being the independent non-executive Directors, to advise the proposed grants of RSUs under the 2021 RSU Grant to the connected persons (save as the members of the Independent Board Committee A);
- (2) the Independent Board Committee B comprising Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of RSUs under the 2021 RSU Grant to Mr. William Tudor Brown;
- (3) the Independent Board Committee C comprising Mr. William Tudor Brown, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of RSUs under the 2021 RSU Grant to Professor Lau Lawrence Juen-Yee;

LETTER FROM THE BOARD

- (4) the Independent Board Committee D comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Dr. Liu Ming to advise the proposed grants of RSUs under the 2021 RSU Grant to Mr. Fan Ren Da Anthony; and
- (5) the Independent Board Committee E comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Mr. Fan Ren Da Anthony to advise the proposed grants of RSUs under the 2021 RSU Grant to Dr. Liu Ming.

The Company has appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in this regard. The Independent Board Committees, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the 2021 RSU Grant to the 13 connected persons of the Company are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committees recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM. The letter from the Independent Board Committees to the Independent Shareholders is set out on pages 25 to 34 of this circular. The letter from FDB Financial Group Limited, the Independent Financial Adviser, to the Independent Board Committees and the Independent Shareholders is set out on pages 35 to 52 of this circular.

VI. PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 8 APRIL 2022

Reference is made to the announcement of the Company dated 10 April 2022, in which the Company announced that on 8 April 2022, the Board proposed to grant 2,451,668 Restricted Share Units to the 13 eligible individuals, who are connected persons of the Company, under the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM.

LETTER FROM THE BOARD

Accordingly, subject to the Independent Shareholders' approval at the AGM, 2,451,668 Restricted Share Units are to be granted and each of the Restricted Share Unit to be granted represents the rights to receive a Hong Kong Share on the date it vests. The 2,451,668 Restricted Share Units to be granted represent approximately 0.031% of the Company's total issued share capital as at the Latest Practicable Date, among which, as follows:

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Dr. Gao Yonggang	Chairman of the Board and executive Director	400,764	6,684,744	400,764 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Dr. Gao for his contribution as the executive director and Chief Financial Officer of the Company on overseeing the financing matters and corporate management of the Group
Dr. Zhao Haijun	Executive Director and co-chief executive officer	401,538	6,697,654	401,538 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Dr. Zhao for his contribution on the corporate management and operation of the Group as the executive Director and the co-chief executive officer of the Company
Dr. Chen Shanzhi	Non-executive Director	92,500	1,542,900	92,500 Restricted Share Units to be granted will vest on 1 January 2023	Restricted Share Units were granted to Dr. Chen for his contribution on overseeing the operations and management of the Group as the non-executive Director of the Company

LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	92,500	92,500	Restricted Share Units to be granted will vest on 1 January 2023	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Mr. William Tudor Brown	Independent non-executive Director	92,500	1,542,900	92,500	92,500	Restricted Share Units to be granted will vest on 1 January 2023	Restricted Share Units were granted to Mr. Brown for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	92,500	1,542,900	92,500	92,500	Restricted Share Units to be granted will vest on 1 January 2023	Restricted Share Units were granted to Professor Lau for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company
Mr. Fan Ren Da Anthony	Independent non-executive Director	92,500	1,542,900	92,500	92,500	Restricted Share Units to be granted will vest on 1 January 2023	Restricted Share Units were granted to Mr. Fan for his contribution on providing independent advice on operations and management of the Group as the independent non-executive Director of the Company

LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Dr. Zhou Zixue	Former Director	382,349	6,377,581	382,349 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Dr. Zhou for his contribution on development planning and key matters of the Group and as the then executive Director of the Company
Dr. Liang Mong Song	Co-chief executive officer	401,538	6,697,654	401,538 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Dr. Liang for his contribution on the research and development and corporate management of the Group and as the co-chief executive officer and the then executive Director of the Company
Dr. Zhou Meisheng	Subsidiary Director	158,070	2,636,608	158,070 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Dr. Zhou for her contribution for the technical research and development of the Group and as the Subsidiary Director of the Company
Mr. Zhang Xin	Subsidiary Director	148,649	2,479,465	148,649 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Mr. Zhang for his contribution for the overall operation and engineering matters of the Group and as the Subsidiary Director of the Company

LETTER FROM THE BOARD

Name	Position as at the Latest Practicable Date	Number of Restricted Share Units to be granted (Hong Kong Shares)	Based on the closing price of HK\$16.68 per Hong Kong Share as quoted on the Stock Exchange on the Latest Practicable Date (HK\$)	Vesting Schedule	Reasons for and contribution by the connected persons to the entitlement of the Restricted Share Units
Mr. John Peng	Subsidiary Director	98,713	1,646,533	98,713 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Mr. Peng for his contribution for the global sales of the products the Group and overseeing the marketing and promotion functions of the Group and as the Subsidiary Director of the Company
Mr. Lin Hsin-Fa	Subsidiary Director	62,547	1,043,284	62,547 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Mr. Lin for his contribution for the research and development and its production and operation and as the Subsidiary Director of the Company
Dr. Wang Yong	Subsidiary Director	27,500	458,700	27,500 Restricted Share Units to be granted will vest in four batches annually commencing from 1 March 2022 at the rate of 25% each	Restricted Share Units were granted to Dr. Wang for his contribution for the management of the financing and accounting functions of the Group and as the Subsidiary Director of the Company

Each of the Restricted Share Units to be granted to the abovementioned 13 grantees under the 2014 Equity Incentive Plan represents the right to receive a Share on the date it vests.

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

LETTER FROM THE BOARD

Impact on the shareholding structure of the Company

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

Name of Shareholders	As at the Latest Practicable Date		Upon completion of the 2021 RSU Grant (without taking into account the 2022 RSU Grant)		Upon completion of the 2022 RSU Grant (without taking into account the 2021 RSU Grant)		Immediately after the completion of the Proposed RSU Grants	
	Total interests	%	Total interests	%	Total interests	%	Total interests	%
	in the Shares	(Note 1)	in the Shares	(Note 2)	in the Shares	(Note 3)	in the Shares	(Note 4)
Connected persons who are grantees under the Proposed RSU Grants (Note 5)								
Dr. Gao Yonggang	-	-	147,482	0.0019	400,764	0.0051	548,246	0.0069
Dr. Zhao Haijun	-	-	138,050	0.0017	401,538	0.0051	539,588	0.0068
Mr. Lu Guoqing	-	-	187,500	0.0024	-	0.0000	187,500	0.0024
Dr. Chen Shanzhi	-	-	62,500	0.0008	92,500	0.0012	155,000	0.0020
Mr. William Tudor Brown	-	-	62,500	0.0008	92,500	0.0012	155,000	0.0020
Professor Lau Lawrence								
Juen-Yee	-	-	32,877	0.0004	92,500	0.0012	125,377	0.0016
Mr. Fan Ren Da Anthony	187,500	0.0024	220,377	0.0028	280,000	0.0035	312,877	0.0040
Dr. Liu Ming	-	-	187,500	0.0024	-	0.0000	187,500	0.0024
Dr. Zhou Zixue	-	-	138,050	0.0017	382,349	0.0048	520,399	0.0066
Dr. Liang Mong Song	-	-	-	-	401,538	0.0051	401,538	0.0051
Dr. Zhou Meisheng	-	-	61,138	0.0008	158,070	0.0020	219,208	0.0028
Mr. Zhang Xin	34,951	0.0004	73,281	0.0009	183,600	0.0023	221,930	0.0028
Mr. John Peng	-	-	-	-	98,713	0.0012	98,713	0.0012
Mr. Lin Hsin-Fa	61,734	0.0008	83,238	0.0011	124,281	0.0016	145,785	0.0018
Dr. Wang Yong	-	-	5,562	0.0001	27,500	0.0003	33,062	0.0004
Other Shareholders								
Substantial Shareholders								
(Note 6)	1,542,208,254	19.4981	1,542,208,254	19.4953	1,542,208,254	19.4920	1,542,208,254	19.4893
Public Shareholders	6,367,057,139	80.4984	6,367,057,139	80.4870	6,367,057,139	80.4734	6,367,057,139	80.4621
Total	7,909,549,578	100.0000	7,910,665,448	100.0000	7,912,001,246	100.0000	7,913,117,116	100.0000

Notes:

- Based on 7,909,549,578 Shares in issue as at the Latest Practicable Date.
- Based on 7,910,665,448 Shares in issue upon completion of the 2021 RSU Grant.
- Based on 7,912,001,246 Shares in issue upon completion of the 2022 RSU Grant.
- Based on 7,913,117,116 Shares in issue upon completion of the Proposed RSU Grants.

LETTER FROM THE BOARD

5. Inclusive of the interests or short positions of the Directors and the chief executive officer in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.
6. Inclusive of the interests or short positions of the substantial shareholders (“**Substantial Shareholders**”) in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and its subsidiaries. In respect of the substantial shareholders’ detailed interests, please refer to the section headed “Appendix III – General Information”.

Market Value

Based on the closing price of HK\$16.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the underlying Shares in relation to the RSUs under the 2022 RSU Grant amounts to approximately HK\$40,893,822.

Information about the Company

Please refer to sub-section headed “Information about the Company” on page 13 of this circular.

Reasons for and Benefits of the 2022 RSU Grant

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

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

Specific Mandate to Issue New Hong Kong Shares

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

LETTER FROM THE BOARD

under the 2014 Equity Incentive Plan to a Director as a connected person, the requirements under Chapter 14A of the Hong Kong Listing Rules would be required to be satisfied, including the obtaining of the approval of the Independent Shareholders. The total number of such new Hong Kong Shares which may be issued under the 2014 Equity Incentive Plan will not exceed 80,184,428.

Implications under the Hong Kong Listing Rules

As the 13 grantees are Directors (including Director resigned within 12 months) and Subsidiaries Directors, and therefore are connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. The proposed grant of 2,451,668 Restricted Share Units to the 13 connected persons of the Company and any transactions contemplated thereunder (including the allotment and issue of any new Hong Kong Shares thereunder) constitutes non-exempt connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are thus subject to reporting, announcement and the Independent Shareholders' approval requirements.

Pursuant to Chapter 14A of Hong Kong Listing Rules, the 13 connected persons of the Company and their respective associates are required to abstain from voting on their respective resolutions at the AGM to approve the 2022 RSU Grant. As at the Latest Practicable Date, Mr. Fan Ren Da Anthony, Mr. Zhang Xin and Mr. Lin Hsin-Fa are interested in 187,500 Hong Kong Shares, 34,951 Hong Kong Shares and 61,734 Hong Kong Shares, respectively, representing approximately 0.0024%, 0.0004% and 0.0008% of the total issued share capital of the Company as at the Latest Practicable Date, and therefore required to abstain from voting on their respective resolutions at the AGM to approve the 2022 RSU Grant. Save as disclosed above, to the best of the Directors' knowledge, information and belief, there are no other Shareholders having any material interest in the 2022 RSU Grant. Accordingly, no other Shareholders are required to abstain from voting at the AGM on the relevant resolutions approving the 2022 RSU Grant.

Save as for Mr. Lu Guoqing, Mr. Huang Dengshan, Mr. Ren Kai, Dr. Liu Ming, the other Directors are considered to be interested in the 2022 RSU Grant and therefore such Directors have abstained from voting on the relevant Board resolutions in respect of the 2022 RSU Grant.

Independent Board Committees and Independent Financial Adviser

The following independent board committees have been formed for the 2022 RSU Grant in accordance with Chapter 14A of the Hong Kong Listing Rules:

- (1) the Independent Board Committee A comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of RSUs under the 2022 RSU Grant to the connected persons (save as the members of the Independent Board Committee A);
- (2) the Independent Board Committee B comprising Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of RSUs under the 2022 RSU Grant to Mr. William Tudor Brown;

LETTER FROM THE BOARD

- (3) the Independent Board Committee C comprising Mr. William Tudor Brown, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of RSUs under the 2022 RSU Grant to Professor Lau Lawrence Juen-Yee; and
- (4) the Independent Board Committee D comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Dr. Liu Ming to advise the proposed grants of RSUs under the 2022 RSU Grant to Mr. Fan Ren Da Anthony.

The Company has been appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in this regard. The Independent Board Committees, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the 2022 RSU Grant to the 13 connected persons of the Company are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committees recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM. The letter from the Independent Board Committees to the Independent Shareholders is set out on pages 25 to 32 of this circular. The letter from FDB Financial Group Limited, the Independent Financial Adviser, to the Independent Board Committees and the Independent Shareholders is set out on pages 35 to 52 of this circular.

GENERAL

Your attention is drawn to the appendices to this circular.

The full text of the resolutions referred to above is set out in the notice of AGM, attached at pages 70 to 79 of this circular.

RECOMMENDATIONS

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

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

ANNUAL GENERAL MEETING

The AGM will be held by way of electronic means on 24 June 2022 at 2:00 p.m..

Shareholders may view and participate the AGM through a live webcast at the start of the AGM until its conclusion on a computer, tablet or any browser enabled device. You will be able to access the live webcast by registering no later than 5:00 p.m. on 22 June 2022 contacting Company's Hong Kong share registrar at +852 2862 8555 as soon as possible for arrangement from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding Hong Kong public holidays).

Alternatively, a Shareholder may submit a proxy form in connection with the AGM to be received by the Company's Hong Kong share registrar by 2:00 p.m. on 22 June 2022 (being 48 hours before the time appointed for the holding of the AGM) to appoint the chairman of the AGM or other person, as his proxy to attend and vote (in real time) at the AGM on his behalf in accordance with his instructions via online platform. To avoid any interruption of the electronic meeting caused by network or system you are using, it is strongly recommended that Shareholders appoint the chairman of the AGM to attend and vote at the AGM on your behalf.

A form of proxy for use at the AGM is enclosed. The proxy form may also be accessed at the Company's website at www.smics.com and the Stock Exchange's website at www.hkexnews.hk.

The proxy form should be returned no later than 48 hours before the time appointed for holding the AGM or at any adjournment thereof by depositing the duly completed proxy form at the office of 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.

Voting at the AGM will be conducted by way of a poll. An announcement on the poll results will be made by the Company after the AGM, in the manner prescribed under Rule 13.39(5) of the Listing Rules.

MISCELLANEOUS

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

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE A

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



SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

1 June 2022

To the Independent Shareholders,

Dear Sirs or Madam,

NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO:
(1) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021; AND
(2) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 8 APRIL 2022

We refer to the circular dated 1 June 2022 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee A to advise you in relation to (i) whether each of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to the grantees (save as the members of the Independent Board Committee A) who are connected persons are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolutions regarding such proposed grants, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee A and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 35 to 52 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to the grantees (save as the members of the Independent Board Committee A) who are connected persons are fair

LETTER FROM THE INDEPENDENT BOARD COMMITTEE A

and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to the grantees (save as the members of the Independent Board Committee A) who are connected persons to be presented at the AGM.

Yours faithfully,
Independent Board Committee A
William Tudor BROWN
LAU Lawrence Juen-Yee
FAN Ren Da Anthony
LIU Ming
Independent non-executive Directors

LETTER FROM THE INDEPENDENT BOARD COMMITTEE B

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



SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

1 June 2022

To the Independent Shareholders,

Dear Sirs or Madam,

NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO:
(1) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021; AND
(2) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 8 APRIL 2022

We refer to the circular dated 1 June 2022 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee B to advise you in relation to (i) whether each of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Mr. William Tudor Brown are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolutions regarding such proposed grants, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee B and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 35 to 52 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Mr. William Tudor Brown are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE B

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Mr. William Tudor Brown to be presented at the AGM.

Yours faithfully,

Independent Board Committee B

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

LIU Ming

Independent non-executive Directors

LETTER FROM THE INDEPENDENT BOARD COMMITTEE C

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



SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

1 June 2022

To the Independent Shareholders,

Dear Sirs or Madam,

NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO:

- (1) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021; AND**
- (2) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 8 APRIL 2022**

We refer to the circular dated 1 June 2022 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee C to advise you in relation to (i) whether each of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Professor Lau Lawrence Juen-Yee are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolutions regarding such proposed grants, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee C and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 35 to 52 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Professor Lau Lawrence Juen-Yee are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE C

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Professor Lau Lawrence Juen-Yee to be presented at the AGM.

Yours faithfully,

Independent Board Committee C

William Tudor BROWN

FAN Ren Da Anthony

LIU Ming

Independent non-executive Directors

LETTER FROM THE INDEPENDENT BOARD COMMITTEE D

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



SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

1 June 2022

To the Independent Shareholders,

Dear Sirs or Madam,

NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO:

- (1) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021; AND**
- (2) PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 8 APRIL 2022**

We refer to the circular dated 1 June 2022 (the “**Circular**”) of Semiconductor Manufacturing International Corporation (the “**Company**”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee D to advise you in relation to (i) whether each of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Mr. Fan Ren Da Anthony are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolutions regarding such proposed grants, taking into account the recommendation of FDB Financial Group Limited. FDB Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee D and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 35 to 52 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Mr. Fan Ren Da Anthony are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE D

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the proposed grants of the RSUs under the 2021 RSU Grant and the 2022 RSU Grant to Mr. Fan Ren Da Anthony to be presented at the AGM.

Yours faithfully,

Independent Board Committee D

William Tudor BROWN

LAU Lawrence Juen-Yee

LIU Ming

Independent non-executive Directors

LETTER FROM THE INDEPENDENT BOARD COMMITTEE E

The following is a full text of the letter from the Independent Board Committee E 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)

1 June 2022

To the Independent Shareholders,

Dear Sirs or Madam,

NON-EXEMPT CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED GRANT OF HONG KONG SHARES OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS ON 31 MAY 2021

We refer to the circular dated 1 June 2022 (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 E to advise you in relation to (i) whether each of the proposed grants of the RSUs under the 2021 RSU Grant to Dr. Liu Ming are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) how to vote on the resolutions regarding such proposed grants, 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 E and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 35 to 52 of the Circular.

Having taking into account the advice of FDB Financial Group Limited, we are of the view that the terms of the proposed grants of the RSUs under the 2021 RSU Grant to Dr. Liu Ming are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE E

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions, among other things, in relation to the proposed grants of the RSUs under the 2021 RSU Grant to Dr. Liu Ming to be presented at the AGM.

Yours faithfully,

Independent Board Committee E

William Tudor BROWN

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

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 Committees and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



FDB Financial Group Ltd
豐展金融集團有限公司

1 June 2022

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

Dear Sir/Madam,

(1) CONNECTED TRANSACTIONS IN RELATION TO PROPOSED ISSUE OF HONG KONG SHARES UNDER THE 2014 EQUITY INCENTIVE PLAN TO CONNECTED PERSONS ON 31 MAY 2021 PURSUANT TO SPECIFIC MANDATE

(2) CONNECTED TRANSACTIONS IN RELATION TO PROPOSED ISSUE OF HONG KONG SHARES UNDER THE 2014 EQUITY INCENTIVE PLAN TO CONNECTED PERSONS ON 8 APRIL 2022 PURSUANT TO SPECIFIC MANDATE

INTRODUCTION

We, FDB Financial Group Limited, refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in relation to (i) the proposed grant and issue of new Hong Kong Shares under 2021 RSU Grant to connected persons on 31 May 2021; and (ii) the proposed grant and issue of new Hong Kong Shares under 2022 RSU Grant to connected persons on 8 April 2022, 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 1 June 2022 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

For the 2021 RSU Grant, the Company proposed to grant a total of 1,115,870 Restricted Share Units to 13 connected persons of the Company after Mr. Huang Dengshan, being one of the connected persons of the Company, had subsequently indicated that he will not accept the relevant Restricted Share Units. Each of the Restricted Share Units represents the right to receive a Hong Kong Share on the date it vests. The number of new Hong Kong Shares to be issued under 2021 RSU Grant represents approximately 0.014% of the total issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the 2022 RSU Grant, the Company proposed to grant a total of 2,451,668 Restricted Share Units to 13 connected persons of the Company. Each of the Restricted Share Units represents the right to receive a Hong Kong Share on the date it vests. The number of new Hong Kong Shares to be issued under 2022 RSU Grant represents approximately 0.031% of the total issued share capital of the Company as at the Latest Practicable Date.

Each of the grantees is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the 2021 RSU Grant and the 2022 RSU Grant constitute non-exempt connected transactions of the Company, and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committees for the 2021 RSU Grant

The following independent board committees have been formed for the 2021 RSU Grant in accordance with Chapter 14A of the Hong Kong Listing Rules:

- (1) the Independent Board Committee A comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming, all being the independent non-executive Directors, to advise the proposed grants of Restricted Share Units under the 2021 RSU Grant to the connected persons (save as the members of the Independent Board Committee A);
- (2) the Independent Board Committee B comprising Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2021 RSU Grant to Mr. William Tudor Brown;
- (3) the Independent Board Committee C comprising Mr. William Tudor Brown, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2021 RSU Grant to Professor Lau Lawrence Juen-Yee;
- (4) the Independent Board Committee D comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2021 RSU Grant to Mr. Fan Ren Da Anthony; and
- (5) the Independent Board Committee E comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Mr. Fan Ren Da Anthony to advise the proposed grants of Restricted Share Units under the 2021 RSU Grant to Dr. Liu Ming.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Board Committees for the 2022 RSU Grant

The following independent board committees have been formed for the 2022 RSU Grant in accordance with Chapter 14A of the Hong Kong Listing Rules:

- (1) the Independent Board Committee A comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2022 RSU Grant to the connected persons (save as the members of the Independent Board Committee A);
- (2) the Independent Board Committee B comprising Professor Lau Lawrence Juen-Yee, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2022 RSU Grant to Mr. William Tudor Brown;
- (3) the Independent Board Committee C comprising Mr. William Tudor Brown, Mr. Fan Ren Da Anthony and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2022 RSU Grant to Professor Lau Lawrence Juen-Yee; and
- (4) the Independent Board Committee D comprising Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Dr. Liu Ming to advise the proposed grants of Restricted Share Units under the 2022 RSU Grant to Mr. Fan Ren Da Anthony.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders as to whether the terms of the 2021 RSU Grant and the 2022 RSU Grant are fair and reasonable, and whether such grants are 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

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

Date of the relevant circular	Nature of the transactions
8 June 2021	Connected transaction – proposed issue of new RMB shares to connected persons under the 2021 STAR Market Restricted Share Incentive Scheme pursuant to specific mandate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from normal professional fees payable to us in connection with the previous appointment mentioned above as well as this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's annual report for the two years ended 31 December 2021 (the "**2020 Annual Report**" and "**2021 Annual Report**"); (ii) 2014 Equity Incentive Plan; 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 grant and issue of Restricted Share Units carrying the right to receive Hong Kong Share by the grantees under the 2014 Equity Incentive Plan and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market, 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 Proposed RSU Grants are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Information of the Company

Set out below is a summary of the financial information of the Company for the years ended 31 December 2020 (“FY2020”) and 2021 (“FY2021”), which is extracted from the 2020 and 2021 Annual Report:

	For the year ended 31 December	
	2020	2021
	<i>USD'000</i>	<i>USD'000</i>
Revenue	3,906,975	5,443,112
Gross Profit	920,913	1,675,770
Net Profit	669,098	1,775,158

The Company’s revenue increased from approximately USD3,907.0 million for FY2020 to approximately USD5,443.1 million for FY2021, representing an increase of approximately 39.3%. With reference to the 2021 Annual Report, such increase was primarily due to the increase in wafer shipments, higher average selling price and product-mix change.

The Company’s net profit increased significantly from approximately USD669.1 million for FY2020 to approximately USD1,775.2 million for FY2021. Such increase was primarily due to the increase in wafer shipments, higher average selling price, product – mix change and gain on disposal of a subsidiary.

Information of the grantees

With reference to the Circular, the Company proposed to grant 1,115,870 and 2,451,668 Restricted Share Units under the 2021 RSU Grant and 2022 RSU Grant respectively. Details of the grantees under the Proposed RSU Grants are as follows:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		2021 RSU Grant				2022 RSU Grant				
Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule	Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule
Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule	Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule
Dr. Cao Yonggang	Chairman of the Board and executive Director	Overseeing the financial matters and corporate management of the Group	147,482	2,460	0.0019	vest in four batches annually commencing from 1 March 2021 at the rate of 25% each	400,764	6,685	0.0051	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Dr. Zhao Haijun	Executive Director and co-chief executive officer	Corporate management and operation of the Group	138,050	2,303	0.0017	vest in four batches annually commencing from 1 March 2021 at the rate of 25% each	401,538	6,698	0.0051	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Mr. Lu Guoqing	Non-executive Director	Appointment as the non-executive Director of the Company	187,500	3,128	0.0024	vest in three batches annually commencing from 13 May 2021 at the rate of 33%, 33% and 34% respectively	NA	NA	NA	NA
Dr. Chen Shanzhi	Non-executive Director	Overseeing the operation and management of the Group	62,500	1,043	0.0008	vest on 1 January 2022	92,500	1,543	0.0012	vest on 1 January 2023

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		2021 RSU Grant				2022 RSU Grant				
Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule	Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)	% of issued share capital as at the Latest Practicable Date	Vesting schedule
				(Note)	Practicable	Date		(Note)	Practicable	Date
				HKS'000	Date	%		HKS'000	Date	%
Mr. William Tudor Brown	Independent non-executive Director	Providing independent advice on operations and management of the Group	62,500	1,043	0.0008	vest on 1 January 2022	92,500	1,543	0.0012	vest on 1 January 2023
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	Providing independent advice on operations and management of the Group	32,877	548	0.0004	vest on 1 January 2022	92,500	1,543	0.0012	vest on 1 January 2023
Mr. Fan Ren Da Anthony	Independent non-executive Director	Providing independent advice on operations and management of the Group	32,877	548	0.0004	vest on 1 January 2022	92,500	1,543	0.0012	vest on 1 January 2023

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		2021 RSU Grant				2022 RSU Grant				
Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)		Number of Restricted Share Units to be granted	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)		Vesting schedule	Date	Vesting schedule
			HKS'000	%		HKS'000	%			
Dr. Liu Ming	Independent non-executive Director	Providing independent advice on operations and management of the Group	187,500	3,128	0.0024	NA	NA	NA	NA	NA
Dr. Zhou Zixue	Former Director	Responsible for development planning and key matters of the Group	138,650	2,303	0.0017	382,349	6,378	0.0048	0.0048	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Dr. Liang Mong Song	Co-chief executive officer	Responsible for research and development and corporate management of the Group	NA	NA	NA	401,538	6,698	0.0051	0.0051	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Dr. Zhou Mesheng	Subsidiary Director	Responsible for technical research and development of the Group	61,138	1,020	0.0008	158,070	2,637	0.0020	0.0020	vest in four batches annually commencing from 1 March 2021 at the rate of 25% each
Mr. Zhang Xin	Subsidiary Director	Responsible for overall operation and engineering matters of the Group	38,330	639	0.0005	148,649	2,479	0.0019	0.0019	vest in four batches annually commencing from 1 March 2021 at the rate of 25% each

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		2021 RSU Grant				2022 RSU Grant			
Name	Position as at the Latest Practicable Date	Reasons for and contribution to the entitlement of the Restricted Share Units	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)		Vesting schedule	Approximate market value of the Restricted Share Units to be granted as at the Latest Practicable Date (Note)		Vesting schedule	% of issued share capital as at the Latest Practicable Date
			Number of Restricted Share Units to be granted	HKS'000		Number of Restricted Share Units to be granted	HKS'000		
Mr. John Peng	Subsidiary Director	Responsible for global sales of the products and overseeing the marketing and promotion functions of the Group	NA	NA	NA	98,713	1,647	0.0012	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Mr. Lin Hsin-Fa	Subsidiary Director	Responsible for research and development and its production and operation	21,504	359	vest in four batches annually commencing from 1 March 2021 at the rate of 25% each	62,547	1,043	0.0008	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Dr. Wang Yong	Subsidiary Director	Responsible for the management of the financing and accounting functions of the Group	5,562	93	vest in four batches annually commencing from 1 March 2021 at the rate of 25% each	27,500	459	0.0003	vest in four batches annually commencing from 1 March 2022 at the rate of 25% each
Total			1,115,870	18,615		2,451,668	40,896	0.0310	

Note: The market value of the Restricted Share Units to be granted as at the Latest Practicable Date for each of the grantees is calculated based on their respective number of Restricted Share Units to be granted times the closing price of HKS\$6.68 per Share as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for and benefits of the Proposed RSU Grants

We are given to understand that the grantees are key personnel of the Company and they have made contribution which is beneficial to the development of the Company. In view of the satisfactory financial performance of the Company as shown in the section headed “Information of the Company”, we concur with the management that the Proposed RSU Grants to the grantees will enable the Company to recognise and reward their contribution to the Company.

The Directors also believe that the Proposed RSU Grants will provide sufficient incentives to attract and retain the grantees to participate in the continuing operation and long-term development of the Company. Based on our independent research, we concur with management of the Company that it is a common practice for listed companies to grant share awards to motivate their employees and retain outstanding personnel.

Having considered that (i) the Proposed RSU Grants are to recognise and reward the contribution of the grantees to the Company; (ii) it is a common market practice to grant share awards to attract, retain and motivate employees; and (iii) 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 Proposed RSU Grants are 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) Comparable analysis of the Proposed RSU Grants

To assess the fairness and reasonableness of the terms of the Proposed RSU Grants, we have conducted search on the grant of restricted share units/share awards to connected persons announced by companies listed on the Main Board of the Stock Exchange with market capitalisation between HK\$20 billion to HK\$150 billion which we consider to be of comparable size to the Company from 1 November 2021 to 30 April 2022 (the “**Review Period**”), being the recent six months prior to the date of the announcement of the 2022 RSU Grant.

Based on the above selection criteria, we have identified 7 companies (the “**Comparables**”) and we consider it to be a sufficient sample size which represent the recent market practice. Although the Comparables might have different principal business activities, profitability and financial position as compared with the Company, and the grant of restricted share units/share awards varies case by case, we consider the Comparables can provide a general reference to the market practice in relation to the grant of restricted share units/share awards to connected person(s) and provide an appropriate basis in assessing the fairness and reasonableness of the terms of the Proposed RSU Grants. The table below show the details of the Comparables:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (Stock code)	Date of announcement	Market value of the share award or restricted share units granted to individual connected person(s) as at the date of grant <i>HK\$'000</i>	Percentage of shares (to be) granted to individual connected person(s) to the total issued share capital as at the date of relevant announcement <i>%</i>	Percentage of total number of shares (to be) granted to the connected person(s) to the total issued share capital as at the date of relevant announcement <i>%</i>	Vesting Period
Beijing Enterprises Water Group Limited (371)	1 November 2021	414 to 746	0.0014 to 0.0025	0.0058	Immediate
Genscript Biotech Corporation (1548)	10 January 2022	5,276	0.0078	0.0078	last batch will be vested on 10 January 2027
GCL-Poly Energy Holdings Limited (3800)	16 February 2022	6,048 to 23,663	0.0089 to 0.0347	0.1133	vest in five batches annually commencing from the date of grant at the rate of 20% from the date of grant at the rate of 20%
ESR Cayman Limited (1821)	23 February 2022	Did not specify <i>(Note)</i>	Did not specify <i>(Note)</i>	0.0212	vest between the date of grant to 1 April 2023; vest in three equal tranches over a period of three years commencing from 1 April 2023
SITC International Holdings Company Limited (1308)	8 March 2022	150 to 20,965	0.0002 to 0.0261	0.0796	vest on the third anniversary of the date of grant, 8 March 2025
Razer Inc. (1337)	18 March 2022	380 to 913	0.0018 to 0.0043	0.0183	25% on each of April 1, 2022, January 1, 2023, January 1, 2024 and January 1, 2025
Genscript Biotech Corporation (1548)	23 March 2022	15,230	0.0280	0.0280	last batch of the shares will be vested on 22 March 2027
AAC Technologies Holdings Inc. (2018)	24 March 2022	394 to 8,749	0.0082 to 0.0410	0.2020	33.3% on 24 March 2023; 33.3% on 24 March 2024; 33.4% on 24 March 2025
	Max			0.2020	
	Min			0.0058	
	Average			0.0595	
The Company (981)	2021 RSU Grant		0.0001 to 0.0024	0.0141	
	2022 RSU Grant		0.0003 to 0.0051	0.0310	

Note:

The grantees are directors, supervisors or senior executives of the subsidiaries of the respective company and the respective announcement did not specify the number of shares granted to individual connected person.

Number of Restricted Share Units to be granted

As shown in the table above, the percentage of Restricted Share Units to be granted to individual connected person to total issued shares of the Company range from approximately 0.0001% to 0.0024% under the 2021 RSU Grant and approximately 0.0003% to 0.0051% under the 2022 RSU Grant, both of which are within the range of approximately 0.0002% to 0.0410% of that of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Comparables. The percentage of total number of Shares to be granted to total issued shares of the Company of approximately 0.0141% and 0.0310% under 2021 RSU Grant and 2022 RSU Grant respectively are lower than the average of that of the Comparables.

In addition, the market value of the share award or restricted share units granted by the Comparables to their individual connected person as at the date of grant ranged from approximately HK\$0.15 million to HK\$23.66 million, with an average of approximately HK\$7.30 million. The market value of the Restricted Share Units to be granted to individual connected person under 2021 RSU Grant and 2022 RSU Grant range from approximately HK\$0.09 million to HK\$3.13 million and approximately HK\$0.46 million to HK\$6.70 million respectively, both of which are lower than the average and fall within the range of the Comparables.

Accordingly, we concur with the Directors' view that the Company is not over-rewarding the grantees in terms of the number of Restricted Share Units to be granted.

Vesting period

As illustrated in the table, the vesting period of the Comparables ranged from immediately to 5 years, with each vesting tranche ranging from approximately 20% to 33.3%. As such, the vesting period of the Proposed RSU Grants of up to four years is within the range of the Comparables.

Having considered that (i) the percentage of Restricted Share Units to be granted to the grantees to the total issued share capital of the Company is lower than the average of that of the Comparables; (ii) the market value of the Restricted Share Units to be granted to individual connected person under the Proposed RSU Grants is lower than the average and fall within the range of the Comparables; and (iii) the vesting period of the Proposed RSU Grants is within range of the Comparables, we are of the view that the terms and number of Restricted Share Units to be granted under the Proposed RSU Grants 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

As per 2021 RSU Grant, the Company proposed to grant a total of 1,115,870 Restricted Share Units, represent approximately 0.0141% of the total issued share capital of the Company as at the Latest Practicable Date. As per 2022 RSU Grant, the Company proposed to grant a total of 2,451,668 Restricted Share Units, representing approximately 0.0310% of the total issued share capital of the Company as at the Latest Practicable Date.

With reference to the section headed "Impact on the shareholding structure of the Company" in this Circular, the shareholding interests of public Shareholders will be slightly diluted from approximately 80.50% to 80.46% of the total issued share capital of the Company as at the Latest Practicable Date. As such, the Directors are of the view and we concur that the Proposed RSU Grants represent minimal dilution to the public Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(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 Proposed RSU Grants on top of the remuneration, we have identified, with best efforts, 6 companies (the “**Reference Companies**”) 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 years ended 31 December 2020 and 2021. Although the Reference Companies are engaged in semiconductor industry, it should be noted that the financial performance, scale of operation, market capitalization and remuneration composition of the Reference Companies may be different from that of the Company.

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

Company	Stock Code	Name	Position	For the year ended 31 December		For the year ended 31 December	
				2020	2021	2020	2021
				Percentage of the total remuneration to the total operating expenses for the year ended 31 December 2020	Percentage of the total remuneration to the total operating expenses for the year ended 31 December 2021	Total remuneration for the year ended 31 December 2020	Total remuneration for the year ended 31 December 2021
				(Note 1)	(Note 2)	(Note 1)	(Note 2)
Hua Hong Semiconductor Limited	1347	Mr. Junjun Tang	Chief Executive	USD705,000	0.071%	USD880,000	0.063%
Solomon Systech (International) Limited	2878	Mr. Wang Wah Chi, Raymond	Executive Director	USD601,000	0.519%	USD743,000	0.511%
ASM Pacific Technology Limited	522	Mr. Lee Wai Kwong	Executive Director and chief executive	HK\$6,404,000	0.041%	NA	NA
ASM Pacific Technology Limited	522	Mr. Robin Gerard Ng Cher Tat	Executive Director and chief executive	HK\$7,689,000	0.049%	HK\$14,418,000	0.080%
ASM Pacific Technology Limited	522	Mr. Guenter Walter Lauber	Executive Director	HK\$5,640,000	0.036%	HK\$8,634,000	0.048%
ASM Pacific Technology Limited	522	Ms. Patricia Chou Pei-Fen	Executive Director	HK\$2,137,000	0.014%	HK\$3,388,000	0.019%
ASM Pacific Technology Limited	522	Mr. Tsui Ching Man, Stanley	Executive Director	HK\$2,189,000	0.014%	NA	NA
Brainhole Technology Limited	2203	Ms. Wan Duo	Executive Director	HK\$480,000	0.144%	HK\$480,000	0.129%
Brainhole Technology Limited	2203	Mr. Tong Wen-Hsin	Executive Director	HK\$2,511,000	0.753%	HK\$988,000	0.266%
Smart-Core Holdings Limited	2166	Mr. Tian	Executive Director	HK\$1,588,000	0.029%	HK\$1,870,000	0.019%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company	Stock Code	Name	Position	For the year ended 31 December			
				2020		2021	
				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>	Total remuneration for the year ended 31 December 2021 <i>(Note 1)</i>	Percentage of the total remuneration to the total operating expenses for the year ended 31 December 2021 <i>(Note 2)</i>
Smart-Core Holdings Limited	2166	Mr. Wong Tsz Leung	Executive Director	HK\$1,198,000	0.022%	HK\$1,458,000	0.015%
Smart-Core Holdings Limited	2166	Mr. Liu Hongbing	Executive Director	HK\$1,263,000	0.023%	HK\$1,524,000	0.015%
Smart-Core Holdings Limited	2166	Mr. Yan Qing	Executive Director	HK\$1,963,000	0.036%	HK\$2,617,000	0.027%
Smart-Core Holdings Limited	2166	Mr. Mak Hon Kai, Stanly	Executive Director	NA	NA	HK\$1,222,000	0.012%
Shanghai Fudan Microelectronics Group Company Limited	1385	Mr. Jiang Guoxing	Executive Director	RMB300,000	0.026%	RMB300,000	0.022%
Shanghai Fudan Microelectronics Group Company Limited	1385	Mr. Shi Lei	Executive Director	RMB3,573,000	0.314%	RMB3,625,510	0.270%
Shanghai Fudan Microelectronics Group Company Limited	1385	Mr. Yu Jun	Executive Director	RMB2,693,000	0.237%	RMB2,696,800	0.201%
Shanghai Fudan Microelectronics Group Company Limited	1385	Ms. Cheng Junxia	Executive Director	RMB1,284,000	0.113%	RMB1,308,191	0.097%
				Max	0.753%		0.952%
				Min	0.014%		0.012%
				Average	0.136%		0.162%

Notes:

- 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.
- Total operating expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2021 RSU Grant

We have assessed the estimated recalculated remuneration of the grantees, including the estimated expenses of the Restricted Share Units vested in first batch. Based on the remuneration of the grantees and the total operating expenses for the year ended 31 December 2020 as extracted from the 2020 Annual Report, the estimated percentage of the recalculated remuneration of the grantees to the total operating expenses for the year 2020 are as follow:

Name	Position as the Latest Practicable Date	2021 RSU Grant			Percentage of the recalculated remuneration to the total operating expenses (Note 3) %
		Estimated expenses for the 2021 RSU Grant (Note 1) (USD'000) A	Remuneration for the year ended 31 December 2020 (Note 2) (USD'000) B	Recalculated remuneration for the year ended 31 December 2020 (USD'000) C = A + B	
Dr. Gao Yonggang	Chairman of the Board and executive Director	80	1,490	1,570	0.040
Dr. Zhao Haijun	Executive Director and co-chief executive officer	75	1,111	1,186	0.030
Mr. Lu Guoqing	Non-executive Director	136	-	136	0.003
Dr. Chen Shanzhi	Non-executive Director	136	218	354	0.009
Mr. William Tudor Brown	Independent non-executive Director	136	311	447	0.011
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	72	143	215	0.005
Mr. Fan Ren Da Anthony	Independent non-executive Director	72	148	220	0.006
Dr. Liu Ming	Independent non-executive Director	136	-	136	0.003
Dr. Zhou Zixue	Former Director (Note 4)	75	1,583	1,658	0.042
Other grantees					
4 grantees		4-34	NA (Note 5)	NA (Note 5)	Within the range of the Reference Companies

Notes:

- The estimated expenses for each of the grantees is calculated based on the closing market price per Share of HK\$16.68 as at the Latest Practicable Date times the number of Restricted Share Units vested in the first batch based on the average exchange rate of HKD:US\$0.13 for illustrative purpose only. For the avoidance of doubt, the aforesaid value may be different from the reported share-based payment expenses to be included in the Company's annual reports.
- Remuneration includes salaries and other allowances, performance-related bonus, equity-settled share option expense, retirement benefit scheme contributions as extracted from the 2020 Annual Report and management accounts provided by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Total operating expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses. The total operating expenses amounted to approximately USD3,959.52 million for the year ended 31 December 2020.
4. Dr. Zhou Zixue, has resigned as an executive Director with effect from 17 March 2022.
5. The information is not disclosed for confidential reason.

As shown in the above table, the percentage of the recalculated remuneration (C) to the total operating expenses ranged from approximately 0.003% to 0.042%, which is within the range of approximately 0.014% to 0.753% of the Reference Companies and lower than the average of approximately 0.136% of the Reference Companies.

2022 RSU Grant

We have assessed the estimated total remuneration of the grantees, including the estimated expenses of the Restricted Share Units (to be) vested in first batch. Based on the remuneration of the grantees and the total operating expenses for the year ended 31 December 2021 as extracted from the 2021 Annual Report, the estimated percentage of the total remuneration of the grantees to the total operating expenses for the year 2021 are as follow:

Name	Position as at the Latest Practicable Date	2022 RSU Grant			Percentage of the total remuneration to the total operating expenses (Note 3) %
		Estimated expenses for 2022 RSU Grant (Note 1) (USD'000) D	Remuneration for the year ended 31 December 2021 (Note 2) (USD'000) E	Total remuneration for the year ended 31 December 2021 (USD'000) F = D + E	
Dr. Gao Yonggang	Chairman of the Board and executive Director	218	1,592	1,810	0.038
Dr. Zhao Haijun	Executive Director and co-chief executive officer	218	1,564	1,782	0.038
Dr. Chen Shanzhi	Non-executive Director	201	319	520	0.011
Mr. William Tudor Brown	Independent non-executive Director	201	412	613	0.013
Professor Lau Lawrence Juen-Yee	Independent non-executive Director	201	186	387	0.008
Mr. Fan Ren Da Anthony	Independent non-executive Director	201	191	392	0.008
Dr. Zhou Zixue	Former Director (Note 4)	208	1,658	1,866	0.040
Dr. Liang Mong Song	Co-chief executive officer	218	1,447	1,665	0.035
Other grantees					
5 grantees		15-86	NA (Note 5)	NA (Note 5)	Within the range of the Reference Companies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The estimated expenses for each of the grantees is calculated based on the closing market price per Share of HK\$16.68 as at the Latest Practicable Date times the number of Restricted Share Units to be vested in the first batch based on the average exchange rate of HKD:US\$0.13 for illustrative purpose only. For the avoidance of doubt, the aforesaid value may be different from the reported share-based payment expenses to be included in the Company's annual reports.
2. Remuneration includes salaries and other allowances, performance-related bonus, equity-settled share option expense, retirement benefit scheme contributions as extracted from the 2021 Annual Report and management accounts provided by the Company.
3. Total operating expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and other net losses and expenses. The total operating expenses amounted to approximately USD 4,709.53 million for the year ended 31 December 2021.
4. Dr. Zhou Zixue, has resigned as an executive Director with effect from 17 March 2022.
5. The information is not disclosed for confidential reason.

As shown in the above table, the percentage of the total remuneration (F) to the total operating expenses ranged from approximately 0.008% to 0.040%, which is within the range of approximately 0.012% to 0.952% of the Reference Companies and lower than the average of approximately 0.162% of the Reference Companies.

In view that (i) the total remunerations of the grantees, taking into account the estimated expenses of the Restricted Share Units (to be) vested in the first batch, are in line with those of the Reference Companies; and (ii) the total remunerations of the grantees represent an insignificant portion of the total operating expenses of the Company and hence the financial impact of the such grants will be minimal, we are of the view that the Proposed RSU Grants as part of the remunerations to the grantees are fair and reasonable so far as the Independent Shareholders are concerned.

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

RECOMMENDATION

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM to approve the Proposed RSU Grants 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.

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

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

Ren Kai, aged 50, Non-Executive Director

Mr. Ren Kai (“**Mr. Ren**”), became a Director of the Company on 11 August 2015. Mr. Ren is familiar with industrial policies and has in-depth understanding in integrated circuit and related industries. From 1995 to 2014, Mr. Ren had worked in the Electromechanical Textile Credit Bureau, Chengdu representative office, the Review Bureau 4, the Review Bureau 3 and the Review Bureau 2 of China Development Bank. Since September 2014, Mr. Ren has been serving as the Vice President of Sino IC Capital Co., Ltd. Mr. Ren is also the director of JCET Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 600584), and the director of San’an Optoelectronics Co., Ltd. (a company listed on Shanghai Stock Exchange: 600703).

Mr. Ren holds a Bachelor’s degree in industry and international trade from Harbin Engineering University and a Master’s degree in software engineering from Beijing Jiaotong University.

Mr. Ren will enter into a service contract with the Company immediately after being re-elected in the AGM. He will hold office for a term ending on the earlier of (a) the end of three years after the date of re-election; or (b) the date of the 2025 annual general meeting of the Company, subject to the provisions of the Articles of Association and any other applicable law, regulations or rules of stock exchange. Mr. Ren proposed that he will not receive any remuneration as a director after re-election and the Board had resolved to accept the proposal.

Mr. Ren is currently entitled to an annual cash salary of US\$50,000 comprising US\$45,000 for serving as the non-executive Director and US\$5,000 for serving a member of the Strategic Committee. Mr. Ren’s compensation package was determined by the Board in accordance with the Company’s Policy on Directors and Senior Management Remuneration and with reference to the recommendation of the Compensation Committee and the prevailing market conditions. There were no emoluments paid to Mr. Ren for the year ended 31 December 2021. Mr. Ren is subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

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

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

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

Liu Ming, aged 58, Independent Non-Executive Director

Dr. Liu Ming (“**Dr. Liu**”), has been an independent non-executive Director of the Company since 4 February 2021. During Dr. Liu’s 33-year career in the semiconductor industry, she has contributed to research in micro/nanofabrication, NVM device and circuit, modeling and simulation, and reliability. Dr. Liu has published five Books and Chapters, more than 300 Journal papers, and more than 100 Conference Papers (including more than 40 keynote or invited papers). Dr. Liu Ming was an assistant professor in University of Yantai from 1988 to 1995. She joined and served as an associate professor, a professor in Institute of Microelectronics of the Chinese Academy of Sciences from 1999 to 2020. Since 2021, she has been a professor in Fudan University.

Dr. Liu holds Bachelor and Master of Science degree in semiconductor from Hefei University of Technology, and Doctorate in material engineering from Beijing University of Aeronautics and Astronauts. Dr. Liu has served in many important academic positions, some of which are the Chapter Chair of the Beijing Section Chapter of the IEEE Electron Devices Society (the “EDS”), and the editor to both the EDS Newsletter and Journal of Semiconductors. In 2015, she was elected as an academician of Chinese Academy of Sciences. In 2019, she was awarded the Fellow of The World Academy of Sciences (TWAS) for the advancement of science in developing countries.

Dr. Liu will enter into a service contract with the Company immediately after being re-elected in the AGM. She will hold office for a term ending on the earlier of (a) the end of three years after the date of re-election; or (b) the date of the 2025 annual general meeting of the Company, subject to the provisions of the Articles of Association and any other applicable law, regulations or rules of stock exchange.

Dr. Liu is currently entitled to (i) an annual cash salary of US\$55,000 comprising US\$45,000 for serving as an independent non-executive Director, US\$5,000 for serving a member of the Strategic Committee and US\$5,000 for serving a member of Compensation Committee and (ii) an option to subscribe for 187,500 Hong Kong Shares of the Company and 187,500 RSUs to be granted in accordance with the service contract entered into with the Company on 4 February 2021. Dr. Liu’s compensation package was determined by the Board in accordance with the Company’s Policy on Directors and Senior Management Remuneration and with reference to the recommendation of the Compensation Committee. The total amount of Dr. Liu’s emoluments (including salary and bonus) for the year ended 31 December 2021 was US\$618,000 comprising (i) fees, bonus and benefits of US\$63,000 and (ii) equity-settled share-based payments of US\$555,000. Dr. Liu is subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

As at the Latest Practicable Date, Dr. Liu was interested in (i) the share options of the Company exercisable into 187,500 Hong Kong Shares granted to her by the Company pursuant to the 2014 Stock Option Plan; and (ii) 187,500 RSUs granted to her by the Company pursuant to the 2014 Equity Incentive Plan (subject to the Independent Shareholder’s approval at the AGM) within the meaning of Part XV of the SFO.

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

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

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

*This is an explanatory statement given to all Shareholders relating to resolution no. 6 on the notice of AGM at pages 70 to 79 of this circular (the “**Resolution**”) to be considered, and if thought fit, passed by the Shareholders at the AGM authorizing the Repurchase Mandate.*

HONG KONG LISTING RULES RELATING TO REPURCHASE OF SHARES

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

SHARE CAPITAL

It is proposed that the Repurchase Mandate will authorize the repurchase by the Company of up to 10% of the Hong Kong Shares in issue as at the date of passing the Resolution. As at the Latest Practicable Date, the authorized share capital of the Company is US\$42,000,000 consisting of 10,000,000,000 Common Shares, each with a par value of US\$0.004 and 500,000,000 Preferred Shares, each with a par value of US\$0.004; and the issued share capital of the Company is approximately US\$31,638,198 comprising 7,909,549,578 Common Shares in issue, which comprises 5,971,086,578 Hong Kong Shares and 1,938,463,000 RMB Shares. Subject to the passing of the Resolution at the AGM and on the basis that no new Common Shares will be issued or repurchased up to the date of passing the Resolution, the Company would be authorized under the Repurchase Mandate to repurchase a maximum of 597,108,657 Hong Kong Shares (being 10% of the Hong Kong Shares in issue) during the period in which the Repurchase Mandate remains in force.

REASONS FOR REPURCHASE

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

FUNDING FOR REPURCHASE

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

GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company as disclosed in the audited financial statements of the Company for the year ended 31 December 2021 in the event that the Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

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

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

UNDERTAKING

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

SHARE PRICES

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

	Highest (HK\$)	Lowest (HK\$)
2021		
May	25.25	22.25
June	24.90	23.05
July	27.15	21.15
August	28.15	23.15
September	24.05	21.85
October	23.15	21.60
November	24.00	21.35
December	22.05	18.04
2022		
January	19.52	18.18
February	20.65	18.84
March	19.52	15.14
April	17.28	14.92
May (up to the Latest Practicable Date)	16.82	15.16

EFFECT OF THE TAKEOVERS CODE

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

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, (i) China Information and Communication Technology Group Co., Ltd. ("CICT"), a substantial shareholder of the Company, was interested in 924,993,450 Common Shares, representing approximately 11.69% of the issued share capital of the Company; and (ii) China Integrated Circuit Industry Investment Fund Co., Ltd. ("China IC Fund"), a substantial shareholder of the Company, was interested in 617,214,804 Common Shares, representing approximately 7.80% of the issued share capital of the Company.

Based on such interests and assuming that no further Shares are issued or repurchased prior to the date of the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed Repurchase Mandate, the interests of CICT and China IC Fund will be increased to 12.65%, and 8.44% of the issued share capital of the Company, respectively. In this regard, as

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

As at the Latest Practicable Date, approximately 78.66% of the issued share capital of the Company was held in public hands. Based on such percentage of shareholding and assuming that no further Shares are issued or repurchased prior to the date of the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed Repurchase Mandate, approximately 76.92% of the issued share capital of the Company will be held in public hands. The Directors have no present intention to exercise the proposed Repurchase Mandate to such extent as will result in less than 25% of the issued share capital of the Company held in public hands.

SHARE PURCHASE MADE BY THE COMPANY

During the six months prior to the Latest Practicable Date, the Company has repurchased a total of 8,325,500 Shares on the Stock Exchange and the details are set out below:

Date of Repurchase	No. of Shares	Purchase Price	
		Highest	Lowest
		<i>HK\$</i>	<i>HK\$</i>
19 May 2022	4,215,000	15.88	15.66
24 May 2022	4,110,500	16.68	16.38

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' Interests in Securities of the Company

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

Unit: Share

Name	Long/Short Position	Nature of Interests	Number of Common Shares held	Options (Hong Kong Shares)	Restricted		Total Interests	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
					Share Units (Hong Kong Shares)	Restricted Shares (RMB Shares)		
Executive Directors								
Gao Yonggang	Long Position	Beneficial Owner	-	2,532,350 (Note 2)	865,051 (Note 3)	360,000 (Note 4)	3,757,401	0.05%
Zhao Haijun	Long Position	Beneficial Owner	-	2,372,588 (Note 5)	626,191 (Note 6)	400,000 (Note 7)	3,398,779	0.04%
Non-executive Directors								
Lu Guoqing	Long Position	Beneficial Owner	-	187,500 (Note 8)	187,500 (Note 9)	-	375,000	0.00%
Chen Shanzhi	Long Position	Beneficial Owner	-	475,156 (Note 10)	567,656 (Note 11)	-	1,042,812	0.01%
Huang Dengshan	-	-	-	-	-	-	-	-
Ren Kai	-	-	-	-	-	-	-	-

Name	Long/Short Position	Nature of Interests	Number of Common Shares held	Options (Hong Kong Shares)	Restricted		Total Interests	Percentage of aggregate interests to total issued share capital of the Company (Note 1)
					Share Units (Hong Kong Shares)	Restricted Shares (RMB Shares)		
Independent Non-executive Directors								
William Tudor Brown	Long Position	Beneficial Owner	—	275,000 (Note 12)	367,500 (Note 13)	—	642,500	0.01%
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	—	32,877 (Note 14)	125,377 (Note 15)	—	158,254	0.00%
Fan Ren Da Anthony	Long Position	Beneficial Owner	187,500	220,377 (Note 16)	125,377 (Note 17)	—	553,254	0.01%
Liu Ming	Long Position	Beneficial Owner	—	187,500 (Note 18)	187,500 (Note 19)	—	375,000	0.00%
Co-Chief Executive Officer								
Liang Mong Song	Long Position	Beneficial Owner		659,117 (Note 20)	661,346 (Note 21)	400,000 (Note 22)	1,720,463	0.02%

- Based on 7,909,549,578 shares in issue as at the Latest Practicable Date.
- These options comprise: (a) options which were granted to Dr. Gao on June 17, 2013 to purchase 1,360,824 Hong Kong Shares at a price of HK\$6.24 per share pursuant to the 2004 Stock Option Plan 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 Hong Kong Shares at a price of HK\$6.4 per share pursuant to the 2014 Stock Option Plan 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 Hong Kong 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 Hong Kong 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 November 17, 2014, Dr. Gao was granted an award of 291,083 Restricted Share Units (each representing the right to receive one Hong Kong Share) (“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 pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders’ approval at the

- AGM. These RSUs, 25% of which vest on each anniversary of March 1, 2021 and which shall fully vest on March 1, 2025. (d) On April 8, 2022, Dr. Gao was granted an award of 400,764 RSUs pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs, 25% of which vest on each anniversary of March 1, 2022 and which shall fully vest on March 1, 2026. As of the Latest Practicable Date, 205,578 of these RSUs were exercised
4. On July 19, 2021, Dr. Gao was granted 360,000 Restricted Shares at a price of RMB20.0 per RMB Share pursuant to the 2021 STAR Market Restricted Share Incentive Scheme. These Restricted Shares may be attributed in 4 tranches as per the agreed proportions upon Dr. Gao satisfying the corresponding attribution conditions. As of the Latest Practicable Date, none of these Restricted Shares has been vested.
 5. These options comprise: (a) options which were granted to Dr. Zhao on June 11, 2013 to purchase 1,505,854 Hong Kong Shares at a price of HK\$6.40 per share pursuant to the 2004 Stock Option Plan 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 Hong Kong Shares at a price of HK\$7.9 per share pursuant to the 2014 Stock Option Plan will expire on the earlier of September 6, 2027 or 90 days after termination of his service as the Co-Chief Executive Officer. (c) On May 25, 2020, Dr. Zhao was granted options to purchase 219,706 Hong Kong 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 Hong Kong 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.
 6. (a) On May 25, 2020, Dr. Zhao was granted an award of 86,603 RSUs 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 pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs, 25% of which vest on each anniversary of March 1, 2021 and which shall fully vest on March 1, 2025. (c) On April 8, 2022, Dr. Zhao was granted an award of 401,538 RSUs pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs, 25% of which vest on each anniversary of March 1, 2022 and which shall fully vest on March 1, 2026. As of the Latest Practicable Date, none of these RSUs has been exercised.
 7. On July 19, 2021, Dr. Zhao was granted 400,000 Restricted Shares at a price of RMB20.0 per RMB Share pursuant to the 2021 STAR Market Restricted Share Incentive Scheme. These Restricted Shares may be attributed in 4 tranches as per the agreed proportions upon Dr. Zhao satisfying the corresponding attribution conditions. As of the Latest Practicable Date, none of these Restricted Shares has been vested.
 8. On May 31, 2021, Mr. Lu was granted options to purchase 187,500 Hong Kong 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. On May 31, 2021, Mr. Lu was granted an award of 187,500 RSUs 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.

10. These options comprise: (a) On May 25, 2016, options to purchase 98,958 Hong Kong Shares at a price of HK\$6.42 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options 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 Hong Kong Shares at a price of HK\$8.72 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options 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 Hong Kong Shares at a price of HK\$9.834 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options 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 Hong Kong 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 Hong Kong 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 Hong Kong 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 Hong Kong 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 the AGM. These RSUs shall vest on January 1, 2022. (h) On April 8, 2022, 92,500 RSUs were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs shall vest on January 1, 2023. As of the Latest Practicable Date, none of these RSUs has been exercised.
12. These options comprise: (a) On May 23, 2018, options to purchase 87,500 Hong Kong 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 Hong Kong 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 Hong Kong 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 Hong Kong 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.

13. (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 the AGM. These RSUs shall vest on January 1, 2022. (e) On April 8, 2022, 92,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs shall vest on January 1, 2023. As of the Latest Practicable Date, none of these RSUs has been exercised.
14. On May 31, 2021, options to purchase 32,877 Hong Kong 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.
15. (a) 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 the AGM. These RSUs shall vest on January 1, 2022. (b) On April 8, 2022, 92,500 RSUs were granted to Professor Lau pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs shall vest on January 1, 2023. As of the Latest Practicable Date, none of these RSUs has been exercised.
16. (a) On September 13, 2018, Mr. Fan was granted options to purchase 187,500 Hong Kong 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 Hong Kong 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.
17. (a) 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 the AGM. These RSUs shall vest on January 1, 2022. (b) On April 8, 2022, 92,500 RSUs were granted to Mr. Fan pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs shall vest on January 1, 2023. As of the Latest Practicable Date, none of these RSUs has been exercised.
18. On May 31, 2021, Dr. Liu was granted options to purchase 187,500 Hong Kong 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.
19. 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 the AGM. 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.
20. On May 25, 2020, Dr. Liang was granted options to purchase 659,117 Hong Kong Shares at a price of HK\$18.096 per share pursuant to the 2014 Stock Option Plan. These options will expire on May 24, 2030. As of the Latest Practicable Date, none of these options has been exercised.

21. (a) On May 25, 2020, Dr. Liang was granted an award of 259,808 RSUs 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. (b) On April 8, 2022, 401,538 RSUs were granted to Dr. Liang pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the AGM. These RSUs, 25% of which vest on each anniversary of March 1, 2022 and which shall fully vest on March 1, 2026. As of the Latest Practicable Date, none of these RSUs has been exercised.
22. On July 19, 2021, Dr. Liang was granted 400,000 Restricted Shares at a price of RMB20.0 per RMB Share pursuant to the 2021 STAR Market Restricted Share Incentive Scheme. These Restricted Shares may be attributed in 4 tranches as per the agreed proportions upon Dr. Liang satisfying the corresponding attribution conditions. As of the Latest Practicable Date, none of these Restricted Shares has been vested.

Substantial shareholders

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

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Common Shares held		Percentage of Shares held to total issued Share Capital % ⁽¹⁾	Derivatives	Percentage of total interests to total issued Share Capital % ⁽¹⁾	
			Held Directly	Held Indirectly			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⁾	852,522,595 ⁽²⁾	11.69	-	924,993,450	11.69
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	852,522,595 ⁽²⁾	-	10.78	-	852,522,595	10.78

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Common Shares held		Percentage of Common Shares held to total issued Share Capital % ⁽¹⁾	Derivatives	Percentage of total interests to total issued Share Capital % ⁽¹⁾	
			Held Directly	Held Indirectly			Total Interests	issued Share Capital % ⁽¹⁾
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	-	617,214,804 ⁽³⁾	7.80	-	617,214,804	7.80
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	617,214,804 ⁽³⁾	-	7.80	-	617,214,804	7.80

Notes:

1. Based on 7,909,549,578 shares in issue as at the Latest Practicable Date.
2. 852,522,595 Hong Kong 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 RMB Shares, for a total of 924,993,450 shares.
3. 617,214,804 Hong Kong Shares are held by Xinxin HK, a wholly-owned subsidiary of Xunxin (Shanghai) Investment Co., Ltd., which in turn is wholly-owned by China IC Fund.

3. MATERIAL CHANGES

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

4. DIRECTORS' INTEREST IN SERVICE CONTRACTS

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

5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

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

6. EXPERT AND CONSENT

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

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 2021, 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 1 June 2022 is set out on pages 35 to 52 for incorporation herein.

7. MISCELLANEOUS

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

The Company has two joint company secretaries, Ms. Guo Guangli and Ms. Hoo Mei Fung.

Ms. Guo Guangli serves as a vice president, Board Secretary and Joint Company Secretary of the Company. Ms. Guo has served as general manager of financial department of Datang Telecom Technology Co., Ltd., the member of the Party Committee, chief accountant of Datang Telecom Technology Industry Group, and also the chairman of Datang Telecom finance company. Ms. Guo is a Chinese Certified Public Accountant. She received a bachelor of law degree from Beijing University of Aeronautics and Astronautics and a master of accounting from the Central University of Finance and Economics. Ms. Guo is guest advisor of Central University of Finance and Economics, the special expert of China Financial Management Association, affiliated person of the Hong Kong Chartered Governance Institute. Ms. Guo has rich experience in financial management and investment and financing projects of capital market.

Ms. Hoo Mei Fung, joined the Company in June 2005 and is the director of board affairs office and compliance officer of the Company. Prior to joining the Company, Ms. Hoo had worked in McKinsey & Co. and Pricewaterhouse focusing on accounting and tax advisory matters. Ms. Hoo has more than ten years of experiences in handling company secretarial work and listing matters of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Accountants of Australia and New Zealand. Ms. Hoo obtained her bachelor degree in accounting, finance and economics from the University of Essex, the United Kingdom.

8. DOCUMENTS ON DISPLAY

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

- (a) the letter from the Independent Board Committees, the text of which is set out in this circular;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders, the text of which is set out in this circular;
- (c) the full terms of the 2014 Equity Incentive Plan;

- (d) the written consent of FDB Financial Group Limited, the Independent Financial Adviser, referred to in this appendix; and
- (e) this circular.

9. LANGUAGE

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

NOTICE OF THE ANNUAL 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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (“AGM”) of Semiconductor Manufacturing International Corporation (the “Company”) will be held wholly via electronic means (of which there will be a live webcast comprising both video (audio-visual) and audio-only feeds) on 24 June 2022 at 2:00 p.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESS

1. To receive and consider the 2021 annual report of the Company (including the audited consolidated financial statements and the reports of the directors of the Company (“Director(s)”) and the auditors of the Company for the year ended 31 December 2021.
2. To:
 - 2.1 Re-elect Mr. Ren Kai a non-executive Director.
 - 2.2 Re-elect Dr. Liu Ming as an independent non-executive Director.
 - 2.3 Authorize the board of Directors (the “Board”) to fix the remuneration of the re-elected Directors.
3. To consider and, if thought fit, approve the re-appointment of Ernst & Young and Ernst & Young Hua Ming LLP as the auditors of the Company for the financial reporting in accordance with International Financial Reporting Standards and the financial reporting in accordance with China Accounting Standards for Business Enterprises purposes, respectively, and to authorize the audit committee of the Board to fix their remuneration.
4. To consider and, if thought fit, approve the proposal recommended by the Board that, in light of the large capital demand of the Company in 2022 and the needs of future development of the Company which will render the Company not being able to satisfy certain conditions for making profit distribution in accordance with the profit distribution policy adopted pursuant to the ordinary resolution passed by the shareholders of the Company on 1 June 2021, the Company will not declare or make any dividend or distribution to its shareholders for the year 2021.

NOTICE OF THE ANNUAL GENERAL MEETING

SPECIAL BUSINESSES

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

5. **“THAT:**

- (A) subject to paragraph (B) below, the exercise by the Board during the Relevant Period (as defined below) of all the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Hong Kong Shares (as defined below) and to make, issue or grant offers, agreements, options, warrants and other securities which will or might require the Hong Kong Shares to be allotted, issued, granted, distributed or otherwise dealt with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;
- (B) the aggregate number of shares allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted, distributed or otherwise dealt with (whether pursuant to an option, conversion or otherwise) by the Board pursuant to the approval in paragraph (A) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below); or
 - (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the Directors and/or officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, including without limitation pursuant to the Company’s (i) 2004 Stock Option Plan, 2004 Employee Stock Purchase Plan and 2004 Equity Incentive Plan; and (ii) 2014 Stock Option Plan, 2014 Employee Stock Purchase Plan and 2014 Equity Incentive Plan adopted by the Company at the annual general meeting of the Company held on 13 June 2013; or
 - (iii) the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into Shares; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the articles of association of the Company (the **“Articles of Association”**) from time to time, shall not exceed the aggregate of:
 - (a) twenty per cent. of the number of issued Hong Kong Shares as at the date of passing this Resolution 5 (the **“Issue Mandate Limit”**); and

NOTICE OF THE ANNUAL GENERAL MEETING

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

and the said approval shall be limited accordingly;

(C) for the purposes of calculating the number of Hong Kong Shares that may be issued under the Issue Mandate Limit, the number of new Hong Kong Shares allotted and issued upon the exercise of any right to subscribe for or purchase Hong Kong Shares attached to any Hong Kong Shares (“**Convertible Shares**”) issued pursuant to this resolution shall, to the extent of the amount of the aggregate number of such new Hong Kong Shares to be issued that is equal to the aggregate number of such Convertible Shares and provided that such Convertible Shares are cancelled on or after the issue of such new Hong Kong Shares, be disregarded;

(D) for the purpose of this Resolution 5:

(i) “**Relevant Period**” means the period from (and including) the date of passing this Resolution 5 until the earlier of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or by law to be held; or
- (c) the revocation or variation of the authority given under this Resolution 5 by an ordinary resolution of the shareholders of the Company in a general meeting;

(ii) “**Rights Issue**” means an offer of Shares open for a period fixed by the Board to holders of Shares on the register of members (and, if appropriate, to the holders of warrants and other securities which carry a right to subscribe or purchase shares in the Company on the relevant register) on a fixed record date in proportion to their then holdings of such Shares (and, if appropriate, such warrants and other securities) (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company);

NOTICE OF THE ANNUAL GENERAL MEETING

- (iii) “**Hong Kong Shares**” means the common shares of US\$0.004 each in the share capital of the Company which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and warrants and other securities which carry a right to subscribe for or purchase such shares in the Company; and
- (iv) “**Shares**” means shares of all classes in the capital of the Company (including but not limited to common shares and preferred shares of par value US\$0.004 each in the capital of the Company) and warrants and other securities which carry a right to subscribe for or purchase shares in the Company.”

6. “**THAT:**

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

NOTICE OF THE ANNUAL GENERAL MEETING

7. “**THAT**, conditional on the passing of Resolutions 5 and 6, the exercise by the Board of the powers referred to in paragraph (A) of Resolution 5 in respect of the share capital of the Company referred to in sub-paragraph (b) of paragraph (B) of Resolution 5, be and is hereby approved and authorized.”
8. “**THAT**:
 - 8.1 the proposed grant of 147,482 restricted share units (“**RSU(s)**”) to Dr. Gao Yonggang on 31 May 2021, an executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
 - 8.2 the proposed grant of 138,050 RSUs to Dr. Zhao Haijun on 31 May 2021, an executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
 - 8.3 the proposed grant of 187,500 RSUs to Mr. Lu Guoqing on 31 May 2021, a non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
 - 8.4 the proposed grant of 62,500 RSUs to Dr. Chen Shanzhi on 31 May 2021, a non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
 - 8.5 the proposed grant of 62,500 RSUs to Mr. William Tudor Brown on 31 May 2021, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
 - 8.6 the proposed grant of 32,877 RSUs to Professor Lau Lawrence Juen-Yee on 31 May 2021, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
 - 8.7 the proposed grant of 32,877 RSUs to Mr. Fan Ren Da Anthony on 31 May 2021, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;

NOTICE OF THE ANNUAL GENERAL MEETING

- 8.8 the proposed grant of 187,500 RSUs to Dr. Liu Ming on 31 May 2021, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 8.9 the proposed grant of 138,050 RSUs to Dr. Zhou Zixue on 31 May 2021, a former executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 8.10 the proposed grant of 61,138 RSUs to Dr. Zhou Meisheng on 31 May 2021, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 8.11 the proposed grant of 38,330 RSUs to Mr. Zhang Xin on 31 May 2021, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 8.12 the proposed grant of 21,504 RSUs to Mr. Lin Hsin-Fa on 31 May 2021, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 8.13 the proposed grant of 5,562 RSUs to Dr. Wang Yong on 31 May 2021, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- 8.14 any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue the shares of the Company pursuant to the proposed RSU grant under on 31 May 2021 the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 in accordance with the terms of the 2014 Equity Incentive Plan and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed RSU grant on 31 May 2021.”
9. **“THAT:**
- 9.1 the proposed grant of 400,764 RSUs to Dr. Gao Yonggang on 8 April 2022, an executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;

NOTICE OF THE ANNUAL GENERAL MEETING

- 9.2 the proposed grant of 401,538 RSUs to Dr. Zhao Haijun on 8 April 2022, an executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.3 the proposed grant of 92,500 RSUs to Dr. Chen Shanzhi on 8 April 2022, a non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.4 the proposed grant of 92,500 RSUs to Mr. William Tudor Brown on 8 April 2022, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.5 the proposed grant of 92,500 RSUs to Professor Lau Lawrence Juen-Yee on 8 April 2022, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.6 the proposed grant of 92,500 RSUs to Mr. Fan Ren Da Anthony on 8 April 2022, an independent non-executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.7 the proposed grant of 382,349 RSUs to Dr. Zhou Zixue on 8 April 2022, a former executive Director of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.8 the proposed grant of 401,538 RSUs to Dr. Liang Mong Song on 8 April 2022, the co-chief executive officer of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed
- 9.9 the proposed grant of 158,070 RSUs to Dr. Zhou Meisheng on 8 April 2022, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.10 the proposed grant of 148,649 RSUs to Mr. Zhang Xin on 8 April 2022, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;

NOTICE OF THE ANNUAL GENERAL MEETING

- 9.11 the proposed grant of 98,713 RSUs to Mr. John Peng on 8 April 2022, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.12 the proposed grant of 62,547 RSUs to Mr. Lin Hsin-Fa on 8 April 2022, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed;
- 9.13 the proposed grant of 27,500 RSUs to Dr. Wang Yong on 8 April 2022, a director of the subsidiary of the Company, in accordance with the terms of the 2014 Equity Incentive Plan, and subject to all applicable laws, rules, regulations and the other applicable documents, be and is hereby approved and confirmed; and
- 9.14 any director(s) of the Company be and is hereby authorised to exercise the powers of the Company to allot and issue the shares of the Company pursuant to the proposed RSU grant on 8 April 2022 under the specific mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2013 in accordance with the terms of the 2014 Equity Incentive Plan and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with the implementation and completion of the transactions contemplated pursuant to the proposed RSU grant on 8 April 2022.”

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

Shanghai, 1 June 2022

Principal place of business:

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

Registered office:

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

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

NOTICE OF THE ANNUAL GENERAL MEETING

Executive Directors:

GAO Yonggang
ZHAO Haijun

Non-executive Directors:

LU Guoging
CHEN Shanzhi
HUANG Dengshan
REN Kai

Independent Non-executive Directors:

William Tudor BROWN
LAU Lawrence Juen-Yee
FAN Ren Da Anthony
LIU Ming

Notes:

1. The AGM will be held by way of electronic means and will be broadcasted by live webcast. For Shareholders who wish to attend the AGM, please contact Company's Hong Kong share registrar at +852 2862 8555 as soon as possible for arrangement from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding Hong Kong public holidays), but in any event not later than 5:00 p.m. on 22 June 2022. If Shareholders have any enquiries regarding the above arrangement, they should contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at the same hotline and office hours stated above from Monday to Friday (excluding Hong Kong public holidays). Shareholders participate in the AGM may submit questions related to the resolutions of the AGM in advance by 2:00 p.m. on 22 June 2022 to the Company by email at IR@smics.com; and/or via electronic means in writing via the online platform during the AGM.
2. **Voting (in real time via electronic means or by the appointment of the chairman of the AGM as proxy):** Shareholders who wish to vote at the AGM can either (i) pre-register to attend and vote (in real time) at the AGM via electronic means; or (ii) if they do not wish to attend and vote (in real time) at the AGM, submit a proxy form to appoint the chairman of the AGM or other person to vote on their behalf via electronic means. All proxy forms must be received by the Company by 2:00 p.m. on 22 June 2022 (being 48 hours before the time appointed for the holding of the AGM). Where a Shareholder has chosen to appoint the chairman of the AGM or other person as his/her proxy, the Shareholder should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the resolutions to be tabled at the AGM. If no specific direction as to voting is given, the proxy (including the chairman as proxy, where applicable) will vote or abstain from voting at his/her discretion. For the avoidance of doubt, pre-registration is not required if a Shareholder only intends to appoint the chairman as proxy and does not intend to attend the AGM.
3. The register of members of the Company will be closed from 21 June 2022 to 24 June 2022 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for attending and voting at the AGM, all transfers of Hong Kong Shares, accompanied by the relevant certificates, must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 20 June 2022. All persons who are registered holders of the Hong Kong Shares whose names appear on the register of members of Hong Kong Shares on 24 June 2022 or, registered holders of the RMB Shares whose names appear on the register members of RMB Shares on 20 June 2022, will be entitled to attend and vote at the annual general meeting. Further announcement will be made by the Company on the website of the SSE regarding arrangements for holders of Shares listed on the STAR Market of the SSE in accordance with the requirements of the SSE.

NOTICE OF THE ANNUAL GENERAL MEETING

4. Shareholders are advised to read the circular of the Company dated 1 June 2022 which contains information concerning the resolutions to be proposed at the AGM.
5. The voting at the AGM will be taken by a poll.
6. This notice and the proxy form have also been posted on the websites of the Company and the Stock Exchange respectively.
7. Shareholders should note that the manner of conduct of the AGM may be subject to further changes at short notice. Shareholders are advised to check the Stock Exchange's website and the Company's website regularly for updates.