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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)

**CONNECTED TRANSACTION
REDUCTION OF PERCENTAGE EQUITY INTEREST
IN NINGBO SEMICONDUCTOR
INTERNATIONAL CORPORATION AND
SUPPLEMENTAL INFORMATION REGARDING THE INSIDE INFORMATION**

THE CAPITAL CONTRIBUTION

Reference is made to the announcement of the Company dated 26 March 2018 in relation to the equity transfer and capital contribution in the Joint Venture Company.

On 4 December 2020 (after trading hours), the Joint Venture Company, SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng entered into the Capital Increase Agreement, pursuant to which Ningbo IC, Hengyuan and Deyue Gaopeng, as new shareholders of the Joint Venture Company, agreed to each make capital contribution of RMB1 billion to the Joint Venture Company and the other existing shareholders of the Joint Venture Company (including SMIC Holdings) will not make additional capital contribution to the Joint Venture Company.

On 4 December 2020 (after trading hours), SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng entered into the New Joint Venture Agreement for the Capital Contribution.

As a result of the Capital Contribution: (i) the registered capital of the Joint Venture Company will be increased from RMB1.82 billion to approximately RMB4.43 billion; (ii) the Company's equity interest in the Joint Venture Company, through SMIC Holdings, will decrease from 38.5714% to 15.8512%; (iii) the Joint Venture Company will be owned as to 15.8512%, 6.5030%, 2.2580%, 2.2580%, 13.5480%, 0.3387%, 0.3387%, 19.6348%, 19.6348% and 19.6348% by SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng, respectively.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As China IC Fund holds approximately 10.46% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited as at the date of this announcement, it is a connected person of the Company under the Hong Kong Listing Rules. SMIC Holdings' entering into of the Capital Increase Agreement and the New Joint Venture Agreement with, amongst others, China IC Fund constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios stipulated under rule 14.07 of the Hong Kong Listing Rules in respect of the Capital Increase Agreement and the New Joint Venture Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Capital Increase Agreement and the New Joint Venture Agreement constitute connected transactions of the Company and are subject to the reporting and announcement requirements under the Hong Kong Listing Rules, but are exempt from the independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules.

CAPITAL CONTRIBUTION IN NINGBO SEMICONDUCTOR INTERNATIONAL CORPORATION

Reference is made to the announcement of the Company dated 26 March 2018 in relation to the equity transfer and capital contribution in the Joint Venture Company.

On 4 December 2020 (after trading hours), the Joint Venture Company, SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng entered into the Capital Increase Agreement, pursuant to which Ningbo IC, Hengyuan and Deyue Gaopeng, as new shareholders of the Joint Venture Company, agreed to each make capital contribution of RMB1 billion to the Joint Venture Company and the other existing shareholders of the Joint Venture Company (including SMIC Holdings) will not make additional capital contribution to the Joint Venture Company.

On 4 December 2020 (after trading hours), SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng entered into the New Joint Venture Agreement for the Capital Contribution.

As a result of the Capital Contribution: (i) the registered capital of the Joint Venture Company will be increased from RMB1.82 billion to approximately RMB4.43 billion; (ii) the Company's equity interest in the Joint Venture Company, through SMIC Holdings, will decrease from 38.5714% to 15.8512%; (iii) the Joint Venture Company will be owned as to 15.8512%, 6.5030%, 2.2580%, 2.2580%, 13.5480%, 0.3387%, 0.3387%, 19.6348%, 19.6348% and 19.6348% by SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng, respectively.

CAPITAL INCREASE AGREEMENT

The key terms of the Capital Increase Agreement are set out below:

Date

4 December 2020

Parties

1. The Joint Venture Company;
2. SMIC Holdings (a wholly-owned subsidiary of the Company);
3. NETD;
4. L & L Capital;
5. Infotech;
6. China IC Fund (a connected person at the issuer level of the Company);
7. Juxin;
8. Chuangxin;
9. Ningbo IC;
10. Hengyuan; and
11. Deyue Gaopeng.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, NETD, L & L Capital, Infotech, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company prior to the Capital Contribution.

Subscription of Registered Capital

- i. Each of SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin and Chuangxin will not make additional capital contribution to the Joint Venture Company;

- ii. Ningbo IC has agreed to make cash contribution of RMB1 billion, of which approximately RMB870 million will be made into the registered capital of the Joint Venture Company, representing 19.6348% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution, and approximately RMB130 million will be made into the capital provident fund account of the Joint Venture Company;
- iii. Hengyuan has agreed to make cash contribution of RMB1 billion, of which approximately RMB870 million will be made into the registered capital of the Joint Venture Company, representing 19.6348% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution, and approximately RMB130 million will be made into the capital provident fund account of the Joint Venture Company; and
- iv. Deyue Gaopeng has agreed to make cash contribution of RMB1 billion, of which approximately RMB870 million will be made into the registered capital of the Joint Venture Company, representing 19.6348% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution, and approximately RMB130 million will be made into the capital provident fund account of the Joint Venture Company.

The above parties' performance of the Capital Contribution obligations will lead to an increase in the registered capital of the Joint Venture Company from RMB1.82 billion to approximately RMB4.43 billion. Ningbo IC, Hengyuan and Deyue Gaopeng shall each complete 50% of their capital contributions within 20 working days from the date of the completion of the registration with the Administration for Market Regulation and the remaining 50% of their capital contributions by 31 December 2020.

The consideration was arrived at after arm's length negotiation among the parties with reference to the net asset value, future business prospects and development potential of the Joint Venture Company. The capital contributions will be applied by the Joint Venture Company for capital expenditure and working capital.

NEW JOINT VENTURE AGREEMENT

The key terms of the New Joint Venture Agreement are set out below:

Date

4 December 2020

Parties

1. SMIC Holdings (a wholly-owned subsidiary of the Company);
2. NETD;
3. L & L Capital;
4. Infotech;
5. China IC Fund (a connected person at the issuer level of the Company);
6. Juxin;
7. Chuangxin;
8. Ningbo IC;
9. Hengyuan; and
10. Deyue Gaopeng.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, NETD, L & L Capital, Infotech, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company prior to the Capital Contribution.

Business Scope of the Joint Venture Company

The business scope of the Joint Venture Company is development, design, testing, technological service, sales and manufacturing of semiconductor integrated-circuit chips, integrated-circuit related products and photomask; import and export of various merchandise and technologies as principal or agent (except for those merchandise and technologies restricted to designated entities by the state or prohibited from import and export).

Registered Capital and Capital Commitment

Pursuant to the New Joint Venture Agreement, the registered capital of the Joint Venture Company is approximately RMB4.43 billion. Any increase or decrease to the registered capital will be subject to the approval of the board of directors of the Joint Venture Company and filing to the competent authorities.

SMIC Holdings

SMIC Holdings has committed to contribute RMB702 million to the registered capital of the Joint Venture Company, representing 15.8512% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. SMIC Holdings has already contributed RMB702 million.

NETD

NETD has committed to contribute RMB288 million to the registered capital of the Joint Venture Company, representing 6.5030% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. NETD has already contributed RMB288 million.

L& L Capital

L & L Capital has committed to contribute RMB100 million to the registered capital of the Joint Venture Company, representing 2.2580% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. L & L Capital has already contributed RMB100 million.

Infotech

Infotech has committed to contribute RMB100 million to the registered capital of the Joint Venture Company, representing 2.2580% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. Infotech has already contributed RMB100 million.

China IC Fund

China IC Fund has committed to contribute RMB600 million to the registered capital of the Joint Venture Company, representing 13.5480% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. China IC Fund has already contributed RMB600 million.

Juxin

Juxin has committed to contribute RMB15 million to the registered capital of the Joint Venture Company, representing 0.3387% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. Juxin has already contributed RMB15 million.

Chuangxin

Chuangxin has committed to contribute RMB15 million to the registered capital of the Joint Venture Company, representing 0.3387% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. Chuangxin has already contributed RMB15 million.

Ningbo IC

Ningbo IC has committed to contribute approximately RMB870 million to the registered capital of the Joint Venture Company, representing 19.6348% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. It has agreed to make a cash contribution of approximately RMB435 million within 20 working days from the date of the completion of the registration with the Administration for Market Regulation. It has further agreed to make a cash contribution of approximately RMB435 million by 31 December 2020.

Hengyuan

Hengyuan has committed to contribute approximately RMB870 million to the registered capital of the Joint Venture Company, representing 19.6348% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. It has agreed to make a cash contribution of approximately RMB435 million within 20 working days from the date of the completion of the registration with the Administration for Market Regulation. It has further agreed to make a cash contribution of approximately RMB435 million by 31 December 2020.

Deyue Gaopeng

Deyue Gaopeng has committed to contribute approximately RMB870 million to the registered capital of the Joint Venture Company, representing 19.6348% of the enlarged registered capital of the Joint Venture Company after the Capital Contribution. It has agreed to make a cash contribution of approximately RMB435 million within 20 working days from the date of the completion of the registration with the Administration for Market Regulation. It has further agreed to make a cash contribution of approximately RMB435 million by 31 December 2020.

Composition of the Board of Directors, the Appointment of Supervisor and the General Management of the Joint Venture Company

The board of directors of the Joint Venture Company will comprise seven directors, with one director to be appointed by each of SMIC Holdings, L & L Capital, China IC Fund, Ningbo IC, Hengyuan, Deyue Gaopeng and one director to be jointly appointed by Juxin and Chuangxin. The chairman will be elected by the board of directors. Directors to be appointed by L & L Capital, China IC Fund, Ningbo IC, Hengyuan and Deyue Gaopeng cannot also be directors of entities that will compete with the Joint Venture Company. Infotech shall be entitled to appoint an observer over the board of directors of the Joint Venture Company.

The Joint Venture Company does not have a board of supervisors and will have one supervisor to be appointed by NETD.

The management, including the general manager, deputy general managers, the finance officer and the board secretary, will be responsible for managing the daily operations of the Joint Venture Company.

Transfer of Equity Interest in the Joint Venture Company

Any transfer of equity interest in the Joint Venture Company by the parties under the New Joint Venture Agreement (other than SMIC Holdings) to third parties which shall not compete or have interests conflicting with those of SMIC Holdings, its affiliated companies or the Joint Venture Company will require written consents from other parties under the New Joint Venture Agreement. In the event that any party under the New Joint Venture Agreement proposes to transfer its equity interest in the Joint Venture Company to a third party, each of the non-transferring parties under the New Joint Venture Agreement will have a pre-emptive right to purchase such equity interest.

SMIC Holdings is entitled to transfer: (i) all or part of its equity interest in the Joint Venture Company to any parties under the New Joint Venture Agreement or SMIC Holdings' affiliated companies and other parties under the New Joint Venture Agreement agree to waive their pre-emptive rights; (ii) part of its equity interest in the Joint Venture Company to China IC Fund and/or its affiliated companies and other parties under the New Joint Venture Agreement agree to waive their pre-emptive rights.

China IC Fund is entitled to transfer: (i) all or part of its equity interest in the Joint Venture Company to any parties under the New Joint Venture Agreement or China IC Fund's affiliated companies and other parties under the New Joint Venture Agreement agree to waive their pre-emptive rights; (ii) all or part of its equity interest in the Joint Venture Company to SMIC Holdings and/or its affiliated companies and other parties under the New Joint Venture Agreement agree to waive their pre-emptive rights.

Other Terms

The term of operation of the Joint Venture Company is 30 years from the date of its establishment. Subject to approval from the board of directors of the Joint Venture Company, the parties will decide whether to extend the term of operation of the Joint Venture Company prior to the expiry date of the term of operation.

CHANGES IN SHAREHOLDING AND REGISTERED CAPITAL

Details about the changes in the shareholding and registered capital of the Joint Venture Company are set out in the two tables below:

Capital commitment in registered capital by the shareholders of the Joint Venture Company prior to the Capital Contribution

| Shareholder of the Joint Venture Company | Capital commitment (RMB million) | Actual amount contributed as at the date of this announcement (RMB million) | Outstanding capital contribution obligation (RMB million) | Shareholding (%) |
|---|--|--|---|---------------------|
| SMIC Holdings | 702 | 702 | 0 | 38.5714 |
| NETD | 288 | 288 | 0 | 15.8242 |
| L & L Capital | 100 | 100 | 0 | 5.4945 |
| Infotech | 100 | 100 | 0 | 5.4945 |
| China IC Fund | 600 | 600 | 0 | 32.9670 |
| Juxin | 15 | 15 | 0 | 0.8242 |
| Chuangxin | 15 | 15 | 0 | 0.8242 |
| Total | <u>1,820</u> | <u>1,820</u> | <u>0</u> | <u>100</u> |

Capital commitment in registered capital by the shareholders of the Joint Venture Company pursuant to the Capital Increase Agreement and the New Joint Venture Agreement

| Shareholder of the Joint Venture Company | Capital commitment (RMB million) | Actual amount contributed as at the date of this announcement (RMB million) | Outstanding capital contribution obligation (RMB million) | Shareholding (%) |
|---|---|--|--|-----------------------------|
| SMIC Holdings | 702 | 702 | 0 | 15.8512 |
| NETD | 288 | 288 | 0 | 6.5030 |
| L & L Capital | 100 | 100 | 0 | 2.2580 |
| Infotech | 100 | 100 | 0 | 2.2580 |
| China IC Fund | 600 | 600 | 0 | 13.5480 |
| Juxin | 15 | 15 | 0 | 0.3387 |
| Chuangxin | 15 | 15 | 0 | 0.3387 |
| Ningbo IC | 870 | 0 | 870 | 19.6348 |
| Hengyuan | 870 | 0 | 870 | 19.6348 |
| Deyue Gaopeng | 870 | 0 | 870 | 19.6348 |
| Total | <u>4,430</u> | <u>1,820</u> | <u>2,610</u> | <u>100</u> |

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Joint Venture Company adopts the customer-oriented business and operation model by combining professional specialised foundry and applied customized product design services support, targeting markets covering 5G communication and mobile terminal, smart home appliances and industrial control, industrial internet of things, medical electronics and other emerging strategic industries, with an aim to develop itself into a specialised semiconductor foundry in specialised areas. The Capital Contribution is aimed to introduce local government funds of the places where the Joint Venture Company operates into the expansion work of phase two of the project, further leveraging on the local upstream and downstream resources, industrial conditions and policy advantages, so as to promote the subsequent project construction and business development of the Joint Venture Company. According to the assessment results of the Capital Contribution, the net asset value of the Joint Venture Company will be approximate 1.15 times of its paid-up capital, thus the Company believes that the Capital Contribution and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Directors (including independent non-executive Directors) consider that it is in the best interests of the Company and the Shareholders as a whole for SMIC Holdings to enter into the Capital Increase Agreement and the New Joint Venture Agreement and the transactions contemplated thereunder; the terms of the Capital Increase Agreement and the New Joint Venture Agreement are fair and reasonable; and the entering into of the Capital Increase Agreement and the New Joint Venture Agreement and transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As China IC Fund holds approximately 10.46% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited as at the date of this announcement, it is a connected person of the Company under the Hong Kong Listing Rules. SMIC Holdings' entering into of the Capital Increase Agreement and the New Joint Venture Agreement with, amongst others, China IC Fund constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios stipulated under rule 14.07 of the Hong Kong Listing Rules in respect of the Capital Increase Agreement and the New Joint Venture Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Capital Increase Agreement and the New Joint Venture Agreement constitute connected transactions of the Company and are subject to the reporting and announcement requirements under the Hong Kong Listing Rules, but are exempt from the independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules.

SMIC Holdings' waiver of the pre-emptive right does not constitute a non-exercise of an option under rule 14A.06(27) of the Hong Kong Listing Rules nor a related transaction under the listing rules of the Science and Technology Innovation Board of the Shanghai Stock Exchange.

INFORMATION ABOUT THE JOINT VENTURE COMPANY

The Joint Venture Company is a limited liability company established in October 2016 and existing under the laws of the PRC. The registration place of the Joint Venture Company is Ningbo, Zhejiang Province, the PRC. The registered capital of the Joint Venture Company is RMB1.82 billion and its paid-up registered capital is RMB1.82 billion prior to the Capital Contribution.

The Joint Venture Company provides professional outsourcing services for platforms on specialized process, as well as product design services. It is positioned as a research and manufacturing base for specialised analog semiconductor industry. It adopts a new business model by combining professional foundry and customized ODM, while providing a platform for the design service of related products. The Joint Venture Company is not a subsidiary of the Company prior to the Capital Contribution and will not be a subsidiary of the Company upon completion of the Capital Contribution. The Capital Contribution will result the decrease in SMIC Holdings' equity interest in the Joint Venture Company from 38.5714% to 15.8512%. Under the International Financial Reporting Standards, the passive dilution will result in the recognition of a gain in profit or loss of the Group and the increase in the equity by US\$26.4 million (unaudited).

The net loss (before or after taxation) of the Joint Venture Company for the financial years ended 31 December 2018 and 31 December 2019 and the eleven months ended 30 November 2020 are RMB2.1 million (audited), RMB241.4 million (audited) and RMB257.7 million (unaudited), respectively, under the Chinese Accounting Standards for Business Enterprises.

According to the audited accounts prepared by the Joint Venture Company under the Chinese Accounting Standards for Business Enterprises, the total assets, total liabilities and net assets of the Joint Venture Company as of 31 December 2019 amounted to approximately RMB2,063.7 million, RMB503.5 million and RMB1,560.2 million, respectively.

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 (IC) foundry and technology services on process nodes from 0.35 micron to 14 nanometer. Headquartered in Shanghai, China, the Group has an international manufacturing and service base. In China, SMIC 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 each 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.

NETD

Ningbo Economic and Technological Development Zone Industrial Development Investment Co., Ltd., invested and formed by the Administrative Committee of Ningbo Economic and Technological Development Zone and Ningbo Economic and Technological Development Zone Holdings Co., Ltd. (寧波經濟技術開發區控股有限公司) in June 2017, has a registered capital of RMB500 million. Under the principle of “Government Guidance, Market Operation, Classification Management and Risk Prevention”, NETD focuses on the leading enterprises in Beilun and proactively spurs mass entrepreneurship and innovation by promoting innovative utilisation of financial resources and nurturing new growth engines to attract investments. Its ultimate controlling shareholder is State-owned Assets Management Center of Ningbo Economic and Technological Development Zone.

China IC Fund

China IC Fund, incorporated in September 2014, mainly invests in the value chain of integrated circuit industry via equity investment, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. There are 16 fund investors in China IC Fund, including, among others, Ministry of Finance of the PRC (as the single largest shareholder holding 36.47% shareholding interest), CDB Capital (holding 22.29% shareholding interest), China National Tobacco Corporation (holding 11.14% shareholding interest), Beijing Yizhuang International Investment and Development Co., Ltd. (holding 10.13% shareholding interest), Shanghai Guosheng (Group) Co., Ltd. (holding 5.06% shareholding interest), China Mobile Communications Group Co., Ltd. (holding 5.06% shareholding interest), Wuhan Financial Holdings (Group) Co., Ltd. (holding 5.06% shareholding interest) and a group of nine shareholders (holding less than 5% shareholding interest each) comprising companies and partnerships. For further details about China IC Fund, please refer to the circular of the Company dated 6 June 2020.

L & L Capital

Zhuji Lianli Pinzi Standard Zhejiang Manufacturing Integrated Circuit Equity Investment Partnership (Limited Partnership), established in September 2017, is a venture investment fund registered with the Asset Management Association of China, which mainly focuses on high-end electronic equipment industries such as integrated circuit. L & L Capital participated in the capital contribution to the Joint Venture Company in 2018 and became one of its shareholders. Zhejiang Orient Financial Holdings Group Co., Ltd. (浙江東方金融控股集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600120), is the ultimate single largest shareholder of L & L Capital.

Infotech

Infotech National Emerging Industry Venture Capital Guiding Fund, officially established in September 2016, is registered in Longgang, Shenzhen. As a State-owned investment fund, Infotech's main investors include the Ministry of Finance of the PRC, Shenzhen Kunpeng Equity Investment, Shenzhen Longgang Financial Investment and other institutions, and commenced operation in early 2017. The guiding fund is mainly engaged in equity investment in preliminary and intermediate stage enterprises and innovative start-up companies of the emerging industries in China by way of investing in venture capital sub-funds or direct investment, so as to solve the financing problems of small and medium enterprises of the emerging industries in China, push forward industrial upgrading and promote the development of emerging industries and high-tech enterprises in China.

Juxin

Ningbo Meishan Free Trade Port Huajidian Juxin Enterprise Management Partnership (Limited Partnership), established in 2019, is an employee participation platform for the Joint Venture Company. The general partner of this partnership is Ningbo Meishan Free Trade Port Huajidian Enterprise Management Co., Ltd., which was established by the senior management of the Joint Venture Company and controlled by Mr. Huang He. This partnership currently has 41 limited partners, all of which are employees of the the Joint Venture Company.

Chuangxin

Ningbo Meishan Free Trade Port Huajidian Chuangxin Enterprise Management Partnership (Limited Partnership), established in 2019, is an employee participation platform for the Joint Venture Company. The general partner of this partnership is Ningbo Meishan Free Trade Port Huajidian Enterprise Management Co., Ltd., which was established by the senior management of the Joint Venture Company and controlled by Mr. Huang He. This partnership currently has 42 limited partners, all of which are employees of the the Joint Venture Company.

Ningbo IC

Ningbo Yongxin Integrated Circuit Equity Investment Co., Ltd. was established in October 2019, whose business scope includes equity investment. The shareholders of this company include Ningbo Industrial Investment Fund Co., Ltd. (寧波工投產業投資基金有限公司), Ningbo Smart Metro Technology Co., Ltd. (寧波智慧地鐵科技有限公司), Ningbo Development & Investment Group Co., Ltd., Ningbo Ning Shing (Holdings) Co., Ltd., Ningbo Communications Investment Holdings Co., Ltd. and Ningbo Yong Cheng Assets Management Co., Ltd. The ultimate controlling shareholder of this company is Ningbo Municipal People's Government State-Owned Assets Supervision and Administration Commission (寧波市人民政府國有資產監督管理委員會).

Hengyuan

Shanghai Hengyuan Investment Management Partnership (Limited Partnership), established in 2015, is an enterprise specialised in investment management, investment consultation, venture capital investments, enterprise management consulting and assets management. Currently, the company mainly invests in semiconductor materials, design, manufacturing, packaging and testing of chips, and other business sectors. The company's investments are primarily concentrated in leading companies established by industrial leaders for the purpose of breaking the dominance by foreign brands. It currently has invested in several companies in the semiconductor industry. Its ultimate controlling shareholder is Mr. Chen Hong.

Deyue Gaopeng

Ningbo Deyue Gaopeng Equity Investment Partnership (Limited Partnership), incorporated in Beilun District, Ningbo City in May 2020, is an equity investment fund. The general partner of Deyue Gaopeng is Ningbo Junxin Deyue Equity Investment Partnership (Limited Partnership) (寧波君信德悅股權投資合夥企業(有限合夥)), which is ultimately controlled by Mr. Tang Pengfei. The four limited partners of Deyue Gaopeng (holding less than 30% interest each) are Ningbo Economic & Technological Development Zone Jinfan Investment Co., Ltd. (寧波經濟技術開發區金帆投資有限公司), Ningbo Beilun District Economic Construction Investment Co., Ltd. (寧波市北侖區經濟建設投資有限公司), Chengdu Deyue Hesheng Technology Co., Ltd. (成都德悅和盛科技有限公司) and Longze Technology Co., Ltd. (龍澤科技有限公司).

SUPPLEMENTAL INFORMATION REGARDING THE INSIDE INFORMATION

Reference is made to the announcement of the Company dated 4 December 2020 (the “**Announcement**”) in relation to the inside information disclosed therein. The Company would like to clarify that the sentence “all United States persons will not be allowed to purchase the Company's securities for 60 days commencing on 4 December 2020, Beijing time” in the second paragraph on page 1 should read: “all United States persons will not be allowed to purchase the Company's securities after 60 days commencing from 4 December 2020, Beijing time”.

Save as disclosed above, all other information disclosed in the Announcement remains unchanged.

DEFINITIONS

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

| | |
|------------------------|---|
| “Board” | the board of Directors; |
| “Capital Contribution” | the proposed capital contribution in the Joint Venture Company by Ningbo IC, Hengyuan and Deyue Gaopeng pursuant to the Capital Increase Agreement; |

| | |
|------------------------------|--|
| “Capital Increase Agreement” | the capital increase agreement entered into among the Joint Venture Company, SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng on 4 December 2020 in relation to the Capital Contribution; |
| “China IC Fund” | China Integrated Circuit Industry Investment Fund Co., Ltd.* (國家集成電路產業投資基金股份有限公司), a company established under the laws of the PRC; |
| “Chuangxin” | Ningbo Meishan Free Trade Port Huajidian Chuangxin Enterprise Management Partnership (Limited Partnership)* (寧波梅山保稅港區華集電創芯企業管理合夥企業(有限合夥)), a limited partnership 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 Shanghai Stock Exchange; |
| “Deyue Gaopeng” | Ningbo Deyue Gaopeng Equity Investment Partnership (Limited Partnership)* (寧波德悅高鵬股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC; |
| “Director(s)” | the director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |
| “Hengyuan” | Shanghai Hengyuan Investment Management Partnership (Limited Partnership)* (上海蘅園投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC; |
| “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; |
| “Infotech” | Infotech National Emerging Industry Venture Capital Guiding Fund* (盈富泰克國家新興產業創業投資引導基金(有限合夥)), a limited partnership established under the laws of the PRC; |

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| “Joint Venture Company” | Ningbo Semiconductor International Corporation* (中芯集成電路(寧波)有限公司), a joint venture incorporated in the PRC, which is owned as to 38.5714%, 15.8242%, 5.4945%, 5.4945%, 32.9670%, 0.8242% and 0.8242% by SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin and Chuangxin, respectively, before the Capital Contribution; |
| “Juxin” | Ningbo Meishan Free Trade Port Huajidian Juxin Enterprise Management Partnership (Limited Partnership)* (寧波梅山保稅港區華集電聚芯企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC; |
| “L & L Capital” | Zhuji Lianli Pinzi Standard Zhejiang Manufacturing Integrated Circuit Equity Investment Partnership (Limited Partnership)* (諸暨聯礪品字標浙江製造集成電路股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC; |
| “NETD” | Ningbo Economic and Technological Development Zone Industrial Development Investment Co., Ltd.* (寧波經濟技術開發區產業發展投資有限公司), a company established under the laws of the PRC; |
| “New Joint Venture Agreement” | the joint venture agreement entered into among SMIC Holdings, NETD, L & L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng and dated 4 December 2020; |
| “Ningbo IC” | Ningbo Yongxin Integrated Circuit Equity Investment Co., Ltd.* (寧波甬芯集成電路股權投資有限公司), a company established under the laws of the PRC; |
| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Shareholders” | the shareholders of the Company; |
| “SMIC Holdings” | SMIC Holdings Corporation* (中芯國際控股有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “United States” | the United States of America; and |

“US\$”

United States dollar, the lawful currency of the United States.

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

Shanghai, PRC
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*