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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
FORMATION OF JOINT VENTURE COMPANY IN BEIJING**

**FORMATION OF THE JOINT VENTURE COMPANY**

Reference is made to the Company's announcement dated 31 July 2020 in respect of the disclosure of the inside information regarding the entering into of the Cooperation Framework Agreement between the Company and BDAC pursuant to which the Company and BDAC intended to jointly establish the Joint Venture Company in the PRC for the development and operation of the Project.

The Company is pleased to announce that on 4 December 2020 (after trading hours), SMIC Holdings, China IC Fund II and E-Town Capital entered into the Joint Venture Agreement to jointly establish the Joint Venture Company. The registered capital of the Joint Venture Company is US\$5 billion, of which SMIC Holdings, China IC Fund II and E-Town Capital agreed to contribute US\$2.55 billion, US\$1.2245 billion and US\$1.2255 billion, respectively, representing 51%, 24.49% and 24.51% of the registered capital of the Joint Venture Company, respectively.

**IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As China IC Fund II holds 23.077% equity interest in SMSC, which is regarded as a subsidiary of the Company since SMIC Holdings is entitled to appoint the majority of the directors in SMSC's board of directors and those directors can veto certain material matters discussed in the board meeting of SMSC at its sole discretion, China IC Fund II is a connected person of the Company at the subsidiary level by way of being a substantial shareholder (as defined in the Hong Kong Listing Rules) of SMSC. Accordingly, the Joint Venture Agreement constitutes a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules.

As certain of the applicable percentage ratios stipulated under rule 14.07 of the Hong Kong Listing Rules in respect of the Joint Venture Agreement exceed 5% but are less than 25%, the Joint Venture Agreement constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

As (i) the Board has approved the Joint Venture Agreement and the transactions contemplated thereunder; and (ii) the Board (including the independent non-executive Directors) has confirmed that the terms of the Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Joint Venture Agreement is only subject to reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements pursuant to rule 14A.101 of the Hong Kong Listing Rules.

## **FORMATION OF THE JOINT VENTURE COMPANY**

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## **THE JOINT VENTURE AGREEMENT**

The principal terms of the Joint Venture Agreement are set out as follows:

### **Date**

4 December 2020

### **Parties**

- (a) SMIC Holdings;
- (b) China IC Fund II; and
- (c) E-Town Capital.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, other than China IC Fund II for the reasons disclosed in this announcement and save for E-Town Capital's equity interest of 5.75% in SMNC, E-Town Capital and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

### **Scope of Business**

The business scope of the Joint Venture Company includes manufacturing of 12-inch integrated circuit wafers and integrated circuit packaging series; technical testing; technical development, technical services, and design services related to integrated circuits; sales of self-produced products (for projects which require the approval in accordance with the law, the business activities to be carried out in accordance with the approved contents as determined by the relevant authorities) (subject to the contents ultimately approved and registered by the Administration for Market Regulation).

### **Registered Capital and Capital Commitment**

The Joint Venture Company's total investment amount is US\$7.6 billion and its registered capital is US\$5 billion.

The details of capital commitment to be made by the Shareholders are as follows:

<b>Shareholder</b>	<b>Capital Commitment (US\$)</b>	<b>Means of Contribution</b>	<b>Shareholding</b>
SMIC Holdings	2.55 billion	Cash	51%
China IC Fund II	1.2245 billion	Cash	24.49%
E-Town Capital	1.2255 billion	Cash	24.51%

With the approval of the board of directors of the Joint Venture Company, the Joint Venture Company may raise funds in respect of the difference between the total investment and its registered capital from banks or other financial or non-financial institutions within the PRC and abroad or from parties to the Joint Venture Agreement. The Joint Venture Company may mortgage or pledge its assets for the purpose of raising and obtaining the aforesaid funds with the approval of the board of directors of the Joint Venture Company.

In consideration of the factors such as the Company's strategic planning, financial and capital position, the Company has determined its investment amount. The capital contribution to be made by the Company will be funded by internal resources. Each Shareholder is required to inject 30% of its agreed capital commitment by 31 December 2020. Each Shareholder is required to pay up the remaining 70% of the agreed capital commitments by 31 December 2024. In between the aforesaid capital contribution deadlines, the Joint Venture Company can, according to the actual capital demand and after the unanimous agreement formed and resolutions made at the meetings of the board of directors, issue notices of capital contribution to all parties requesting the relevant parties to complete the capital contribution in stages or at once. The last capital contribution shall not be later than 31 December 2024. If any of the parties fails to fulfill its obligation to pay its agreed contribution in the same proportion at any stages of the payment schedule, the other parties shall be entitled to refuse to pay its portion of contribution.

SMIC Holdings shall make its contribution in cash and in United States dollars or in an amount in RMB equivalent to its contribution in United States dollars. The other parties shall contribute in cash and in an amount in RMB equivalent to its corresponding contribution in United States dollars. The exchange rate applicable shall be calculated based on the central parity rate of RMB to United States dollars of the People's Bank of China on the date of contribution.

#### **Composition of the Board of the Joint Venture Company**

The board of the Joint Venture Company will comprise five directors, with three directors to be nominated by SMIC Holdings, one director to be nominated by China IC Fund II and one director to be nominated by E-Town Capital. The directors will be elected by the Shareholders at the meeting of the Shareholders. The chairman of the board will be elected by the board of the Joint Venture Company.

#### **Composition of the Supervisory Board of the Joint Venture Company**

The supervisory board of the Joint Venture Company will comprise three members with one member to be nominated by China IC Fund II and elected by the Shareholders at the meeting of the Shareholders, one member to be nominated by E-Town Capital and elected by the Shareholders at the meeting of the Shareholders and one member to be nominated and elected by the employee representatives of the Joint Venture Company. The chairman of the supervisory board will be elected by the supervisory board.

## **Restriction on transfer**

As long as SMIC Holdings remains as the single largest shareholder controlling the Joint Venture Company, all parties to Joint Venture Agreement shall have the right to purchase all or part of the equity interest of each other in the Joint Venture Company and where any Shareholder intends to transfer its equity interest in the Joint Venture Company to a third party, the other non-transferring parties shall have the right to purchase all the equity interest to be transferred at the price, terms and conditions no less favourable than those provided to the third party. Prior written consent of SMIC Holdings shall be obtained if any non-controlling Shareholder transfers its subscribed but unpaid equity interest of the Joint Venture Company. If SMIC Holdings and China IC Fund II intend to purchase all or part of the equity interest of E-Town Capital in the Joint Venture Company, relevant laws and regulations in respect of transfer of state-owned equity interest shall be observed.

On the premise that SMIC Holdings remains as a shareholder of the Joint Venture Company, China IC Fund II and E-Town Capital agree that the proposed transferee of equity interest of the Joint Venture Company under the Joint Venture Agreement shall not compete with the businesses and products of the Company and its controlled affiliated parties and shall not be an entity engaging in businesses which compete with the integrated circuit manufacturing business.

## **Other terms**

Pursuant to the Joint Venture Agreement, as long as SMIC Holdings remains as the single largest shareholder controlling the Joint Venture Company, SMIC Holdings will procure the Company and its designated affiliated parties to agree to authorise the Joint Venture Company to use the manufacturing technologies, including but not limited to 28nm and above technology that the said entities could lawfully employ. Such authorization arrangements shall be agreed after formation of the Joint Venture Company through signing separate authorization agreements by the Joint Venture Company with the Company and its designated affiliated parties.

The term of operation of the Joint Venture Company will be 50 years from the date of formation. The parties to the Joint Venture Agreement may unanimously agree to extend the term of operation of the Joint Venture Company.

The terms of the parties under the Joint Venture Agreement are subject to compliance with applicable laws (including requirements of regulatory authorities (including but not limited to the Stock Exchange and the SSE)).

## **REASONS FOR AND BENEFITS OF ESTABLISHING THE JOINT VENTURE COMPANY**

The Company considers that the establishment of the Joint Venture Company may meet the growing market and customer needs and enable the Company to expand its production scale, reduce its costs of production, advance its foundry service and thus promote the sustainable development of the Company.

The Board (including the independent non-executive Directors) considers that the terms of the Joint Venture Agreement are fair and reasonable, and the entering into of the Joint Venture Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

Save for Mr. Lu Jun, who is a Class II non-executive Director and a member of the nomination committee of the Company and also a director of China IC Fund II, no Director is considered to have a material interest in Joint Venture Agreement which would have required the Director to abstain from voting at the board meeting authorising the Joint Venture Agreement.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As China IC Fund II holds 23.077% equity interest in SMSC, which is regarded as a subsidiary of the Company since SMIC Holdings is entitled to appoint the majority of the directors in SMSC's board of directors and those directors can veto certain material matters discussed at a general meeting of SMSC at its sole discretion, China IC Fund II is a connected person of the Company at the subsidiary level by way of being a substantial shareholder (as defined in the Hong Kong Listing Rules) of SMSC. Accordingly, the Joint Venture Agreement constitutes a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules.

As certain of the applicable percentage ratios stipulated under rule 14.07 of the Hong Kong Listing Rules in respect of the Joint Venture Agreement exceed 5% but are less than 25%, the Joint Venture Agreement constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

As (i) the Board has approved the Joint Venture Agreement and the transactions contemplated thereunder; and (ii) the Board (including the independent non-executive Directors) has confirmed that the terms of the Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Joint Venture Agreement is only subject to reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements pursuant to rule 14A.101 of the Hong Kong Listing Rules.

The Joint Venture Agreement and the transactions contemplated thereunder are also required to be disclosed at the SSE as they constitute related transactions pursuant to the relevant rules of the Science and Technology Innovation Board of the SSE.

## **INFORMATION ABOUT THE PARTIES**

### **The Company and SMIC Holdings**

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

### **China IC Fund II**

China IC Fund II, incorporated in October 2019, mainly invests in the value chain of integrated circuit industry via equity investment, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. There are 27 fund investors in China IC Fund II, including, among others, the Ministry of Finance of the PRC (as the single largest shareholder holding 11.02% shareholding interest), CDB Capital (holding 10.78% shareholding interest), Chengdu Tianfu Guoji Investment Co., Ltd (holding 7.35% shareholding interest), Chongqing Strategic Emerging Industries Equity Investment Fund Partnership (Limited Partnership) (holding 7.35% shareholding interest), Wuhan Optics Valley Financial Holding Group Co., Ltd. (holding 7.35% shareholding interest), China National Tobacco Corporation (holding 7.35% shareholding interest), Shanghai Guosheng (Group) Co., Ltd. (holding 7.35% shareholding interest), Zhejiang Fuzhe Integrated Circuit Industry Development Co., Ltd. (holding 7.35% shareholding interest) and a group of 19 shareholders (holding less than 7% shareholding interest each) comprising companies, partnerships and Sino IC Capital Co., Ltd. (which also acts as the fund manager). For further details about China IC Fund II, please refer to the circular of the Company dated 6 June 2020.



## E-Town Capital

E-Town Capital was founded in February 2009 and is a wholly-owned subsidiary of the Beijing Economic-Technological Development Area Financial Audit Bureau. As a State-owned investment corporation for industrial transformations and improvements in the Beijing Economic-Technological Development Area, it can provide innovative financial services in response to development demands of local enterprises. Through long-cycle investment strategies, development of full-flow Fund of Funds systems (FOFs) and use of its market strength, it develops diverse industrial investment and financial service and aims to promote the development of integrated circuit and create intelligent industrial clusters. As at the date of this announcement, E-Town Capital holds 5.75% equity interest in SMNC.

## DEFINITIONS

In this announcement, the following words have the following meanings unless the context requires otherwise:

“BDAC”	Beijing Economic-Technological Development Area Management Committee* (北京經濟技術開發區管理委員會)
“Board”	the board of Directors
“China IC Fund II”	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (國家集成電路產業投資基金二期股份有限公司), a company established under the laws of the PRC
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Science and Technology Innovation Board of the SSE
“Cooperation Framework Agreement”	cooperation framework agreement entered into between the Company and BDAC on 31 July 2020 in respect of, among other matters, the proposed formation of a joint venture company
“Director(s)”	the director (s) of the Company
“E-Town Capital”	Beijing E-Town International Investment & Development Co., Ltd.* (北京亦莊國際投資發展有限公司), a company established under the laws of the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Joint Venture Agreement”	the joint venture agreement entered into among SMIC Holdings, China IC Fund II and E-Town Capital on 4 December 2020 in relation to the Joint Venture Company
“Joint Venture Company”	Semiconductor Manufacturing Beijing Corporation* (中芯京城集成電路製造(北京)有限公司), a limited liability company to be established in the PRC pursuant to the Joint Venture Agreement as a non wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Project”	the development of 12-inch wafer production facilities in Beijing
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Joint Venture Company
“SMIC Holdings”	SMIC Holdings Corporation* (中芯國際控股有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“SMNC”	Semiconductor Manufacturing North China (Beijing) Corporation* (中芯北方集成電路製造(北京)有限公司), a company established under the laws of the PRC and a non wholly-owned subsidiary of the Company
“SMSC”	Semiconductor Manufacturing South China Corporation* (中芯南方集成電路製造有限公司), a Chinese-foreign joint venture established under the laws of the PRC and a non wholly-owned subsidiary of the Company
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States of America

By order of the Board  
**Semiconductor Manufacturing International Corporation**  
**Gao Yonggang**  
*Executive Director, Chief Financial Officer*  
*and Company Secretary*

Shanghai, 4 December 2020

As at the date of this announcement, the directors of the Company are:

**Executive Directors**

ZHOU Zixue (*Chairman*)

ZHAO Haijun (*Co-Chief Executive Officer*)

LIANG Mong Song (*Co-Chief Executive Officer*)

GAO Yonggang (*Chief Financial Officer and Company Secretary*)

**Non-executive Directors**

CHEN Shanzhi

ZHOU Jie

REN Kai

LU Jun

TONG Guohua

**Independent non-executive Directors**

William Tudor Brown

CONG Jingsheng Jason

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

YOUNG Kwang Leei

\* *For identification purposes only*