



中芯國際集成電路製造有限公司*
Semiconductor Manufacturing International Corporation
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00981

2022 INTERIM REPORT



* For identification purposes only

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IMPORTANT NOTICE

- I. **The Board of Directors and the Directors and senior management of the Company warrant that the content of this interim report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.**
- II. **Material risk alert**
The Company has described in details the various risks it may face during its production and operation and the countermeasures in this report. For further information, please refer to "V. Risk Factors" in "Section 3 Management Discussion and Analysis" of this report.
- III. **All Directors of the Company attended the Board meeting.**
- IV. **This interim report has not been audited.**
- V. **Gao Yonggang, the person-in-charge of the Company and the person-in-charge of accounting affairs, and Liu Chenjian, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.**
- VI. **Plan for profit distribution or plan to convert capital reserves into share capital as approved by the Board in the reporting period**
None
- VII. **Any significant events such as special arrangements for corporate governance**
Special arrangements for corporate governance: The Company is a red-chip enterprise
- VIII. **Risks associated with forward-looking statements**
This report contains, in addition to historical information, "forward-looking statements". These forward-looking statements are based on SMIC's current assumptions, expectations, beliefs, plans, objectives and projections about future events or performance. SMIC uses words including but not limited to "believe", "anticipate", "intend", "estimate", "expect", "project", "target", "going forward", "continue", "ought to", "may", "seek", "should", "plan", "could", "vision", "goal", "aim", "aspire", "objective", "schedule", "outlook" and other similar expressions to identify forward looking statements. These forward-looking statements are estimates made by SMIC's senior management based on their best judgment and involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC's actual performance, financial condition or results of operations to be materially different from those suggested by the forward- looking statements including, among others, risks associated with cyclical and market conditions in the semiconductor industry, intense competition in the semiconductor industry, timely wafer acceptance by SMIC's customers, timely introduction of new technologies, SMIC's ability to ramp new products into volume, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, parts, raw materials and software, availability of manufacturing capacity, financial stability in end markets, orders or judgments from pending litigation, intellectual property litigation in the semiconductor industry, general economic conditions and fluctuations in currency exchange rates.
- IX. **Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose**
None
- X. **Any provision of external guarantee in violation of the stipulated decision-making procedure**
None
- XI. **Does it exist that more than half of the Directors cannot warrant the truthfulness, accuracy and completeness of the interim report disclosed by the Company**
No

SECTION 1 DEFINITIONS

In this report, unless the context requires otherwise, the following expressions shall have meanings as follows:

Definitions of common terms

Company or SMIC	for	Semiconductor Manufacturing International Corporation
Group or we	for	the Company and its subsidiaries
SMIC Holdings	for	SMIC Holdings Corporation
SMIS or SMIC Shanghai	for	Semiconductor Manufacturing International (Shanghai) Corporation
SMIB or SMIC Beijing	for	Semiconductor Manufacturing International (Beijing) Corporation
SMIT or SMIC Tianjin	for	Semiconductor Manufacturing International (Tianjin) Corporation
SMIZ or SMIC Shenzhen	for	Semiconductor Manufacturing International (Shenzhen) Corporation
SMNC	for	Semiconductor Manufacturing North China (Beijing) Corporation
SMSC	for	Semiconductor Manufacturing South China Corporation
CICT	for	China Information and Communication Technology Group Co., Ltd.
Datang Holdings	for	Datang Telecom Technology & Industry Holdings Co., Ltd.
Datang HK	for	Datang Holdings (Hongkong) Investment Company Limited
China IC Fund	for	China Integrated Circuit Industry Investment Fund Co., Ltd.
Xinxin HK	for	Xinxin (Hongkong) Capital Co., Ltd.
Board	for	the board of directors of the Company
Director(s)	for	the director(s) of the Company
China or the PRC	for	the People's Republic of China
CSRC	for	China Securities Regulatory Commission
SEHK, HKSE or Hong Kong Stock Exchange	for	The Stock Exchange of Hong Kong Limited
SSE	for	The Shanghai Stock Exchange
SSE STAR Market	for	Shanghai Stock Exchange Science and Technology Innovation Board
Hong Kong Listing Rules	for	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
IFRS	for	the International Financial Reporting Standards as issued by the International Accounting Standards Board
CAS	for	the China Accounting Standards for Business Enterprises as issued by the PRC Ministry of Finance
Ordinary Share(s)	for	the ordinary share(s) of US\$0.004 each in the share capital of the Company
A Share(s)	for	the Ordinary Shares issued by the Company on the SSE STAR Market
Hong Kong Share(s)	for	the Ordinary Shares issued by the Company on the Hong Kong Stock Exchange
RMB or yuan	for	Renminbi Yuan
Reporting period or this period	for	Period from January 1, 2022 to June 30, 2022
Corresponding period or previous period	for	Period from January 1, 2021 to June 30, 2021

All references in this report to silicon wafer quantities are to 8-inch wafer equivalents, unless otherwise specified. Conversion of quantities of 12-inch wafers to 8-inch wafer equivalents is achieved by multiplying the number of 12-inch wafers by 2.25. References to key process technology nodes, such as 0.35 micron, 0.18 micron, 0.13 micron, 90 nanometer, 65 nanometer, 45 nanometer, 28 nanometer and FinFET include the stated resolution of the process technology, as well as resolutions down to, but not including, the next key process technology node of finer resolution. For example, when we state "45 nanometer process technology", that includes 38 nanometer, 40 nanometer and 45 nanometer technologies.

The financial information in this report has been prepared in accordance with the provisions under the IFRS.

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

I. BASIC CORPORATE INFORMATION

Name of the Company in Chinese	中芯國際集成電路製造有限公司
Chinese abbreviation	中芯國際
Name of the Company in English	Semiconductor Manufacturing International Corporation
English abbreviation	SMIC
Legal representative of the Company ^(Note)	Gao Yonggang
Registered address of the Company	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 11111 Cayman Islands
Office address of the Company	18 Zhangjiang Road, Pudong New Area, Shanghai, PRC
Postal code of the office address of the Company	201203
Website address	http://www.smics.com/
E-mail	ir@smics.com
Place of business in Hong Kong	Suite 3003, 30th Floor, No. 9 Queen's Road Central, Hong Kong
Authorised Representatives under Hong Kong Listing Rules	Gao Yonggang, Guo Guangli
Joint Company Secretaries	Guo Guangli, Hoo Mei Fung
Custodian of A Shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Hong Kong Share registrar	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Note: The Company is registered in the Cayman Islands, which does not have the concept of a legal representative, though its person-in-charge is Gao Yonggang.

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board of Directors (Domestic representative of the information disclosure)	Securities Affairs Representative
Name	Guo Guangli	Wen Jiehan
Contact address	18 Zhangjiang Road, Pudong New Area, Shanghai, PRC	18 Zhangjiang Road, Pudong New Area, Shanghai, PRC
Telephone	021-20812800	021-20812800
E-mail	ir@smics.com	ir@smics.com

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Media and website selected by the Company for information disclosure	Shanghai Securities News (www.cnstock.com), China Securities Journal (www.cs.com.cn), Securities Times (www.stcn.com) and Securities Daily (www.zqrb.cn) http://www.sse.com.cn
Website designated by Shanghai Stock Exchange for publishing the interim report of the Company	http://www.hkexnews.hk
Website designated by Hong Kong Stock Exchange for publishing the interim report of the Company	
Place of inspection of the interim report of the Company	Board Affairs Office, 18 Zhangjiang Road, Pudong New Area, Shanghai, PRC

IV. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock exchange and board on which shares are listed	Stock abbreviation	Stock code
A Shares	SSE STAR Market	中芯國際	688981
Hong Kong Shares	Main Board of the Hong Kong Stock Exchange	SMIC	00981

V. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) PRINCIPAL ACCOUNTING DATA

in USD'000

	Six months ended		
	06/30/22	06/30/21	06/30/22 as compared with 06/30/21 (%)
Revenue	3,745,058	2,447,751	53.0
Profit for the period attributable to owners of the Company	961,559	846,679	13.6
Profit for the period attributable to owners of the Company, net of non-recurring profit or loss	797,642	362,659	119.9
Net cash flow generated from operating activities	3,715,459	1,502,981	147.2
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	2,356,416	1,759,057	34.0

	As of		
	06/30/22	12/31/21	06/30/22 as compared with 12/31/21 (%)
Equity attributable to owners of the Company	18,195,892	17,149,664	6.1
Total assets	40,475,723	36,110,941	12.1

(II) PRINCIPAL FINANCIAL INDICATORS

	Six months ended		
	06/30/22	06/30/21	06/30/22 as compared with 06/30/21 (%)
Gross margin	40.1%	26.8%	Increased by 13.3 percentage points
Net margin	32.0%	33.7%	Decreased by 1.7 percentage points
EBITDA margin	62.9%	71.9%	Decreased by 9.0 percentage points
Basic earnings per share	\$0.12	\$0.11	9.1
Diluted earnings per share	\$0.12	\$0.11	9.1
Basic earnings per share, net of non-recurring profit or loss	\$0.10	\$0.05	100.0
Weighted average return on equity ⁽¹⁾	5.5%	5.5%	—
Weighted average return on equity, net of non-recurring profit or loss ⁽²⁾	4.5%	2.3%	Increased by 2.2 percentage points
Percentage of research and development ("R&D") expense to revenue	9.4%	12.2%	Decreased by 2.8 percentage points

Notes:

- (1) Weighted average return on equity = profit for the period attributable to owners of the Company / weighted average equity
- (2) Weighted average return on equity, net of non-recurring profit or loss = profit for the period attributable to owners of the Company, net of non-recurring profit or loss / weighted average equity

The increase in the Group's revenue, profit attributable to owners of the Company, net of non-recurring profit or loss, and EBITDA for the reporting period was primarily due to the increase in the wafer shipments quantity, higher average selling price and product-mix change for the period.

The increase in net cash generated from operating activities for the reporting period was primarily due to the increase in received cash from sales of goods.

The decrease of net margin for the reporting period was primarily due to the one-off net gain from the disposal of a subsidiary in the corresponding period, which did not occur in the reporting period.

The decrease of percentage of R&D expense to revenue for the reporting period was mainly because the increase in revenue was greater than the increase in R&D expense during the reporting period.

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VI. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DIFFERENT ACCOUNTING STANDARDS

(I) DISCREPANCIES IN NET PROFIT AND NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY IN THE FINANCIAL REPORT DISCLOSED UNDER IFRS AND UNDER CAS

In USD'000

	Profit attributable to owners of the Company		Equity attributable to owners of the Company	
	Six months ended 06/30/22	Six months ended 06/30/21	06/30/22	12/31/21
Prepared in accordance with CAS	961,559	812,421	18,195,892	17,149,664
Adjustments to items and amounts prepared in accordance with IFRS:				
Equity interest in an associate being passively diluted ⁽¹⁾	-	34,258	-	-
Prepared in accordance with IFRS	961,559	846,679	18,195,892	17,149,664

Note:

- (1) Under the CAS, gains or losses arising from passive dilution of investments in associates and joint ventures should be recorded in equity while adjusting the carrying amount of the long-term investment. Under the IFRS, such gains or losses should be recorded in profit or loss, while adjusting the carrying amount of the long-term investment.

VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

In USD'000

	Six months ended 06/30/22
Gain on disposal of property, plant and equipment and assets classified as held-for-sale	13,836
Government funding	145,240
Gains arising on financial assets at FVPL	(6,792)
Share of gains arising on financial instruments at FVPL of investment using equity method	39,764
Others	(1,281)
	190,767
Effects of income tax	1,056
Impact on non-controlling interests (after tax)	(27,906)
Total	163,917

According to Interpretative Announcement No. 1 [2008] of the Information Disclosure of the Companies Public Offering Securities — Non-recurring Profit or Loss as issued by the CSRC, non-recurring profit or loss refers to the profit and loss arising from various transactions and events that have no direct relationship with the normal business of a company and that are related to the normal business operation but with special nature and contingency, which will affect the statements users to make a correct judgment on the company's operating performance and profitability.

VIII. EBITDA

In USD'000

	Six months ended	
	06/30/22	06/30/21
Profit for the period	1,198,234	824,029
Finance costs	54,852	55,842
Depreciation and amortisation	1,091,167	881,286
Income tax expense/(credit)	12,163	(2,100)
EBITDA	2,356,416	1,759,057

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRIAL OVERVIEW AND PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(I) PRINCIPAL BUSINESS, MAJOR PRODUCTS OR SERVICES

SMIC is one of the leading semiconductor foundries in the world and also the front runner on the Chinese Mainland, with leading manufacturing capability, manufacturing scale and comprehensive services. SMIC Group provides semiconductor foundry and technology services to global customers on 0.35 micron to FinFET process node technologies.

In addition to the IC foundry business, the Company is also committed to creating a platform-based ecological service model, providing customers with one-stop supporting services in design services, IP support, photomask manufacturing, etc., while promoting the collaborations of upstream and downstream semiconductor industry chain so as to provide a full range of integrated circuit solutions to our customers with the partners in all links of the industry chain.

(II) MAJOR BUSINESS MODEL

1. Profit model

The Company is mainly engaged in IC foundry business based on multiple technology nodes and different technology platforms, as well as supporting services such as design services and IP support, photomask manufacturing, etc.

2. R&D model

The Company has formed a complete and efficient innovation mechanism, established a complete R&D process management system, and is equipped with professional R&D teams. The Company promoted the application platforms' development, further solidified its technical foundation and established its technical thresholds. The R&D procedures principally include seven stages, namely selection of project, feasibility assessment, project establishment, technology development, technology examination, product examination and production, each with strict review procedure, to ensure the successful conversion of R&D projects.

3. Procurement mode

The Company mainly purchases materials, parts, equipment and technical services for IC foundry services and supporting services from its suppliers. In order to improve productivity and enhance cost control, the Company has established a procurement management system. The Company has a mature supplier management system and a relatively comprehensive security system for supply chain management. It has built mechanisms for supplier access, supplier assessment and evaluation, and supplier capability development and improvement. While maintaining long term collaboration with our major suppliers, the Company continues to take into account the introduction and cultivation of new suppliers to strengthen the sustainability and safety of the supply chain.

4. Production mode

The Company plans production capacity based on the market demand and determines production schedule, the details of which are as follows:

- (1) Small batch trial production: The customer designs the products according to the design rules provided by the Company. After the design is completed, the Company conducts a small batch trial production based on the customers' requirements for such product.
- (2) Risk production: The samples from the small batch trial production are packaged, tested, and functionally verified. If they meet the market requirements, the product can enter into the risk production stage. The stage of risk production mainly includes product yield improvement, product process improvement and production capacity expansion.
- (3) Mass production: After the risk production is completed and the above mentioned delivery indicators are within customer specifications, the product can enter into the mass production stage. In the mass production stage, the sales department confirms with customer on the purchase order quantity. The production planning department arranges production based on customer order requirements, tracks production progress, and provides customers with production progress reports.

5. Marketing and sales model

The Company adopts various marketing methods and actively expands customer base through multiple channels. After forming a cooperative relationship with customers, the Company will maintain direct communication channels with customers and enable solutions to meet their needs.

Through market research, the Company actively contacts and visits target customers, recommends process and services linked to customer needs and launches a series of customer development activities. The Company also establishes cooperative relations with customers through collaborations with design service companies, IP suppliers, EDA companies, packaging and testing manufacturers, industry associations and various IC industry promotion centres. The Company conducts promotion activities and acquires customers by hosting technical seminars and participating in various professional exhibitions, summits, and forums in the semiconductor industry. Some customers contact the Company for direct cooperation through public channels such as the Company's website and word-of-mouth communication. The Company's sales team executes orders with customers, and provides IC wafer foundry services and relevant supporting services to the customers according to the requirements of the order. Upon completion of manufacturing, the products will be delivered to customers or the downstream packaging and testing manufacturers designated by customers.

The Company has established the current foundry model based on the factors such as market supply and demand situation, upstream and downstream development, the Company's principal business, major products, core technologies, and its own development stage. During the reporting period, the aforementioned key factors of business model had no significant changes.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) INDUSTRY OVERVIEW

1. Development stage, basic features and major technical thresholds of the industry

In the first half of 2022, the global geographical and trading tension continued to be tight, international conflicts further escalated, the cost of energy and raw materials raised, and the spread of the epidemic repeated over the regions, all these external factors brought great challenges to the global IC industry development. Correspondingly, the market trends of each of the IC application segments diverged. The existing traditional market of smartphone and personal computer, after high economic growth, show insufficient impetus impacted by the factors of repeated pandemic, adjustment of users' replacement cycle and components shortages in the supply chains. Meanwhile, benefiting from new technology upgrading in the fields of wireless communication and high speed networking infrastructures, the incremental market of IoT, data center, AI, new energy vehicles and the other emerging application segments kept powerful market penetrations, significantly increasing content of the ICs used in the end devices, continuously injecting strength for the industry scale to new height.

From the perspective of Chinese Mainland, our current IC industry scale cannot match with the actual local market demand, our foundry manufacturing technologies are still behind global leading companies. Benefiting from the latest round of national scientific and technological innovation measures targeted at the industrialisations on IoT, AI, cloud and other digital technologies fields, the native IC industry is anticipated to embrace an accelerated development stage to narrow the gap with global leading technologies. From the view of all links of local industrial chains, our IC industry is gradually improving its share of output value in the domestic electronic information manufacturing industry, proving to be the key link in supporting transformation and upgrading of national electronic information industry and in pursuing towards global medium-to high-end value chains. At present, the growth of domestic IC design industry has become a major driving force for the local IC industry development, and has brought up a number of internationally competitive leading companies. It is in an urgent need to advance synergetic industry development of design, wafer manufacturing, assembly and testing, in order to actively promote the synergetic development of the overall industrial chain.

The Company is dedicated to the IC wafer foundry industry. IC wafer foundry is a business model adopted by IC manufacturers, which is highly technology-intensive, talent-intensive and capital-intensive. The R&D process of wafer foundry involves science of material, chemistry, semiconductor physics, optics, microelectronics, quantum mechanics and other subjects, and requires professional technical teams with strong R&D ability for integration technologies. Its operation procedure requires stringent control and execution standards for the manufacturing environment, energy, raw materials, equipment and quality management system, etc.

2. Analysis on the industry position of the Company and its changes

SMIC is one of the leading semiconductor foundries in the world and also the front runner on the Chinese Mainland, with leading manufacturing capability, manufacturing scale and comprehensive services. According to the ranking of pure-play foundries in terms of global sales in 2021 as published by IC Insights, SMIC ranks the 4th globally and the 1st among the enterprises on the Chinese Mainland.

3. Development of new technologies, new industries, new sectors and new models as well as future trends during the reporting period

The foundry manufacturing is conducted under high-precision equipment, in order to meet required performance and yield for IC devices. In recent years, the leading foundries have been taking more advantages in pursuing market share through high capital investment and high technology barriers. The foundry manufacturers take platform diversity and technological leadership as their core advantages to attract customers. As the technological development trend of the industry became more and more diversified, pursuing smaller transistor structures vertically and carrying out derivative platforms at existing technology nodes horizontally based on the advantages of the cost and performance are both industry focus to meet the application needs of the huge end market and the differentiated needs from different customers in each market segment.

Besides, IC industry has been developing more technology innovations in the fields of IC packaging, design services and photomask. Various new packaging technologies have provided more systematic solutions to push the limit of transistor feature dimension and improve the compatibility of multi-chip integration; in the design services sector, DTCO (Design Technology Co-Optimization) is utilized to evaluate and adjust the coordination between IC design and manufacturing process, to effectively reduce the cost of semiconductor process development and minimize the risk of process going for production; photomask is also used as a core tool in IC industry chain. With the evolution of photomask types and graphic transfer media, the process performance of design pattern lithography has been further improved.

In recent years, with the changes in macro industrial layout, the foundries' capacity scale and collaboration capabilities in localised industry chain have become one of the important factors for customers' assessment of supply chain stability and completeness. Therefore, while focusing on own process technology capabilities and platform establishments, foundry companies are also paying more attention to the industrial ecological layout.

On the whole, the foundry industry requires investment for sustainable resources from talents to capital, continuous strengthening of the technical barrier through internal impetus on R&D and external expansion on capacity scale, improvement of competitive advantage and adaptability within the industry, so as to maintain, consolidate and raise the market position.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. CORE TECHNOLOGIES AND R&D PROGRESS

(I) CORE TECHNOLOGIES, ADVANCEMENT AND THEIR CHANGES DURING THE REPORTING PERIOD

SMIC has a comprehensive core technology system of semiconductor foundry, which can effectively help customers reduce costs and shorten the time to market. SMIC has successfully developed a variety of technology nodes ranging from 0.35 micron to FinFET, which are mainly used in logic technology platforms and specialty technology platforms.

In the first half of 2022, the development of multiple derivative platforms is carrying out as planned, steadily engaging with customers, and achieving the goal of diversified the product portfolio. In the reporting period, the first-phase development of 55nm BCD platform was completed and its products entered small batch trial production.

(II) R&D ACHIEVEMENTS DURING THE REPORTING PERIOD

List of intellectual property rights obtained during the reporting period:

	Addition during the period		Accumulative number	
	Number of applications	Number of rights obtained	Number of applications	Number of rights obtained
Invention patents	262	211	16,473	10,913
Utility model patents	7	2	1,780	1,771
Layout design rights	–	–	94	94
Total	269	213	18,347	12,778

(III) ANALYSIS OF R&D COSTS

In USD'000

	Six months ended		06/30/22 as compared with 06/30/21 (%)
	06/30/22	06/30/21	
Expensed R&D costs	352,753	299,325	17.8
Capitalised R&D costs	–	–	–
Total R&D costs	352,753	299,325	17.8
Percentage of total R&D costs to revenue	9.4%	12.2%	Decreased by 2.8 percentage points
Capitalised percentage of R&D costs	–	–	–

(IV) R&D PROJECTS

No.	Name of project	Progress or milestone achievements	Proposed objects	Technology positioning	Specific application prospects
1	FinFET derivative technology platforms	The development of multiple derivative platforms is carrying out as planned, steadily engaging with customers.	Based on the FinFET general process platform, a series of derivative application platforms to be developed, device performance to be further optimized and integration to be improved, to meet the needs of various applications.	Chinese Mainland leadership	Mainly applied to smart home, consumer electronics, etc.
2	22nm ultra-low power technology platform	The devices performances are matched with the targets. The device design was completed. The processes validation commenced and the original process was frozen. The process mainly focuses on reliability, SRAM and devices performances.	To complete the development of the platform, to engage with customers, and to realise the mass production.	Chinese Mainland leadership	Mainly applied to various IoT products to meet the demand from applications such as Smartphone, Digital TV, TV top-set, Image Sensor processor, Wearable devices and other consumer electronics.
3	28nm high-voltage display driver integrated circuit technology platform	Based on 28HKC+ platform, the whole set of devices were completed, including high-, middle-, low-voltage devices and low leakage SRAM. The reliability verification is going on well.	To complete the development of the platform, including a full set of low-, middle- and high-voltage devices, to provide larger volume SRAM, and lower power consumption, and to adapt to various high-end display technical needs.	Chinese Mainland leadership	Mainly applied to AMOLED display drivers.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of project	Progress or milestone achievements	Proposed objects	Technology positioning	Specific application prospects
4	40nm eFlash technology platform	The reliability verifications of the platform meet the standards of Automotive Grade, and customers are engaged in product design.	To complete the development of the platform. Process and IP reliability to meet the standards of Automotive Grade, and to meet the demands of automotive electronics.	Chinese Mainland leadership	Mainly applied to automotive electronics and to meet the demand of the intelligence of automotive electronics.
5	4XNOR Flash technology platform	The yield of test products reached the standard. The process validation commenced. The original process was frozen, and customers are being engaged in product design.	To complete the development of the platform with more advanced and competitive technology and smaller storage unit size, and to realise the mass production.	Chinese Mainland leadership	Mainly applied to IoT, automotive electronics, etc.
6	55nm high-voltage display driver integrated circuit technology platform	The reliability verifications of the platform were completed. A group of clients is being engaged in product design.	To complete the development of the platform, to complete reliability verification for the standards of Automotive Grade, and to realise the mass production.	Chinese Mainland leadership	Mainly applied to automotive display drivers.
7	90nm BCD technology platform	The performance development and reliability verifications of middle- and low-voltage devices in the first phase of the platform were completed, and customers are being engaged in product design.	To complete the development of the platform, including middle- and high-voltage applications, to align with the development trends of intelligent chips of power management, and to gradually expand into other various analogue applications.	Chinese Mainland leadership	Applied to high-end smart power management, audio frequency amplifiers, smart motor drivers, etc.
8	0.11um silicon-based OLED technology platform	The development of ultra-low leakage devices applicable to various camera viewfinders and virtual reality display IC was completed. The yield is steadily increasing. Some products entered small batch trial production.	To complete the development of the platform with high integration, ultra-low leakage, high reaction rate and high reliability, to promote the development of Micro-OLED industry, and to realise the mass production.	Chinese Mainland leadership	Mainly applied to virtual reality display ICs.

(V) R&D STAFF

Basic information

	Six months ended	
	06/30/22	06/30/21
Number of R&D Staff of the Company	1,864	1,785
Number of R&D staff as a percentage of the total workforce of the Company	9.6%	11.2%
Total compensation of R&D staff (in USD'000)	44,736	35,558
Average compensation of R&D staff (in USD'000)	24	20

Education level

Education level	Number of persons	Percentage (%)
Doctorate	290	15.6
Master	1,008	54.1
Bachelor	318	17.1
Junior college and below	248	13.2
Total	1,864	100.0

Age structure

Age group	Number of persons	Percentage (%)
Aged below 30 (excluding 30)	798	42.8
Aged 30-40 (excluding 40)	731	39.2
Aged 40-50 (excluding 50)	309	16.6
Aged 50-60 (excluding 60)	25	1.3
Aged 60 and above	1	0.1
Total	1,864	100.0

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) ANALYSIS ON CORE COMPETITIVENESS

The Company continued to strengthen its core competitiveness during the reporting period as described below:

1. Advantages in R&D platforms

According to the overall strategy and customer demand-oriented, the Company's R&D center has continuously improved its process R&D and innovation capabilities, strengthened platform construction, and upgraded product performance. The R&D project fully benchmarked the technical requirements of the product in the early stage, effectively utilized R&D resources, ensured the quality and reliability of output, actively shortened the cycle from R&D to mass production, and met the market demand for product innovation and rapid iteration, and strived to provide new business growth points for the Company.

2. Advantages in R&D team

Through years of IC R&D practices, the Company has established a high-quality core management team and a professional competent R&D team. The main members of the R&D team comprise of domestic and overseas senior experts with many years of R&D and management experience in the industry.

3. Advantages in diversified product platforms and well-known brands

The Company has long been focusing on the development of IC process technologies for decades. It has successfully developed diverse technology nodes ranging from 0.35 micron to FinFET, which are applied in various technology platforms. The Company owns mass production capability on many technology platforms, such as logic IC, power/analog, high-voltage driver, embedded non-volatile memory, non-volatile memory, mix signal/RF, and CMOS image sensor, etc. The Company is able to provide both IC foundry services and supporting services to customers in the application fields of smart phone, smart home, consumer electronics and other areas. Through long-term cooperation with domestic and overseas renowned customers, the Company has formed prominent brand effects, and obtained sound industry recognition.

4. Well-established intellectual property system

The Company has accumulated many core technologies in the IC field with well-established intellectual property system. As of June 30, 2022, the Company had 12,684 patents in total, including 10,913 invention patents. In addition, the Company also had 94 layout design rights of IC.

5. Internationalised and supply chain layout

Consistently focusing on having a globalised layout in accordance with the concept of having globalised operations at all times, the Company has been deeply integrated with global industry supply chains aiming to provide services for global customers. The Company has established an internationalised management team and talent team, and set up service bases and a business network that spans the globe. Meanwhile, we have set up marketing offices in the United States, Europe, Japan and Taiwan, China, as well as a representative office in Hong Kong, China, further expanding the markets and quickly responding to customer needs. The Company pays great attention to the partnerships with upstream and downstream enterprises of the IC industry supply chain, actively enhances supply chain integration and layout capability, and constructs a compact IC ecosystem, in order to provide customers with comprehensive one-stop IC solutions.

6. Sound quality management system

The Company has established a comprehensive and sound quality management system through continuously enlarging quality management scope vertically and horizontally. Currently, the Company has obtained many accreditations, such as the Information Security Management System Accreditation (ISO27001), Quality Management System Accreditation (ISO9001), Environmental Management System Accreditation (ISO14001), Occupational Health and Safety Management System Accreditation (ISO45001), Quality Management System Accreditation for Automotive Industry (IATF16949), Quality Management System Accreditation for Telecommunication Industry (TL9000), Hazardous Substance Process Management System Accreditation (QC080000), Greenhouse Gas Emission Inventory Accreditation (ISO14064), Energy Management System Accreditation (ISO50001), and the Road Vehicles – Functional Safety Accreditation (ISO26262), etc.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. DISCUSSION AND ANALYSIS ON BUSINESS

In the first half of 2022, the global IC industry sustained at an overall growth trend, while the trends of each IC application segment diverged. Global foundry capacity has changed from overall scarcity to structural shortage: (1) the existing market growth of smartphone and personal computer show insufficient impetus; (2) the incremental emerging market growth of IoT, data center, AI, new energy vehicles and the other application segments continue to create new demand for more manufacturing capacity and technology innovations; (3) the industry still has concerns of regionalised supply chain segmentations in anticipation of the continuity on the localised manufacturing landscape shift. The demand from end customers for local manufacturing resources accelerated, resulting the local capacity shortage. In response to the dynamic changes of the market, the Company has deployment plan in advance through further optimized capacity, constantly launch more product process platforms, keep improving customer service, and persist the Company's tactic direction by securing the existing volume and actively expanding the incremental volume. On the other hand, in the first half of 2022, some of the Company's fabrication sites have experienced epidemics. While facing severe challenges in securing operation continuity, all employees gathered enormous strength to tide over the difficulties, established anti-epidemic shield with strict implementations of preventive and control measures at all aspects, ran full force to assure the continuity of operations and achieved the in-time delivery of customers' orders. With all the efforts and dedication of all employees, the Company maintained solid momentum in the first half of 2022.

During the reporting period, the Group recorded the total revenue of US\$3,745.1 million, representing a year-on-year growth of 53.0%. In particular, the wafer revenue amounted to US\$3,495.1 million, representing a year-on-year growth of 56.1%.

V. RISK FACTORS

(I) RISK OF CORE COMPETITIVENESS

1. *The risk of R&D and iteration of technology upgrade*

The foundry industry in which the Company operates is a technology-intensive industry. IC wafer foundry involves the comprehensive application of dozens of disciplines in science, technology and engineering, and has the characteristics of fast process technology iteration, large capital investment, long R&D cycle, etc. Over the years, the Company has insisted on independent R&D and further consolidated its independent core intellectual property rights. If the Company's investment in technology R&D in future is insufficient to support the need for technology upgrades, the Company's technology may be overtaken or replaced, which will adversely affect the Company's sustained competitiveness.

The foundry requires relatively high technical content, experiencing early technical demonstration, and the continuous R&D practice in the later period for a relative and long cycle. If the Company fails to keep up with the frontier needs of the industry in the future and correctly identify the direction of R&D, deviations may occur in process technology positioning. Besides, as the R&D process of the new technology is more complicated, time-consuming and costly, there is uncertainty. The rich terminal application scenarios of integrated circuits determine the differences in the mainstream technology nodes and processes of chip products in various subdivisions, and the corresponding market demand changes rapidly. If the Company fails to launch a cost-effective technology platform that meets market demand in a timely manner, or the technology iteration lags significantly behind the process requirements of product application, the Company's competitiveness and market share may decline, thereby affecting the Company's development.

2. *The risk of shortage or loss of technical talents*

The foundry industry is also a talent-intensive industry. IC wafer foundry involves the integration of thousands of processes and dozens of professional disciplines, and requires relevant talents to have solid professional knowledge and long-term accumulation of technology. Besides, the extremely high requirements for process coordination and error control in each link require relevant talents to have strong comprehensive capabilities and experience accumulation. Excellent R&D personnel and engineering and technical personnel are an important foundation for the Company to improve competitiveness and maintain development.

For many years, the Company has attached great importance to the scientific management of human resources, formulated a relative reasonable talent policy and salary management system, and implemented multiple incentive measures, including share incentives for outstanding talents, which played a positive role in retaining and attracting technical talents. In recent years, the number of IC companies has been growing rapidly, resulting in a relatively huge gap between the supply and demand of outstanding technical talents in the industry, and the competition for talents is becoming increasingly fierce. If the Company has a large number of outstanding technical R&D personnel leave, and the Company is unable to recruit experienced technical personnel in a short period of time, the Company's R&D progress may be affected, which has an adverse impact on the Company's sustainable competitiveness.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. The risk of technical leakage

The Company attaches great importance to the protection of core technologies. It has formulated a series of strict and complete confidentiality policies including the information security protection policies, and signed confidentiality agreements with relevant technical personnel to make strict non-competition provisions upon their resignation to ensure the confidentiality of core technologies. However, due to the limitations of technical secret protection measures, the mobility of technical personnel and other factors beyond our control, the Company is exposed to the risk of core technology leakage. The occurrence of any of the above may weaken the Company's technical advantages to a certain extent and has adverse effects.

(II) OPERATING RISKS

1. The risk of continuous huge investment in the Company's R&D and production

The foundry industry is a capital-intensive industry. In order to continuously upgrade the existing technology platform to maintain market competitiveness, and ensure sufficient production capacity to meet order production requirements and improve core competitiveness, the Company has to make continuous huge investments. In the future, if the Company fails to generate sufficient operating income or financing is restricted, which would result in reduced investment and may in turn have an adverse impact on the Company's competitiveness.

2. The risk of relatively high customer concentration

The Company has a relatively high customer concentration due to the relatively high market concentration in the downstream of foundry industry. The Company has established a relatively stable cooperative relationship with major customers by virtue of its advantages in R&D strength, product quality, capacity support and service response, however, if there are material issues in the production and operation of major customers in the future, the Company's performance stability and sustained profitability will be adversely affected.

3. The risk of supply chain

The foundry industry has high requirements for raw materials, parts, equipment and etc. There is a limited number of qualified suppliers in the world for certain important raw materials, parts, core equipment and etc, and the majority of which are located outside China. In the future, the Company's production, operations and sustainable development may be adversely affected if there is a shortage of supply, delay in delivery or a significant pricing increase of the important raw materials, parts, core equipment, etc, required by the Company, or there are trade frictions, diplomatic conflicts, wars, etc., between other countries and the countries and/or regions where the suppliers are located, which, in turn, affect the supply and approval of export licenses required for the related raw materials, parts, equipment, etc, or result in price increases, etc.

(III) FINANCIAL RISKS

1. The risk of increase in depreciation

The further expanded production capacity in the future would increase the amount of construction in progress within a certain period of time. As the projects under construction reaches their intended use and are transferred to fixed assets, the Company may expose to the risk of further increase in depreciation in a certain period of time.

2. The risk of lower gross profit margin

If there are adverse changes in the overall condition of the IC industry, demand from domestic and foreign customers falling under expectations which may affect the sales and prices of the Company's products, sharp rise of the price of major raw materials, and the acceleration of the Company's production capacity expansion, which may lead to utilization falling under expectation, and other unfavorable effects in certain period of time, the Company may expose to the risk of gross profit margin fluctuations.

3. The risk of financial performance fluctuations

If the Company continues to incur high capital expenditures and R&D investment, it will lead to a corresponding increase in depreciation and R&D expenses. Once the Company's investment fails to bring expected returns in the short term, or there are changes in the macroeconomic environment, industry cycles, and industry competition, the Company may expose to the risk of financial performance fluctuations.

4. The risk of changes in tax preferential policies

During the reporting period, the preferential tax policies enjoyed by domestic subsidiaries of the Group mainly include income tax reduction and exemption for integrated circuit manufacturing enterprises, preferential income tax rate for high-tech enterprises, super-deduction of research and development expenses, etc. In the future, if the above preferential tax policies change, or the above subsidiaries no longer have the relevant qualifications or meet the conditions of enjoying the above preferential tax policies, it will have an adverse impact on the future business performance of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

5. *The risk of impairment on assets*

As a capital-intensive enterprise, the Group has a relatively large scale of fixed assets. In the future, if there is a sharp decline in the market price of assets in the period and the decline is remarkably greater than the expected decline due to the passage of time or normal use, or the economic, technological or legal environment where the Company is in, and the market where the asset is located experienced or is expected to experience significant changes in the period or in the near future, or the market interest rates or other market investment returns have increased in the period, which affects the Company's calculation of the discount rate applicable for the calculation of the net present value of future cash flows of the assets, this may cause insufficient asset utilization, termination of use or early disposal of assets, or cause recoverable amount of assets to be lower than the carrying amount, resulting in impairment, which may adversely affect the Group's income statement in the period.

The Company's major customers are large well-known integrated circuit design companies and IDM companies at home and abroad with large scale, high credit ratings, and good payment records. Although the possibility of bad debts from major customers is currently low, the Company may still be exposed to the risk of bad debt losses caused by uncollectible accounts receivable if there are adverse changes in the business conditions of some customers in the future.

With the growth of the Company's revenue, the inventory balance at the end of each period has also been trending up. In the future, if market demand changes such that the selling price of part of the inventory fails to cover the cost, the Company will be exposed to the risk of an increase in inventory provision.

(IV) INDUSTRY RISKS

1. *The risk of changes in industry policies*

As the foundation and core of the information industry, the IC industry is a strategic industry for national economic and social development. The state has successively issued a series of policies including the "Notice of the State Council on Launching Several Policies to Further Encourage the Development of the Software Industry and Integrated Circuit Industry" (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》) (Guo Fa [2011] No. 4) and the "Notice of the State Council regarding Certain Policies for Promoting the High-quality Development of the Integrated Circuit (IC) Industry and Software Industry in the New Era" (《國務院關於印發新時期促進集成電路產業和軟件產業高質量發展若干政策的通知》) (Guo Fa [2020] No. 8) which provide more support for IC companies in taxation, investment and financing, research and development, import and export, talents, intellectual property rights, markets application, international cooperation, etc. In the future, any material unfavorable changes in relevant national industrial policies will adversely affect the Company's development.

2. *The risk of industry competition*

The competition in the foundry industry is fierce. Compared with industry leaders, the Company has a relatively large technological gap and a relatively low market share.

With the continuous emergence of new application fields such as IoT, artificial intelligence and cloud computing, the hot areas for the development of the chip industry are constantly enriched, and the broad market prospects and relatively favorable industrial policies have attracted many domestic and foreign IC-related companies entering the foundry industry, which may further intensify market competition.

In the future, if the Company fails to develop and introduce the latest manufacturing process technology in time, or launch process platforms that can better meet customer needs, the Company's competitive advantage will be weakened and the Company's operating results will be adversely affected.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) MACRO-ENVIRONMENTAL RISKS

1. *The risk of macroeconomic fluctuations and industry cyclicality*

The Company mainly provides customers with foundry and supporting services based on multiple technology nodes and different process platforms. It has a wide range of downstream applications. The Company's products and services cover many important economic fields including smart phone, smart home and consumer electronics, etc.

Affected by global macroeconomic fluctuations, industry prospect, etc., the IC industry has a certain cyclical nature. Therefore, the development of the IC industry is closely related to the overall development of the macro economy. If the macro-economy fluctuates greatly or remains at a low point for a long time, the market demand of the IC industry may also be affected; in addition, the fluctuation and downturn of downstream market demand may also lead to decline in the demand for IC products, or due to the overheated investment and duplicate construction in the semiconductor industry, the production capacity supply may exceed market demand when the prosperity is weaker, which will further affect the profitability of foundries, and may have a certain adverse impact on the Company's operating results.

2. *The risk of the COVID-19 affecting the normal production and operation*

The recurrence of COVID-19 has affected most countries and regions around the world to varying degrees. In response to the epidemic, the Company has formulated an effective emergency prevention and control plan for the epidemic and implemented various protective measures to ensure safe production while fighting the epidemic.

However, if the COVID-19 situation recurs or worsens, the Company's production and operation may be affected. At the same time, the reduction of international flights and the shortage of transportation capacity have made the delivery cycle of equipment, parts and material longer. The increase in transportation prices will increase the Company's subsequent procurement costs. The requirement of personnel quarantine also restricts the supplier's engineers from providing technical support services. Therefore, in the future, if the epidemic cannot be controlled in a timely and effective manner, recurs or deteriorates on a global scale or some countries/regions, the Company remains to be exposed to the risk of low efficiencies, delays or disruptions in production, operation and supply, etc. In addition, the epidemic's impact on the long logistics supply chain including the number of flights, shipping time, and freight may also have a certain adverse effect on the Company's export sales.

3. *The risk of trade friction*

During the reporting period and corresponding period, most of the Company's major material and equipment suppliers are overseas companies.

At present, the ongoing trade friction between China and the United States continues to bring greater challenges to the economic globalisation, and the U.S. has strengthened restrictions and/or supervision on Chinese enterprises in many fields. These factors collectively affect the Company's production and operation to a certain extent.

On December 3, 2020 EST, the relevant U.S. government departments and agencies placed the Company on the Communist Chinese Military Companies List. Any transaction on the publicly traded securities, or any securities that are derivative of such securities of the Company by any U.S. person is restricted.

On December 18, 2020 EST, the relevant U.S. government departments and agencies added the Company and its certain subsidiaries and an associated company to the Entity List on the grounds of U.S. national security and foreign policy interests. This designation requires suppliers of items that are subject to the U.S. Export Administration Regulations ("EAR") to apply for licenses before supplying such items to the Company. In particular, for items uniquely required for production at 10 nanometers and below (including extreme ultraviolet technology), the license review policy of a presumption of denial will be imposed by the relevant U.S. government departments and agencies.

On June 3, 2021 EST, an executive order was issued by Biden, restricting U.S. persons from investing in "Chinese Military Industrial Complex Companies". Any transaction on the publicly traded securities, and any securities that are derivative of such securities of the Company by any U.S. person is restricted.

Affected by the above events, the Company may not be able to obtain investment from U.S. persons in the future, as financing channels are limited, and there is uncertainty for the Company to obtain production related items subject to the EAR.

In the future, if the trade friction between the United States and the other countries or regions and China continues to escalate, such as in the form of heightened import and export restrictions, increased tariffs or establishment of other trade barriers, the Company may face risks such as shortages or rising prices for production materials including equipment, raw material, and parts etc, as well as customer loss, which will set limits to the Company's R&D/production, result in reduced orders or prices and increased costs, and consequently adversely affect the Company's business and operations.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

4. The risk of adjustment of U.S. export control policies

At present, economic globalisation has encountered ups and downs, multilateralism has been hit. In particular, the Sino-US economic and trade frictions have adversely affected the production and operation of some enterprises and market expectations.

In May 2019, the relevant U.S. government departments and agencies added certain Chinese companies to the “Entity List”; in May and August 2020, the relevant U.S. government departments and agencies revised the Foreign-Produced Direct Product Rule. According to the revised rules, certain semiconductor related equipment and technology subject to the EAR may not be used to manufacture products for certain customers before obtaining export licenses from the relevant U.S. government departments and agencies.

The Company adheres to international operations, consciously abides by applicable laws and regulations of relevant countries and regions in which its production and operational activities are involved, and has operated business in compliance with the aforementioned laws and regulations since its establishment. However, the U.S. enhanced export controls targeting Chinese top high-tech companies may restrict the wafer foundry and related supporting services provided by the Company to certain customers, and the Company may face limited R&D/production capacity and reduced orders, which may adversely affect the Company's business development and operating performance.

5. The risk of exchange rate fluctuations

The functional currency of the Company and its subsidiaries is mainly U.S. dollars, and some transactions are denominated in RMB or foreign currencies such as Euro and Japanese Yen. Monetary items in foreign currencies are converted into the functional currency for bookkeeping at the spot exchange rate on the balance sheet date to form exchange differences. The Company has adopted foreign-currency forward exchange contracts, cross currency swap contracts, and etc. to hedge against exchange rate fluctuations. However, if the exchange rate of local and foreign currency fluctuates significantly as a result of the changes in domestic and foreign economic environment, political situation, monetary policy and other factors in the future, there remains the risk of exchange loss of the Company.

(VI) INTERNAL CONTROL MANAGEMENT RISK

1. The risk of no controlling shareholder or de facto controller

During the reporting period, every single shareholder of the Company held less than 30% of the Company's shares. The number of Directors nominated by each shareholder is lower than one-half of the total number of Directors, no single shareholder may decide the selection of more than half of members of the Company's Board or has significant impact on the resolutions of the general meeting through actually controlling the voting rights of the Company's shares, and there is no associated relationship or concerted action among the major shareholders of the Company. Therefore, the Company has no controlling shareholder or de facto controller.

The relative dispersion of the Company's shareholdings makes it possible for the Company to become the target of takeover in the future, which will lead to changes in the Company's control, and may in turn impact on the Company's business development and management.

2. Management and control risks brought by the Company's many subsidiaries

The Company has a large number of domestic and foreign subsidiaries, and which distribute in multiple countries and regions. In the future, if a subsidiary exposes to operating, compliance, tax and other risks, it may have an adverse impact on the Company's operating performance.

Some of the Company's holding subsidiaries are joint ventures, and their dividend distributions and other major matters shall be approved by more than two-thirds of all directors. Therefore, the Company cannot unilaterally decide on some major matters such as the dividend distribution.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VII) LEGAL RISK

1. *The risk of differences between the Company's current corporate governance structure and that of the listed companies subject to the applicable laws, regulations and regulatory documents in the PRC*

The Company was established under the Companies Act of the Cayman Islands. In accordance with the Circular of the General Office of the State Council on Forwarding the Several Opinions of the CSRC on Launching the Pilot Program of Domestically Issuing Stocks or Depository Receipts by Innovation-oriented Enterprises (《國務院辦公廳轉發證監會關於開展創新企業境內發行股票或存托憑證試點若干意見的通知》) (Guo Ban Fa [2018] No. 21), the pilot red-chip companies' equity structure, corporate governance, and operation specifications may be governed by laws and regulations such as the Company Law of the place of incorporation overseas. As a red-chip company registered in the Cayman Islands, the Company is required to comply with the Companies Act of the Cayman Islands and the Articles of Association, and has enhanced the corporate governance system and operation specifications in accordance with the requirements of listing rules in the PRC. Our protection of investors' rights and interests are generally no less exacting than legal requirements in the PRC. However, in certain corporate governance arrangements, such as the system of the supervisory committee, the procedures and systems for mergers, divisions, acquisitions, the procedures and systems for liquidation and dissolution, there will be certain differences when compared with the general A Share listed companies registered in the PRC.

2. *The risk of changes in laws and regulations*

The Company is established in the Cayman Islands, and its subsidiaries are established in and outside the PRC. The Company and its subsidiaries should abide by different laws and regulations of different countries and areas. Changes in laws and regulations of the places of registration and business of the Company and its subsidiaries may have an impact on the operation and management of the Company and its subsidiaries.

3. *The risk of litigation and arbitration*

The IC foundry industry where the Company operates is a key link in driving the integration of the IC industry, and the Company has a large number of customers and suppliers. In its future business development, the Company cannot rule out litigations and arbitrations with customers, suppliers, etc., which will consume the Company's manpower, material resources and distract management efforts. The Company may be exposed to the risk of losing the lawsuit, which may in turn adversely affect the Company's production and operation.

As of the publication date of this report, the Company's pending litigations and arbitrations which are relatively large include: (1) PDF SOLUTIONS, INC. initiated an arbitration on certain technical service agreement signed with SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC New Technology"); (2) the announcement dated December 15, 2020 states that the Company and certain of its Directors are listed as defendants in a lawsuit alleging that the Company issued certain statements or documents in violations of sections 10(b) and 20(a) of the United States ("U.S.") Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the U.S. Securities and Exchange Commission which prohibit certain misrepresentations and omissions in connection with the purchase or sale of securities and seeks unquantified financial compensation. On June 9, 2022 (Los Angeles, U.S. time), the ruling of the Federal District Court for the Central District of California, the U.S., rejected all the civil actions disclosed in the announcement issued by the Company on December 15, 2020, and the plaintiff shall not sue for the same reason or sue again after modifying the complaint. The plaintiff submitted the notice of appeal to the original ruling Court on July 8, 2022 (Los Angeles, U.S. time). United States Court of Appeals for the Ninth Circuit confirmed receipt of the appeal with a notification on July 11, 2022 (Log Angeles, U.S. time). The litigation is still ongoing.

(VIII) RISKS OF FIRE, EXPLOSIONS, NATURAL DISASTERS AND UTILITY SUPPLY DISRUPTION

SMIC uses flammable toxic and harmful chemical substances in its production process, which may cause risks of fire, explosion or environmental impact; in addition, global climate change or systemic regional geological changes may cause natural disasters such as extreme weather and destructive earthquakes, which may bring risks such as cold waves, floods, tsunamis, typhoons, droughts and earthquakes, which then may cause the risk of shortages or interruptions of public utilities such as water supply, power supply and gas supply.

SMIC is committed to maintaining a comprehensive risk management system to protect natural resources and safeguard people and assets. For all possible emergencies and natural disasters, the Company has developed comprehensive plans and processes for risk prevention, emergency response, crisis management and business continuity. All of our operating fabs have been verified by our environmental management system (ISO14001) and occupational safety and health management system (ISO45001), and have established business continuity plans to minimize injuries, operational disruptions and financial impacts.

Although none of these risks have impacted our operations at our manufacturing facilities in the first half of 2022, these risks remain.

If these risks occur, they could result in some degree of property damage, injury to personnel, business interruption and damage to the Company's reputation.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IX) IT RISKS

The Company has organised an information security team to align with the overall strategic planning of the Company, formulates information security policies and objectives, and builds security technology solutions. Relying on ISO27001, the authoritative standards in the field of information security management, the Company carries out information security governance and performs the three major tasks of anti-virus, anti-hack and anti-leakage. The Company pays attention to the protection of core technology and customer information. Through a continuously strengthening security team and continuously optimized information security technologies, the Company has formed a comprehensive technological prevention, control and monitoring system for confidential information.

However, due to uncontrollable factors such as internet security system vulnerabilities, cyber attacks and unknown cyber security threats, the Company cannot guarantee against malicious software and hacker attacks, and there is still risk of data loss, disruption of customer services or production halt to the Company. If the above happens, the business and reputation of the Company may be impacted to some extent.

VI. MAIN OPERATION RESULTS DURING THE REPORTING PERIOD

In the first half of 2022, the Group recorded a revenue of US\$3,745.1 million and net profit attributable to owners of the Company of US\$961.6 million.

(I) ANALYSIS OF PRINCIPAL BUSINESSES

1. Analysis of changes in relevant items in the financial statements

In USD'000

	Six months ended		06/30/22 as compared with 06/30/21(%)
	06/30/22	06/30/21	
Revenue	3,745,058	2,447,751	53.0
Cost of sales	(2,244,315)	(1,792,625)	25.2
Gross profit	1,500,743	655,126	129.1
Research and development expenses	(352,753)	(299,325)	17.8
Sales and marketing expenses	(18,627)	(12,032)	54.8
General and administrative expenses	(213,721)	(99,935)	113.9
Other operating income	159,673	418,776	(61.9)
Finance income, net	85,038	52,800	61.1
Share of profits and losses of joint venture and associates	51,211	85,318	(40.0)
Net cash generated from operating activities	3,715,459	1,502,981	147.2
Net cash used in investing activities	(4,947,398)	(4,104,346)	20.5
Net cash generated from/(used in) financing activities	1,416,564	(75,708)	N/A

(1) Revenue

The Group's revenue increased by 53.0% from US\$2,447.8 million for the corresponding period to US\$3,745.1 million for the reporting period, primarily due to the increase in wafer shipment, higher average selling price and product-mix change for the period. The wafer shipment quantity increased by 12.8% from 3,304 thousand 8" wafer equivalents for the corresponding period to 3,727 thousand 8" wafer equivalents for the reporting period. The average selling price, calculated as the revenue divided by total shipments of the wafers, increased from US\$678 per wafer for the corresponding period to US\$938 per wafer for the reporting period.

(2) Cost of sales

Cost of sales increased by 25.2% from US\$1,792.6 million for the corresponding period to US\$2,244.3 million for the reporting period, primarily due to the increase in the quantity of wafer shipments and product-mix change.

(3) Gross profit

Gross profit increased by 129.1% from US\$655.1 million for the corresponding period to US\$1,500.7 million for the reporting period, primarily due to the increase in the quantity of wafer shipments, higher average selling price and product-mix change.

(4) Profit from operations for the period

Profit from operations increased from US\$662.4 million for the corresponding period to US\$1,075.4 million for the reporting period, primarily due to the combined effect of the changes of revenue, cost of sales and gross profit mentioned above, and the below following changes:

Research and development expenses increased from US\$299.3 million for the corresponding period to US\$352.8 million for the reporting period. The change was mainly attributable to the higher level of R&D activities for the reporting period.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Sales and marketing expenses were US\$18.6 million for the reporting period, compared to US\$12.0 million for the corresponding period.

General and administrative expenses increased from US\$99.9 million for the corresponding period to US\$213.7 million for the reporting period. The change was primarily due to the increased start-up cost associated with the new fabs and the increased COVID-19 prevention cost incurred for the reporting period.

Other operating income decreased from US\$418.8 million for the corresponding period to US\$159.7 million for the reporting period. The decrease was mainly due to the one-off net gain of \$231.4 million from the disposal of a subsidiary in the corresponding period, which did not occur in the reporting period. The income recognized in relation to government funding was US\$145.2 million for the reporting period, compared to US\$167.6 million for the corresponding period.

(5) Profit for the period

Finance income includes interest income, finance costs and foreign exchange gain. The change of finance income, net was mainly due to the increase in interest income for the reporting period.

The decrease in share of profits and losses of joint venture and associates recorded under the equity method was due to one-off passively diluted equity income of associates in the corresponding period.

The Group had a net profit of US\$1,198.2 million for the reporting period, compared to a net profit of US\$824.0 million for the corresponding period, representing an increase of 45.4%, which was mainly due to the impact of the factors described above.

(6) Cash flows

Net cash generated from operating activities increased from US\$1,503.0 million for the corresponding period to US\$3,715.5 million for the reporting period, primarily due to the increase in received cash from sales of goods during the reporting period.

The change in net cash used in investing activities was mainly due to the increased payment for property, plant and equipment during the reporting period, partially deducted by the decrease in net cash outflow from selling and payments for financial assets. In addition, one-off net proceeds from disposal of a subsidiary were received during the corresponding period.

The change in net cash generated from financing activities was mainly because the net cash inflow of new and repaid borrowings, capital injection from non-controlling interests increased during the reporting period, partially deducted by the repayment of medium-term notes and payment of shares repurchased.

2. Analysis of revenue

Principal businesses by region

Percentage of revenue of principal businesses
Six months ended

By region ⁽¹⁾	06/30/22	06/30/21
Chinese Mainland and Hong Kong, China	69.0%	59.6%
North America	18.9%	25.3%
Eurasia and Asia ⁽²⁾	12.1%	15.1%

Notes:

- (1) Presenting the revenue to those companies whose headquarters are in this area, ultimately selling and shipping the products to their global customers.
- (2) Excluding Chinese Mainland and Hong Kong, China.

Analysis on wafer revenue

Percentage of revenue from wafers
Six months ended

By application	06/30/22	06/30/21
Smart phone	27.0%	33.2%
Smart home	15.0%	13.1%
Consumer electronics	23.5%	23.0%
Others	34.5%	30.7%

Percentage of revenue from wafers
Six months ended

By size	06/30/22	06/30/21
8" wafers	32.6%	37.1%
12" wafers	67.4%	62.9%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. LIQUIDITY AND CAPITAL SOURCES

(1) Net debt

	<i>In USD'000</i>	
	06/30/22	12/31/21
Borrowings	6,501,048	5,726,987
Lease liabilities	155,858	210,224
Bonds payable	598,018	597,663
Convertible bonds	–	1,978
Medium-term notes	–	235,515
Total interest-bearing debts	7,254,924	6,772,367
Cash and cash equivalents	(8,634,495)	(8,581,746)
Restricted cash-current	(221,820)	(214,191)
Financial assets at FVPL-current ⁽¹⁾	(312,975)	(78,184)
Financial assets at amortised cost ⁽²⁾	(9,449,223)	(7,564,091)
Net debt	(11,363,589)	(9,665,845)

Notes:

- (1) Mainly include structured deposits and monetary funds.
- (2) Mainly include bank time deposits over three months.

At the end of the reporting period, the Group's outstanding debts amounted to US\$7,254.9 million and primarily consisted of secured bank loans of US\$1,966.9 million, unsecured bank loans of US\$4,534.1 million, lease liabilities and bonds payable. Debt due within one year amounted to US\$948.1 million.

Details of the debt arrangements are detailed in Note 21 to the condensed consolidated financial statements.

(2) Capital expenditures and funding sources

Most of the capital expenditure in 2022 will be used to expand the existing fabs and roll out of the three new projects.

The Group's actual expenditures may differ from its planned expenditures for a variety of reasons, including factors such as changes in its business plan, market conditions, equipment prices, or customer requirements. The Company will monitor the global economy, the semiconductor industry, the demands of its customers, and its cash flow from operations and will adjust its capital expenditure plans upon approval by the Board as necessary.

The primary sources of capital of the Group include cash generated from operations, bank borrowings and debt or equity issuances, capital injections from minority interests and other forms of financing. Future acquisitions, mergers, strategic investments, or other developments may also require additional financing. The amount of capital required to meet the Group's growth and development targets is difficult to predict in the highly cyclical and rapidly changing semiconductor industry.

(3) Expenditure commitments

At the end of this reporting period, the Group had expenditure commitments of US\$1,041.2 million for facilities and buildings construction obligations in connection with the Group's facilities, US\$10,773.4 million to purchase machinery and equipment mainly for its fabs, US\$45.5 million to purchase intellectual property and US\$223.2 million for capital contributions payable to associates.

(4) Exchange rate and interest rate risks

The Group's revenue, expenses, and capital expenditures are primarily transacted in U.S. dollars. The Group also enters into transactions in other currencies that results in the Group being primarily exposed to changes in exchange rates for the Euro, Japanese Yen, and RMB. Additionally, the Group entered into or issued several RMB denominated loan facility agreements, short-term notes and medium-term notes and several RMB denominated financial assets at amortised cost that results in the Group being exposed to changes in the exchange rate for the RMB. The Group strives to minimize these risks by using foreign-currency forward exchange contracts and cross currency swap contracts.

The Group's exposure to interest rate risks relates primarily to the Group's long-term loans, which the Group generally assumes to fund capital expenditures and working capital requirements. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the full use of interest rate swap contracts and cross currency swap contracts.

(II) EXPLANATION ON SIGNIFICANT CHANGE IN PROFITS ARISING FROM NON-PRINCIPAL BUSINESS

	<i>In USD'000</i>			
Items	Amount	Percentage of net profits (%)	Explanation for the cause	If there is any sustainability
Other operating income-government funding	145,240	12.1	Primarily due to the recognised income of government project funds in the reporting period	No

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

In USD'000

Items	06/30/22	The closing balance to the total assets (%)	12/31/21	The opening balance to the total assets (%)	06/30/22 as compared with 12/31/21 (%)	Explanations
Restricted cash – non current	515,127	1.3	117,787	0.3	337.3	Increase due to the increase in bank time deposit pledged against for borrowings during the period.
Derivative financial assets, net	150,798	0.4	70,393	0.2	114.2	Increase mainly due to the change in fair value of cross currency swap contracts during the period.
Financial assets at fair value through profit or loss – current	312,975	0.8	78,184	0.2	300.3	Increase due to the increase in structural bank deposits during the period.
Financial assets at amortized cost -current	5,913,809	14.6	3,838,129	10.6	54.1	Increase due to the increase in new bank deposits due over 3 months during the period.
Trade and other payables	2,878,441	7.1	1,830,415	5.1	57.3	Increase due to the increase in equipment and raw materials procurement during the period.
Contract liabilities	2,076,685	5.1	1,022,660	2.8	103.1	Increase due to the increase in prepayments relevant to sales of goods during the period.
Convertible bonds	–	–	1,978	0.0	(100.0)	Decrease due to the conversion of convertible bonds during the period.
Medium-term notes	–	–	235,515	0.7	(100.0)	Decrease due to the repayment of the medium-term notes during the period.

2. Major assets subject to restriction by the end of the reporting period

(1) Assets pledged as security

At the end of this reporting period, property, plant and equipment and land use right with a carrying amount of approximately US\$240.9 million have been mortgaged to secure borrowings of the Group. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to other entities.

(2) Restricted cash

At the end of this reporting period, restricted cash includes bank time deposits of US\$736.9 million pledged for letter of credit and borrowings.

3. Other information

(1) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the capital structure.

The Group manages its capital through new share issues, share buy-backs, the issue of new debt or the redemption of existing debt, and reviews the capital structure on an interim basis. The gearing ratio at the end of the reporting period was as follows:

In USD'000

Gearing ratio	06/30/22	12/31/21
Net debt	(11,363,589)	(9,665,845)
Equity	27,330,635	25,438,143
	-41.6%	-38.0%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Capitalised interest

Interest is capitalised when incurred on the specialised borrowings that are used for the over-one-year construction of plant and equipment. Capitalised interest is added to the cost of the underlying assets and is depreciated over as accounting policy. No interest was capitalised during the reporting period and the corresponding period. For this reporting period and the corresponding period, the Group recorded depreciation expenses relating to the capitalised interest of US\$18.7 million and US\$18.5 million, respectively.

(IV) ANALYSIS ON INVESTMENTS

Overall analysis on external equity investment

The Company made no significant external equity investments during the reporting period.

1. FINANCIAL ASSETS AT FAIR VALUE

In USD'000

Items	06/30/22	12/31/21	Changes in the reporting period	Impact on profit for the reporting period
Investments in equity securities	199,895	223,024	(23,129)	(11,280)
Structured deposits and monetary funds	312,975	78,184	234,791	4,129

(V) ANALYSIS OF PRINCIPAL CONTROLLED AND INVESTEE COMPANIES

1. Major subsidiaries

In USD'000

Name of company	Business nature	Registered capital	Percentage of shareholding	Total assets	Total equity	Revenue	Profit from operations	Profit for the period
SMIS	Manufacturing and trading of semiconductor products	2,440,000	100.00%	5,907,540	2,796,164	704,701	91,281	98,845
SMIB	Manufacturing and trading of semiconductor products	1,000,000	100.00%	27,283,492	3,859,960	1,284,286	330,211	651,952
SMIT	Manufacturing and trading of semiconductor products	1,290,000	100.00%	2,557,512	1,532,637	456,200	116,046	108,889
SMNC	Manufacturing and trading of semiconductor products	4,800,000	51.00%	5,946,713	5,158,219	970,969	285,191	267,724
SMIZ	Manufacturing and trading of semiconductor products	2,415,000	59.80%	2,981,278	1,600,116	184,877	(23,566)	(19,388)
SMSC	Manufacturing and trading of semiconductor products	6,500,000	38.52%	9,397,679	6,225,762	807,866	193,944	198,784

2. Major associates

Name of company	Place of registration/Principal place of business	Business	Percentage of voting rights	Accounting treatment
JCET Group Co., Ltd.	No. 78 Changshan Road, Chengjiang Town, Jiangyin	Microsystem integration packaging and testing services	12.86%	Equity method
Sino IC Leasing Co., Ltd	Room 3205F, 32/F, No.707 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	Focusing on finance leases in IC industry	8.17%	Equity method
Semiconductor Manufacturing Electronics (Shaoxing) Corporation	No.518 Linjiang Road, Yuecheng District, Shaoxing, Zhejiang	Providing foundry services of specialty process technology for wafer and module packaging	19.57%	Equity method
Ningbo Semiconductor International Corporation	Building 3, 4 and 5, No.335 Anju Road, Xiaogang street, Beilun District, Ningbo, Zhejiang	Focusing on the development of specialty process technologies, such as high voltage analog, optoelectronic integration, etc.	15.85%	Equity method

(VI) MATOR ASSETS AND EQUITY DISPOSAL

There was no major assets and equity disposals during the reporting period.

VII. PROSPECTS

In the second half of the year, smartphones are still digesting inventory, consumer electronics' demand is weakening, however the structural shortage is going to continue, while demand in automotive electronics, green energy, industrial controllers and other areas still maintain solid growth. At present, it seems that this cycle adjustment will last at least until the first half of next year, and when it will end depends on the macroeconomic trend, the pace of consumer demand-side recovery, as well as industry de-stocking. The IC industry's demand growth and global localization trend as well as the long-term logic of indigenous wafer manufacturing remains unchanged, although there are short-term adjustments. The Company remain confident in its medium- to long-term growth.

SECTION 4 CORPORATE GOVERNANCE

I. INTRODUCTION OF CORPORATE GOVERNANCE

The Company is committed to remaining an exemplary corporate citizen and maintaining a high level of corporate governance in order to protect the interests of its shareholders.

CORPORATE GOVERNANCE PRACTICES

The HKSE's Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Hong Kong Listing Rules contains code provisions (the "Code Provisions") which an issuer, such as the Company, is expected to comply with or advise as to reasons for deviations from it, and recommends best practices which an issuer is encouraged to implement (the "Recommended Practices"). The Company has adopted a set of Corporate Governance Policy (the "CG Policy") since January 25, 2005 as its own code of corporate governance, which is amended from time to time to comply with the CG Code. In addition, the Company has adopted or put in place various policies, procedures, and practices in compliance with the provisions of the CG Policy.

The Board considers that the Company had complied with all Code Provisions set out in the CG Code during the six months ended June 30, 2022.

II. INTRODUCTION OF GENERAL MEETINGS

Session	Date of convention	Inquiry index on the designated website on which the resolution(s) are publicised	Date of disclosure for publication of resolution(s)	Meeting resolution(s)
The 2022 annual general meeting	June 24, 2022	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk/) The website of the SSE (http://www.sse.com.cn)	June 24, 2022/ June 25, 2022	All the resolutions of the general meeting of shareholders were passed

III. CHANGES IN DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS OF THE COMPANY

Name	Position	Change
Gao Yonggang	Chairman	Appointed
Zhou Zixue	Executive Director	Resigned
Zhou Meisheng	Executive Vice President in Technology Research and Development and Core Technician	Resigned
Jin Da	Core Technician	Appointed
Yan Dayong	Core Technician	Appointed

IV. UPDATES TO INFORMATION RELATING TO DIRECTORS AND CHIEF EXECUTIVE

As required under rule 13.51B of the Hong Kong Listing Rules, certain changes in, and updates to, the information previously disclosed regarding the Directors and chief executive are set out below:

1. Mr. Lu Guoqing resigned as chairman of FiberHome Communication Technology Co., Ltd. (600498.SH) in May 2022;
2. Dr. Chen Shanzhi resigned as a director of FiberHome Communication Technology Co., Ltd. (600498.SH) in May 2022;
3. Dr. Zhao Haijun has resigned as an executive Director of the Company with effect from August 11, 2022. Dr. Zhao continues to serve as the Co-Chief Executive Officer of the Company after the aforementioned resignation;
4. Mr. William Tudor Brown has resigned as an independent non-executive Director of the Company with effect from August 11, 2022; and
5. Academician Wu Hanming has been appointed as a Class I independent non-executive Director of the Company with effect from August 11, 2022.

V. PARTICULARS OF EMPLOYEES

Save as disclosed in this interim report, there is no material change to the information disclosed in the 2021 annual report of the Group in relation to the number and remuneration of employees, remuneration policies, employee bonus and share option schemes of employees.

SECTION 4 CORPORATE GOVERNANCE

VI. PLAN FOR PROFIT DISTRIBUTION OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL

(I) PLAN FOR PROFIT DISTRIBUTION AND PLAN TO CONVERT CAPITAL RESERVES INTO SHARE CAPITAL PROPOSED FOR THE FIRST HALF OF THE YEAR

Whether distributed or converted	No
Bonus shares for every 10 shares (shares)	–
Dividend for every 10 shares (yuan) (tax inclusive)	–
Conversion into share capital for every 10 shares (shares)	–

(II) DIVIDENDS

The Board did not propose to declare an interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

VII. INFORMATION ABOUT THE COMPANY'S STOCK INCENTIVE PLANS, EMPLOYEE EQUITY INCENTIVE PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

(I) RELEVANT STOCK INCENTIVE EVENTS THAT HAVE BEEN DISCLOSED IN THE PROVISIONAL ANNOUNCEMENTS AND WITH NO PROGRESS OR CHANGE IN SUBSEQUENT IMPLEMENTATION

Summary of the event	Inquiry index
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by directors of the Company on January 28, 2022	Next day disclosure return on the Hong Kong Stock Exchange: January 28, 2022
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by directors of the Company on March 31, 2022	Next day disclosure return on the Hong Kong Stock Exchange: March 31, 2022
Non-Exempt Connected Transaction Proposed Grant of Restricted Share Units	Next day disclosure return on the Hong Kong Stock Exchange: April 10, 2022
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by directors of the Company on April 28, 2022	Next day disclosure return on the Hong Kong Stock Exchange: April 28, 2022
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by directors of the Company on May 26, 2022	Next day disclosure return on the Hong Kong Stock Exchange: May 26, 2022
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by directors of the Company on May 30, 2022	Next day disclosure return on the Hong Kong Stock Exchange: May 30, 2022
On June 21, 2022, the Company's Board reviewed and approved the "Proposal on Granting Part of Reserved Restricted Shares to Incentive Objects" and other proposals in the form of written resolutions	For details, please see the Announcement of "SMIC on Granting Part of Reserved Restricted Shares to Incentive Objects" (Announcement No.: 2022-016), and "SMIC 2021 STAR Market Restricted Share Incentive Scheme List of Reserved Grant Partial to Incentive Objects (as of the date of grant)" on the website of the SSE (www.sse.com.cn), on June 22, 2022.
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by directors of the Company on June 28, 2022	Next day disclosure return on the Hong Kong Stock Exchange: June 28, 2022

SECTION 4 CORPORATE GOVERNANCE

1. 2004 Stock Option Plan

On February 16, 2004, the Company's shareholders adopted the 2004 Stock Option Plan which then became effective on March 18, 2004 and was amended on June 23, 2009.

Movement of the 2004 Stock Option Plan during the six months ended June 30, 2022 is as follows:

Unit: Share

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share (USD)	Options Outstanding as of 12/31/21	Additional Options Granted During this Period	Options Lapsed During this Period	Options Repurchased of Ordinary Shares During this Period	Options Exercised During this Period	Options Cancelled During this Period	Options Outstanding as of 06/30/22	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted (USD)
Employee	5/22/2012	5/22/2012-5/21/2022	252,572,706	0.44	1,714,218	-	367,345	-	1,346,873	-	-	2.05	0.45
Employee	9/12/2012	9/12/2012-9/11/2022	12,071,250	0.37	25,200	-	-	-	2,400	-	22,800	2.57	0.36
Employee	11/15/2012	11/15/2012-11/14/2022	18,461,000	0.47	88,216	-	-	-	8,000	-	80,216	2.16	0.47
Employee	5/7/2013	5/7/2013-5/6/2023	24,367,201	0.75	84,928	-	-	-	4,325	-	80,603	2.02	0.77
Employee	6/11/2013	6/11/2013-6/10/2023	102,810,000	0.82	1,089,777	-	14,000	-	42,000	-	1,033,777	2.32	0.79
Zhao Haijun*	6/11/2013	6/11/2013-6/10/2023	74,755,756	0.82	188,233	-	-	-	-	-	188,233	-	0.79
Gao Yonggang	6/17/2013	6/17/2013-6/16/2023	13,608,249	0.80	1,360,824	-	-	-	-	-	1,360,824	-	0.78
Employee	9/6/2013	9/6/2013-9/5/2023	22,179,070	0.72	46,325	-	-	-	-	-	46,325	-	0.73
Employee	11/4/2013	11/4/2013-11/3/2023	19,500,000	0.73	57,900	-	-	-	-	-	57,900	-	0.71
Total					4,655,621	-	381,345	-	1,403,598	-	2,870,678		

Options to purchase Ordinary Shares issued to new employees and then-existing employees generally vest at a rate pursuant to which 25% of the shares shall vest on the first anniversary of the vesting commencement date, an additional 1/36 of the remaining shares shall vest monthly thereafter over 3 years of the vesting commencement date, respectively.

2. 2014 Stock Option Plan

The Company's shareholders adopted a 2014 Stock Option Plan that became effective on November 15, 2013 when the 2014 Stock Option Plan was registered with the PRC State Administration of Foreign Exchange.

Movement of the 2014 Stock Option Plan during the six months ended June 30, 2022 is as follows:

Unit: Share

Name/Eligible Employee	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share(USD)	Options Outstanding as of 12/31/21	Additional Options Granted During this Period	Options Lapsed During this Period	Options Repurchased of Ordinary Shares During this Period	Options Exercised During this Period	Options Cancelled During this Period	Options Outstanding as of 06/30/22	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted (USD)
Gao Yonggang	6/12/2014	6/12/2014-6/11/2024	2,886,486	0.82	288,648	-	-	-	-	-	288,648	-	0.82
Employee	6/12/2014	6/12/2014-6/11/2024	26,584,250	0.82	133,229	-	-	-	-	-	133,229	-	0.82
Employee	11/17/2014	11/17/2014-11/16/2024	119,640,012	1.08	1,188,745	-	8,934	-	46,874	-	1,132,937	2.37	1.10
Employee	2/24/2015	2/24/2015-2/23/2025	12,293,017	0.90	21,500	-	-	-	-	-	21,500	-	0.88
Employee	5/20/2015	5/20/2015-5/19/2025	12,235,000	1.06	35,916	-	-	-	-	-	35,916	-	1.05
Zhou Zixue (resigned)	5/20/2015	5/20/2015-5/19/2025	25,211,633	1.06	2,521,163	-	-	-	-	-	2,521,163	-	1.05
Employee	5/25/2016	5/25/2016-5/24/2026	5,146,000	0.82	30,450	-	-	-	-	-	30,450	-	0.83
Chen Shanzhi	5/25/2016	5/25/2016-5/24/2026	989,583	0.82	98,958	-	-	-	-	-	98,958	-	0.83
Chen Shanzhi	9/12/2016	9/12/2016-9/11/2026	11,986	1.11	1,198	-	-	-	-	-	1,198	-	1.12
Chen Shanzhi	4/5/2017	4/5/2017-4/4/2027	62,500	1.25	62,500	-	-	-	-	-	62,500	-	1.24
Employee	5/22/2017	5/22/2017-5/21/2027	345,000	1.08	11,687	-	-	-	-	-	11,687	-	1.06
Zhao Haijun*	9/7/2017	9/7/2017-9/6/2027	1,687,500	1.01	1,687,500	-	-	-	-	-	1,687,500	-	1.00
Employee	5/23/2018	5/23/2018-5/22/2028	18,493,834	1.34	6,884,572	-	58,175	-	208,550	-	6,617,847	2.27	1.33
Chen Shanzhi	5/23/2018	5/23/2018-5/22/2028	125,000	1.34	125,000	-	-	-	-	-	125,000	-	1.33
William Tudor Brown (resigned)**	5/23/2018	5/23/2018-5/22/2028	87,500	1.34	87,500	-	-	-	87,500	-	-	2.20	1.33
Fan Ren Da Anthony	9/13/2018	9/13/2018-9/12/2028	187,500	1.09	187,500	-	-	-	-	-	187,500	-	1.06
Employee	11/19/2018	11/19/2018-11/18/2028	138,000	0.87	62,000	-	-	-	-	-	62,000	-	0.87
Chen Shanzhi	5/21/2019	5/21/2019-5/20/2029	62,500	1.09	62,500	-	-	-	-	-	62,500	-	1.11
William Tudor Brown (resigned)**	5/21/2019	5/21/2019-5/20/2029	62,500	1.09	62,500	-	-	-	62,500	-	-	2.20	1.11
Guo Guangli	9/12/2019	9/12/2019-9/11/2029	100,000	1.25	75,000	-	-	-	-	-	75,000	-	1.24
Employee	9/12/2019	9/12/2019-9/11/2029	648,000	1.25	286,500	-	19,000	-	57,000	-	210,500	2.17	1.24
Employee	5/25/2020	5/25/2020-5/24/2030	6,794,803	2.31	4,941,342	-	97,662	-	20,622	-	4,823,058	2.40	2.16
Chen Shanzhi	5/25/2020	5/25/2020-5/24/2030	62,500	2.31	62,500	-	-	-	-	-	62,500	-	2.16
William Tudor Brown (resigned)**	5/25/2020	5/25/2020-5/24/2030	62,500	2.31	62,500	-	-	-	-	-	62,500	-	2.16
Zhao Haijun*	5/25/2020	5/25/2020-5/24/2030	219,706	2.31	219,706	-	-	-	-	-	219,706	-	2.16

SECTION 4 CORPORATE GOVERNANCE

Name/Eligible Employee	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share(USD)	Options Outstanding as of 12/31/21	Additional Options Granted During this Period	Options Lapsed During this Period	Options Lapsed Due to Repurchase of Ordinary Shares During this Period	Options Exercised During this Period	Options Cancelled During this Period	Options Outstanding as of 06/30/22	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted (USD)
Guo Guangli	5/25/2020	5/25/2020-5/24/2030	29,042	2.31	29,042	-	-	-	-	-	29,042	-	2.16
Zhou Meisheng (resigned)	5/25/2020	5/25/2020-5/24/2030	281,092	2.31	281,092	-	-	-	-	-	281,092	-	2.16
Liang Mong Song	5/25/2020	5/25/2020-5/24/2030	659,117	2.31	659,117	-	-	-	-	-	659,117	-	2.16
Gao Yonggang	5/25/2020	5/25/2020-5/24/2030	586,793	2.31	586,793	-	-	-	-	-	586,793	-	2.16
Zhou Xixue (resigned)	5/25/2020	5/25/2020-5/24/2030	659,117	2.31	659,117	-	-	-	-	-	659,117	-	2.16
Employee	9/9/2020	9/9/2020-9/8/2030	108,851	2.81	108,851	-	-	-	-	-	108,851	-	2.40
Employee	11/23/2020	11/23/2020-11/22/2030	3,574,049	2.93	3,083,283	-	75,433	-	-	-	3,007,850	-	2.90
Employee	5/31/2021	5/31/2021-5/30/2031	3,434,762	3.12	3,125,064	-	65,289	-	-	-	3,059,775	-	3.08
William Tudor Brown (resigned)**	5/31/2021	5/31/2021-5/30/2031	62,500	3.12	62,500	-	-	-	-	-	62,500	-	3.08
Chen Shanzhi	5/31/2021	5/31/2021-5/30/2031	62,500	3.12	62,500	-	-	-	-	-	62,500	-	3.08
Fan Ren Da Anthony	5/31/2021	5/31/2021-5/30/2031	32,877	3.12	32,877	-	-	-	-	-	32,877	-	3.08
Gao Yonggang	5/31/2021	5/31/2021-5/30/2031	296,085	3.12	296,085	-	-	-	-	-	296,085	-	3.08
Guo Guangli	5/31/2021	5/31/2021-5/30/2031	13,119	3.12	13,119	-	-	-	-	-	13,119	-	3.08
Liu Ming	5/31/2021	5/31/2021-5/30/2031	187,500	3.12	187,500	-	-	-	-	-	187,500	-	3.08
Lau Lawrence Juen-Yee	5/31/2021	5/31/2021-5/30/2031	32,877	3.12	32,877	-	-	-	-	-	32,877	-	3.08
Lu Guoqing	5/31/2021	5/31/2021-5/30/2031	187,500	3.12	187,500	-	-	-	-	120,391	67,109	-	3.08
Zhao Haijun*	5/31/2021	5/31/2021-5/30/2031	277,149	3.12	277,149	-	-	-	-	-	277,149	-	3.08
Zhou Meisheng (resigned)	5/31/2021	5/31/2021-5/30/2031	122,741	3.12	122,741	-	-	-	-	-	122,741	-	3.08
Zhou Xixue (resigned)	5/31/2021	5/31/2021-5/30/2031	277,149	3.12	277,149	-	-	-	-	-	277,149	-	3.08
Employee	9/15/2021	9/15/2021-9/14/2031	424,000	2.96	362,000	-	-	-	-	-	362,000	-	2.93
Employee	11/19/2021	11/19/2021-11/18/2031	4,394,342	2.86	4,276,973	-	249,879	-	-	-	4,027,094	-	2.85
Total					33,923,943	-	574,372	-	483,046	120,391	32,746,134		

Options to purchase Ordinary Shares granted before January 1, 2018 and issued to new employees and then-existing employees generally vest at a rate pursuant to which 25% of the shares shall vest on the first anniversary of the vesting commencement date, an additional 1/36 of the remaining shares shall vest monthly thereafter over 3 years of the vesting commencement date, respectively.

Options to purchase Ordinary Shares granted after January 1, 2018 and issued to new employees and existing employees generally vest at a rate of 25% upon the first, second, third, and fourth anniversaries of the vesting commencement date, respectively.

In accordance with the terms of the 2014 Share Option Plan, the Board and the Compensation Committee may respectively approve to accelerate the vesting period of the options granted to the Directors of the Company and employees of the Group.

SECTION 4 CORPORATE GOVERNANCE

3. 2014 Equity Incentive Plan

The Company's shareholders adopted a 2014 Equity Incentive Plan that became effective on November 15, 2013 when the 2014 Equity Incentive Plan was registered with the PRC State Administration of Foreign Exchange.

Movement of the 2014 Equity Incentive Plan during the six months ended June 30, 2022 is as follows:

Unit: Share

Name/Eligible Employee	Date Granted	Period during which Rights Exercisable	No. of RSUs Granted	Exercise Price Per Share (USD)	RSUs Outstanding as of 12/31/21	Additional RSUs Granted During this Period	RSUs Lapsed During this Period	RSUs Repurchased of Ordinary Shares During this Period	RSUs Exercised During this Period	RSUs Cancelled During this Period	RSUs Outstanding as of 06/30/22	Restricted Share Units were Vested (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Granted (USD)
Gao Yonggang	11/17/2014	11/17/2014-11/16/2024	2,910,836	0.004	85,505	-	-	-	-	-	85,505	-	1.10
Zhou Zixue(resigned)	5/20/2015	5/20/2015-5/19/2025	10,804,985	0.004	1,080,498	-	-	-	-	-	1,080,498	-	1.05
Employee	5/25/2016	5/25/2016-5/24/2026	68,070,000	0.004	3,200	-	-	-	-	-	3,200	-	0.83
Chen Shanzhi	5/25/2016	5/25/2016-5/24/2026	989,583	0.004	98,958	-	-	-	-	-	98,958	-	0.83
Chen Shanzhi	9/12/2016	9/12/2016-9/11/2026	11,986	0.004	1,198	-	-	-	-	-	1,198	-	1.12
Chen Shanzhi	4/5/2017	4/5/2017-4/4/2027	62,500	0.004	62,500	-	-	-	-	-	62,500	-	1.24
Employee	5/22/2017	5/22/2017-5/21/2027	7,469,000	0.004	8,900	-	-	-	-	-	8,900	-	1.06
Employee	5/23/2018	5/23/2018-5/22/2028	6,957,966	0.004	811,750	-	6,300	-	798,250	-	7,200	2.50	1.33
Chen Shanzhi	5/23/2018	5/23/2018-5/22/2028	125,000	0.004	125,000	-	-	-	-	-	125,000	-	1.33
William Tudor Brown (resigned)**	5/23/2018	5/23/2018-5/22/2028	87,500	0.004	87,500	-	-	-	87,500	-	-	1.12	1.33
Employee	9/13/2018	9/13/2018-9/12/2028	344,000	0.004	47,000	-	-	-	47,000	-	-	2.13	1.06
Employee	11/19/2018	11/19/2018-11/18/2028	54,000	0.004	6,000	-	-	-	-	-	6,000	-	0.87
Chen Shanzhi	5/21/2019	5/21/2019-5/20/2029	62,500	0.004	62,500	-	-	-	-	-	62,500	-	1.11
William Tudor Brown (resigned)**	5/21/2019	5/21/2019-5/20/2029	62,500	0.004	62,500	-	-	-	62,500	-	-	1.52	1.11
Guo Guangli	9/12/2019	9/12/2019-9/11/2029	39,000	0.004	19,500	-	-	-	-	-	19,500	-	1.24
Employee	9/12/2019	9/12/2019-9/11/2029	291,000	0.004	47,250	-	7,500	-	12,000	-	27,750	2.50	1.24
Employee	5/25/2020	5/25/2020-5/24/2030	2,677,933	0.004	1,338,959	-	29,613	-	486,373	-	822,973	2.50	2.16
Chen Shanzhi	5/25/2020	5/25/2020-5/24/2030	62,500	0.004	62,500	-	-	-	-	-	62,500	-	2.16
William Tudor Brown (resigned)**	5/25/2020	5/25/2020-5/24/2030	62,500	0.004	62,500	-	-	-	62,500	-	-	2.82	2.16
Zhao Haijun*	5/25/2020	5/25/2020-5/24/2030	86,603	0.004	86,603	-	-	-	-	-	86,603	-	2.16
Guo Guangli	5/25/2020	5/25/2020-5/24/2030	11,287	0.004	11,287	-	-	-	-	-	11,287	-	2.16
Zhou Meisheng (resigned)	5/25/2020	5/25/2020-5/24/2030	110,799	0.004	110,799	-	-	-	63,922	-	46,877	2.50	2.16
Liang Mong Song	5/25/2020	5/25/2020-5/24/2030	259,808	0.004	259,808	-	-	-	-	-	259,808	-	2.16
Gao Yonggang	5/25/2020	5/25/2020-5/24/2030	231,300	0.004	231,300	-	-	-	-	-	231,300	-	2.16
Zhou Zixue(resigned)	5/25/2020	5/25/2020-5/24/2030	259,808	0.004	259,808	-	-	-	-	-	259,808	-	2.16
Employee	9/9/2020	9/9/2020-9/8/2030	42,489	0.004	30,995	-	-	-	10,622	-	20,373	2.09	2.40
Employee	11/23/2020	11/23/2020-11/22/2030	1,650,678	0.004	1,066,950	-	17,650	-	315,684	-	733,616	2.50	2.90
Employee	5/31/2021	5/31/2021-5/30/2031	1,670,590	0.004	1,515,708	-	30,059	-	370,584	-	1,115,065	2.49	3.08
William Tudor Brown (resigned)**	5/31/2021	5/31/2021-5/30/2031	62,500	0.004	62,500	-	-	-	-	-	62,500	-	3.08
Chen Shanzhi	5/31/2021	5/31/2021-5/30/2031	62,500	0.004	62,500	-	-	-	-	-	62,500	-	3.08
Fan Ren Da Anthony	5/31/2021	5/31/2021-5/30/2031	32,877	0.004	32,877	-	-	-	-	-	32,877	-	3.08
Gao Yonggang	5/31/2021	5/31/2021-5/30/2031	147,482	0.004	147,482	-	-	-	-	-	147,482	-	3.08
Guo Guangli	5/31/2021	5/31/2021-5/30/2031	6,535	0.004	6,535	-	-	-	-	-	6,535	-	3.08
Liu Ming	5/31/2021	5/31/2021-5/30/2031	187,500	0.004	187,500	-	-	-	-	-	187,500	-	3.08
Lau Lawrence Juen-Yee	5/31/2021	5/31/2021-5/30/2031	32,877	0.004	32,877	-	-	-	-	-	32,877	-	3.08
Lu Guoqing	5/31/2021	5/31/2021-5/30/2031	187,500	0.004	187,500	-	-	-	125,625	-	61,875	-	3.08
Zhao Haijun*	5/31/2021	5/31/2021-5/30/2031	138,050	0.004	138,050	-	-	-	-	-	138,050	-	3.08
Zhou Meisheng (resigned)	5/31/2021	5/31/2021-5/30/2031	61,138	0.004	61,138	-	-	-	15,284	-	45,854	2.50	3.08
Zhou Zixue(resigned)	5/31/2021	5/31/2021-5/30/2031	138,050	0.004	138,050	-	-	-	-	-	138,050	-	3.08
Employee	9/15/2021	9/15/2021-9/14/2031	165,000	0.004	141,000	-	-	-	35,250	-	105,750	2.18	2.93
Employee	11/19/2021	11/19/2021-11/18/2031	2,067,057	0.004	2,017,283	-	105,884	-	471,537	-	1,439,862	2.50	2.85
Employee	4/8/2022	4/8/2022-4/7/2032	5,382,792	0.004	-	5,382,792	43,419	-	-	-	5,339,373	-	2.14
Zhao Haijun*	4/8/2022	4/8/2022-4/7/2032	401,538	0.004	-	401,538	-	-	-	-	401,538	-	2.14

SECTION 4 CORPORATE GOVERNANCE

Name/Eligible Employee	Date Granted	Period during which Rights Exercisable	No. of RSUs Granted	Exercise Price Per Share (USD)	RSUs Outstanding as of 12/31/21	Additional RSUs Granted During this Period	RSUs Lapsed During this Period	RSUs Repurchased of Ordinary Shares During this Period	RSUs Exercised During this Period	RSUs Cancelled During this Period	RSUs Outstanding as of 06/30/22	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Vested (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Granted (USD)
Liang Mong Song	4/8/2022	4/8/2022-4/7/2032	401,538	0.004	-	401,538	-	-	-	-	401,538	-	2.14
Gao Yonggang	4/8/2022	4/8/2022-4/7/2032	400,764	0.004	-	400,764	-	-	-	-	400,764	-	2.14
Fan Ren Da Anthony	4/8/2022	4/8/2022-4/7/2032	92,500	0.004	-	92,500	-	-	-	-	92,500	-	2.14
Guo Guangli	4/8/2022	4/8/2022-4/7/2032	60,875	0.004	-	60,875	-	-	-	-	60,875	-	2.14
Lau Lawrence Juen-Yee	4/8/2022	4/8/2022-4/7/2032	92,500	0.004	-	92,500	-	-	-	-	92,500	-	2.14
Zhou Meisheng (resigned)	4/8/2022	4/8/2022-4/7/2032	158,070	0.004	-	158,070	-	-	-	-	158,070	-	2.14
Chen Shanzhi	4/8/2022	4/8/2022-4/7/2032	92,500	0.004	-	92,500	-	-	-	92,500	-	-	2.14
William Tudor Brown (resigned)**	4/8/2022	4/8/2022-4/7/2032	92,500	0.004	-	92,500	-	-	-	-	92,500	-	2.14
Zhou Zixue(resigned) Employee	4/8/2022 5/20/2022	4/8/2022-4/7/2032 5/20/2022-5/19/2032	382,349 119,970	0.004 0.004	- -	382,349 119,970	- -	- -	- -	- -	382,349 119,970	- -	2.14 2.02
Total					10,862,268	7,677,896	240,425	-	2,839,006	218,125	15,242,608		

Awards of the Restricted Share Units ("RSUs") issued to new employees and existing employees generally vest at a rate of 25% upon the first, second, third, and fourth anniversaries of the vesting commencement date, respectively.

In accordance with the terms of the 2014 Equity Incentive Plan, the Compensation Committee may approve to accelerate the vesting period of the RSUs granted to the Directors of the Company and the employees of the Group.

4. 2021 STAR Market Restricted Share Incentive Scheme (Type II Restricted Shares)

On June 25, 2021, the Company's general meeting adopted the 2021 STAR Market Restricted Share Incentive Scheme.

Movement of the 2021 STAR Market Restricted Share Incentive Scheme during the six months ended June 30, 2022 is as follows:

Unit: Share

Name/Eligible Employee	Date Granted	Period during which Rights Exercisable	No. of Restricted Shares Granted	Exercise Price Per Share (USD)	Restricted Shares Outstanding as of 12/31/21	Additional Restricted Shares Granted During this Period	Restricted Shares Lapsed During this Period	Restricted Shares Repurchased of Ordinary Shares During this Period	Restricted Shares Exercised During this Period	Restricted Shares Cancelled During this Period	Restricted Shares Outstanding as of 06/30/22	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Vested (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Granted (USD)
Employee	7/19/2021	7/19/2021-7/18/2026	65,055,200	2.98	64,778,880	-	340,000	-	-	-	64,438,880	-	8.18
Gao Yonggang	7/19/2021	7/19/2021-7/18/2026	360,000	2.98	360,000	-	-	-	-	-	360,000	-	8.18
Zhou Zixue(resigned)	7/19/2021	7/19/2021-7/18/2026	400,000	2.98	400,000	-	-	-	-	-	400,000	-	8.18
Liang Mong Song	7/19/2021	7/19/2021-7/18/2026	400,000	2.98	400,000	-	-	-	-	-	400,000	-	8.18
Zhao Haijun*	7/19/2021	7/19/2021-7/18/2026	400,000	2.98	400,000	-	-	-	-	-	400,000	-	8.18
Zhou Meisheng(resigned)	7/19/2021	7/19/2021-7/18/2026	360,000	2.98	360,000	-	-	-	-	-	360,000	-	8.18
Guo Guangli	7/19/2021	7/19/2021-7/18/2026	160,000	2.98	160,000	-	-	-	-	-	160,000	-	8.18
Guo Guangli Employee	6/21/2022	6/21/2022-6/20/2027	120,000	2.98	-	120,000	-	-	-	-	120,000	-	6.81
	6/21/2022	6/21/2022-6/20/2027	7,995,200	2.98	-	7,995,200	59,200	-	-	-	7,936,000	-	6.81
Total					66,858,880	8,115,200	399,200	-	-	-	74,574,880		

* Dr. Zhao Haijun has resigned as an executive Director on August 11, 2022. Dr. Zhao continues to serve as the Co-Chief Executive Officer after the aforementioned resignation.

** Mr. William Tudor Brown has resigned as an independent non-executive Director on August 11, 2022.

SECTION 4 CORPORATE GOVERNANCE

VIII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LIST ISSUERS

The Company has developed Management System and Implementation Rules for Insiders which encompasses the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code"). The Company, having made specific enquiry of all Directors, confirms that all Directors have complied with the Management System and Implementation Rules for Insiders of the Company and the Model Code throughout the six months ended June 30, 2022. The senior management of the Company as well as all directors, senior officers, and employees of the Company and its subsidiaries are also required to comply with the Management System and Implementation Rules for Insiders of the Company and relevant provisions stipulated by CSRC and SSE in relation to inside trading.

IX. OVERVIEW OF THE BOARD

The Board has a duty to the Company's shareholders to direct and oversee the affairs of the Company in order to maximize shareholder value. The Board, acting by itself and through its various committees, actively participates in and is responsible for the determination of the overall strategy of the Company, the establishment and monitoring of the achievement of corporate goals and objectives, the oversight of the Company's financial performance and the preparation of the accounts, the establishment of corporate governance practices and policies, and the review of the Company's system of internal controls. The management of the Company is responsible for the implementation of the overall strategy of the Company and its daily operations and administration. The Board has access to the senior management of the Company to discuss enquiries on management information.

The Board consists of 9 Directors as at the publication date of this report. Directors may hold office until the expiration of their respective term upon an election passed at a shareholders' meeting by holders of a majority of the Company's issued shares being entitled to vote in person or by proxy at such meeting. The Board is divided into three classes with one class of Directors eligible for re-election at each annual general meeting of the Company. Each class of Directors (including all non-executive Directors) serves a term of three years.

The following table sets forth the names, classes and categories of the Directors as at the publication date of this report:

	Category of Director	Class of Director	Year of Re-election
Gao Yonggang	Chairman, Executive Director and Chief Financial Officer	Class I	2023
Lu Guoqing	Non-executive Director	Class I	2023
Wu Hanming	Independent Non-executive Director	Class I	2023
Chen Shanzhi	Non-executive Director	Class II	2024
Huang Dengshan	Non-executive Director	Class II	2024
Lau Lawrence Juen-Yee	Independent Non-executive Director	Class II	2024
Fan Ren Da Anthony	Independent Non-executive Director	Class II	2024
Ren Kai	Non-executive Director	Class III	2025
Liu Ming	Independent Non-executive Director	Class III	2025

For the six months ended June 30, 2022, the roles of Chairman and Co-Chief Executive Officers are segregated. The role of Chairman is performed by Dr. Gao Yonggang and the roles of Co-Chief Executive Officers are performed by Dr. Zhao Haijun and Dr. Liang Mong Song.

On an annual basis, each independent non-executive Director confirms his/her independence to the Company, and the Company considers these Directors to be independent (as defined under Rule 3.13 of the Hong Kong Listing Rules). There are no relationships among members of the Board.

X. BOARD COMMITTEES

The Board has established the following principal committees to assist it in performing its functions. The committees are governed by their respective charters setting out clear terms of reference. The updated charters of the audit committee, compensation committee and nomination committee are available on the websites of the Company and the Hong Kong Stock Exchange.

(I) AUDIT COMMITTEE

As of the date of this report, the audit committee of the Board (the "Audit Committee") consisted of three members, namely Dr. Fan Ren Da Anthony (Chairman of Audit Committee), Professor Lau Lawrence Juen-Yee and Academician Liu Ming. None of the members of the Audit Committee has been an executive officer or employee of the Company or any of its subsidiaries.

(II) COMPENSATION COMMITTEE

As of the date of this report, the members of the Company's compensation committee (the "Compensation Committee") are Dr. Fan Ren Da Anthony (Chairman of Compensation Committee), Mr. Lu Guoqing, Professor Lau Lawrence Juen-Yee and Academician Liu Ming. None of these members of the Compensation Committee have been an executive officer or employee of the Company or any of its subsidiaries.

(III) NOMINATION COMMITTEE

As of the date of this report, the Company's nomination committee (the "Nomination Committee") consisted of Dr. Gao Yonggang (Chairman of Nomination Committee), Mr. Huang Dengshan, Professor Lau Lawrence Juen-Yee, Dr. Fan Ren Da Anthony and Academician Wu Hanming.

SECTION 4 CORPORATE GOVERNANCE

(IV) STRATEGIC COMMITTEE

As of the date of this report, the members of the Company's strategic committee (the "Strategic Committee") are Dr. Chen Shanzhi (Chairman of Strategic Committee), Mr. Ren Kai, Professor Lau Lawrence Juen-Yee, Academician Liu Ming and Academician Wu Hanming.

The purpose of the Strategic Committee is to assist the Board and the management of the Company to evaluate and consider various strategic alternatives.

XI. INTERNAL AUDIT

Internal audit supports the Audit Committee to evaluate the effectiveness of and contribute to the improvement of risk management, internal control, and governance systems. The person in charge of the Internal Audit Department shall draw up the annual audit plan based on the risk assessment and submit the plan, the budget and the staffing plan to the Audit Committee and the Chairman for approval.

The Internal Audit shall check and investigate major problems identified by senior managers. Major internal control audit results, the management's corrective measures and the follow-ups of these measures will be reported to the Audit Committee, the Chairman and the Chief Executive Officers. The audit report is reported to the Audit Committee semi-annually, and the Annual Internal Audit Plan shall be submitted to the Audit Committee within two months after each fiscal year end.

Responsibilities of the internal audit include:

- reviewing the management's internal control measures, providing reasonable assurance of the authenticity, accuracy and integrity of financial and operational information and ensuring the reliability and soundness of approaches for identification, measurement, classification and reporting;
- reviewing the internal control systems established or to be established, ensuring that the Company is currently in compliance with plans, procedures, systems, regulations and laws that have a significant impact on operations and reporting;
- reviewing the means of asset protection and verifying the existence of assets when appropriate;
- identifying major risks affecting the Company's achievement of business objectives, reporting related risks to the management and supervising the management to take appropriate protective measures;
- reviewing whether internal control measures supporting operation of the Company are effective, and putting forward suggestions on problems detected;
- ensuring that the work of internal and external auditors on internal control is coordinated;
- assisting in establishing and improving the anti-fraud mechanism, identifying the key areas, key links and main contents of anti-fraud, and rationally concerning and reviewing possible fraud in the internal audit process.

The Internal Audit Department shall have an independent status within the Company and shall not be involved in the day-to-day operation management of the Company. The Internal Audit Department has no operating responsibility or authority over the departmental operations that it audits.

In conducting these audits, the Internal Audit has free and full access to all necessary functions, records, properties and personnel.

After completing the audit, all audit results shall be reported to the management, and the management will determine and implement necessary corrective measures to eliminate defects of the internal control system.

The person in charge of the Internal Audit Department may meet privately with the members of the Audit Committee, without the presence of members of the Company's management or the external auditor.

XII. WAIVER FROM COMPLIANCE WITH THE HONG KONG LISTING RULES

Save for the relevant waivers as disclosed in the prospectus of the Company dated March 8, 2004, and the circular of the Company dated May 9, 2020 regarding waiver from strict compliance with certain provisions of the Hong Kong Listing Rules relating to corporate communication, requirements for certification of transfers and requirements for securities registration, the Company has not received any waivers from compliance with the Hong Kong Listing Rules which are still in effect as at the date of this report.

XIII. REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices accepted by the Company and the unaudited interim financial report of the Company for 2022.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENTAL INFORMATION

(I) EXPLANATION ON ENVIRONMENTAL PROTECTION OF COMPANIES AND THEIR SIGNIFICANT SUBSIDIARIES CLASSIFIED AS THE KEY POLLUTANT DISCHARGING UNITS ANNOUNCED BY THE ENVIRONMENTAL PROTECTION AUTHORITY

1. Information on pollutant discharging

Name of unit	Type	Number of outlets	Name of major pollutants	Methods of emission/discharge	Distribution of outlets	Emission concentration of waste water (mg/l) Exhaust gases (mg/m ³)	Total emissions (tons)	Pollutant emission standards implemented	Approved total emissions (tons)
SMIS	Acid exhaust	40	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.23	8.08	Integrated emission standards of air pollutants of Shanghai (DB31/933-2015)	58.81
			Fluoride	Continuous emission	Exhaust gas outlets	0.12	0.80		N/A
	Alkaline exhaust	12	Ammonia	Continuous emission	Exhaust gas outlets	1.26	0.49	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A
			Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	9.81	8.70		64.09
	Industrial wastewater	4	Fluoride	Continuous emission	Wastewater outlets	8.01	13.54	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A
			Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	58.97	99.62		2,370.92
			Ammonia nitrogen	Continuous emission	Wastewater outlets	9.92	16.76		213.38
			Arsenic	Continuous emission	Wastewater outlets in workshop	0.00455	0.00005		0.017
SMIB	Acid exhaust	18	Nitrogen oxides	Continuous emission	Exhaust gas outlets	2.24	6.12	Emission standard of air pollutants for electronic industry of Beijing (DB11/1631-2019)	N/A
			Fluoride	Continuous emission	Exhaust gas outlets	0.07	0.15		N/A
	Alkaline exhaust	7	Ammonia	Continuous emission	Exhaust gas outlets	0.26	0.07		N/A
			Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	1.14	0.46		N/A
	Industrial wastewater	1	Fluoride	Continuous emission	Wastewater outlets	5.32	8.44	Integrated emission standard of water pollutants of Beijing (DB11/307-2013)	N/A
			Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	82.38	130.07		423.55
			Ammonia nitrogen	Continuous emission	Wastewater outlets	7.74	12.21		31.466
			Arsenic	Continuous emission	Workshop outlet: arsenic sampling outlet	0.00498	0.00136		0.7194
SMNC	Acid exhaust	29	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.1	6.71	Emission standard of air pollutants for electronic industry of Beijing (DB11/1631-2019)	N/A
			Fluoride	Continuous emission	Exhaust gas outlets	0.22	1.15		N/A
	Alkaline exhaust	7	Ammonia	Continuous emission	Exhaust gas outlets	1.46	0.60		N/A
			Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	0.99	0.93		N/A
	Industrial wastewater	1	Fluoride	Continuous emission	Wastewater outlets	3.85	10.73	Integrated emission standard of water pollutants of Beijing (DB11/307-2013)	N/A
			Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	88.17	234.48		1,047.37
			Ammonia nitrogen	Continuous emission	Wastewater outlets	10.69	29.82		132.67
			Arsenic	Continuous emission	Arsenic detection outlets	0.0049	0.00009		1.32

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Name of unit	Type	Number of outlets	Name of major pollutants	Methods of emission/discharge	Distribution of outlets	Emission concentration of waste water (mg/l) Exhaust gases (mg/m ³)	Total emissions (tons)	Pollutant emission standards implemented	Approved total emissions (tons)
SMIT	Acid exhaust	21	Nitrogen Oxides	Continuous emission	Exhaust gas outlets	28.21	1.69	Integrated emission standard of air pollutants (GB16297-1996)	12.8
			Fluoride	Continuous emission	Exhaust gas outlets	0.19	0.37		N/A
	Alkaline exhaust	8	Ammonia	Continuous emission	Exhaust gas outlets	0.81	0.46	Emission standards of odor pollutants of Tianjin (DB12-059-2018)	N/A
	Organic exhaust	3	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	4.95	3.51	Emission standard of air pollutants for industrial furnaces of Tianjin (DB12/556-2015)	N/A
	Industrial wastewater	2	Fluoride	Continuous emission	Wastewater outlets	8.08	10.63	Integrated emission standard of wastewater of Tianjin (DB12-356-2018)	N/A
Chemical Oxygen Demand (COD)			Continuous emission	Wastewater outlets	70.00	188.46	257.13		
Ammonia nitrogen			Continuous emission	Wastewater outlets	3.99	9.28	44.94		
SMIZ	Acid exhaust	15	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.2	1.67076	Emission limits of air pollutants of Guangdong (DB44/27-2001)	25.81
			Fluoride	Continuous emission	Exhaust gas outlets	0.22	0.346601	N/A	
	Alkaline exhaust	5	Ammonia	Continuous emission	Exhaust gas outlets	0.017	0.356544	Emission standards of odor pollutants (GB14554-93)	N/A
	Organic exhaust	3	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	8.06	0.741408	Emission limits of air pollutants of Guangdong (DB44/27-2001)	14.58
	Industrial wastewater	4	Fluoride	Continuous emission	Wastewater outlets	7.62	4.5894	Discharge limits of water pollutants of Guangdong (DB44/26-2001)	N/A
Chemical Oxygen Demand (COD)			Continuous emission	Wastewater outlets	51	54.3	1,452.88		
Ammonia nitrogen			Continuous emission	Wastewater outlets	17.5	8.4583	130.76		
SMSC	Acid exhaust	20	Nitrogen oxides	Continuous emission	Exhaust gas outlets	4.63	16.24	Integrated emission standards of air pollutants of Shanghai (DB31/933-2015)	56.56
			Fluoride	Continuous emission	Exhaust gas outlets	0.09	0.43	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A
	Alkaline exhaust	5	Ammonia	Continuous emission	Exhaust gas outlets	0.50	0.16	Emission standards of odor pollutants of Tianjin (DB12-059-2018)	N/A
	Organic exhaust	2	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	4.58	1.49	Integrated emission standards of air pollutants of Shanghai (DB31/933-2015)	58.09
	Industrial wastewater	1	Fluoride	Continuous emission	Wastewater outlets	4.89	6.84	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A
Chemical Oxygen Demand (COD)			Continuous emission	Wastewater outlets	278.80	387.35	912.7		
Ammonia nitrogen			Continuous emission	Wastewater outlets	10.02	13.77	98.03		
Arsenic			Continuous emission	Wastewater Workshop outlets	0.0044	0.00002	N/A		

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

2. Construction and operation of pollution prevention and control facilities

Name of unit	Construction of pollution prevention facilities
SMIS	<ul style="list-style-type: none"> (1) 23,800 m³ of wastewater and 83,422,800 m³ of exhaust gas can be treated per day, and all facilities are in normal operation; (2) 3 sets of acid exhaust treatment equipment, 4 sets of alkaline exhaust treatment equipment and 1 set of organic exhaust treatment equipment are under construction; (3) 1 set of ammonia-containing wastewater treatment system, 1 set of arsenic-containing wastewater treatment system and 1 set of fluorine-containing wastewater secondary treatment system have been constructed.
SMIB	12,000 m ³ of wastewater and 35,760,000 m ³ of exhaust gas can be treated per day, and all facilities are in normal operation.
SMNC	<ul style="list-style-type: none"> (1) 25,000 m³ of wastewater and 73,920,000 m³ of exhaust gas can be treated per day, and all facilities are in normal operation; (2) 15 sets of acid waste gas treatment systems, 2 sets of alkaline waste gas treatment systems and 1 set of organic waste gas treatment systems were newly put into use; (3) 1 set of ammonia-containing wastewater treatment facilities, 1 set of acid-base wastewater treatment facilities, 1 set of fluorine-containing wastewater treatment facilities and 1 set of copper-containing wastewater treatment facilities were expanded.
SMIT	18,490 m ³ of wastewater and 36,156,000 m ³ of exhaust gas can be treated per day, and all facilities are in normal operation.
SMIZ	<ul style="list-style-type: none"> (1) 22,800 m³ of wastewater and 19,080,000 m³ of exhaust gas can be treated per day, and all facilities are in normal operation; (2) 6 sets of acid waste gas treatment systems, 2 sets of alkaline waste gas treatment systems and 1 set of organic waste gas treatment systems were newly put into use. (3) 2 sets of fluorine-containing wastewater treatment facilities and 2 sets of wastewater ammonia nitrogen stripping systems have been constructed; and 2 wastewater discharge outlets have newly put into use.
SMSC	12,000 m ³ of wastewater and 51,600,000 m ³ of exhaust gas can be treated per day, and all facilities are in normal operation.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

3. Environmental impact assessment of construction project and other administrative permissions for environmental protection

The construction projects of all key pollutant discharging companies have completed the environmental impact assessment and obtained the required environmental protection administrative permits according to the construction progress, please refer to the official website of the environmental protection authority for relevant public information.

SMIS:

- has filled in quarterly and annual implementation reports of the pollutant discharge permit as required during the validity period of the pollutant discharge permit.

SMIB:

- has filled in quarterly and annual implementation reports of the pollutant discharge permit as required during the validity period of the pollutant discharge permit.

SMIT:

- has filled in quarterly and annual implementation reports of the pollutant discharge permit as required during the validity period of the pollutant discharge permit.

SMIZ:

- has filled in quarterly and annual implementation reports of the pollutant discharge permit as required during the validity period of the pollutant discharge permit.

SMNC:

- has filled in quarterly and annual implementation reports of the pollutant discharge permit as required during the validity period of the pollutant discharge permit.

SMSC:

- has filled in quarterly and annual implementation reports of the pollutant discharge permit as required during the validity period of the pollutant discharge permit.

4. Response plan for environmental emergencies

In accordance with the requirements of the environmental protection department, the above key pollutant discharging companies have all completed the preparation and filing of the Emergency Response Plan for Environmental Incidents (the "Plan"). Except for SMIS and SMSC did not conduct drills in the first half of the year due to the pandemic, other units carried out emergency drills for environmental emergencies in accordance with the requirements of the Plan.

5. Environmental self-monitoring program

The above key pollutant discharging companies have completed the preparation of the self-monitoring program in accordance with the requirements and completed regular monitoring according to the program. As of the end of the reporting period, the emission indices of all units have reached the standard.

6. Administrative penalty for environmental problems during the reporting period

None of the above key pollutant discharging companies were subject to administrative penalties for environmental problems during the reporting period.

7. Other environmental information that should be disclosed

The above key pollutant discharging companies have achieved certification of ISO 14001 environmental management system, ISO 14064 greenhouse gas emission verification system, and IECQ QC 080000 hazardous substance process management system, and have effectively implemented them in accordance with the system requirements. All factories except SMSC have achieved certification of ISO 50001 energy management system.

(II) RELEVANT INFORMATION THAT IS CONDUCTIVE TO PROTECTING ECOLOGY, PREVENTING POLLUTION, AND FULFILLING ENVIRONMENTAL RESPONSIBILITIES

The environmental protection policy of SMIC emphasizes the optimal use of resources and energy, and the reduction of exhaust gas, greenhouse gases and hazardous waste emissions. We continue to implement improvement measures and the concept of sustainable development to reduce the impact on the ecological environment.

(III) MEASURES TAKEN TO REDUCE CARBON EMISSIONS DURING THE REPORTING PERIOD AND THEIR EFFECTS

SMIC continues to carry out carbon verification, fulfil carbon trading obligations as required, and implement carbon emission control measures at the same time, and control carbon emissions via engineering and management measures including energy conservation and selection of local treatment systems for waste gas containing per fluorinated greenhouse gases. The main carbon emission control measures and achievements during the reporting period are as below:

SMIB: Replace the cooling tower packing with approximately 450m³ and improve the heat exchange efficiency of the cooling tower, saving approximately 240,000 kWh of electricity, equivalent to approximately 145 tons of CO₂e.

SECTION 6 SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

(I) UNDERTAKINGS OF THE DE FACTO CONTROLLER OF THE COMPANY, SHAREHOLDERS, RELATED PARTIES, ACQUIRER AND THE COMPANY DURING OR SUBSISTING TO THE REPORTING PERIOD

Background of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertaking
Commitments in relation to the initial public offering	Resolve peer competition	Substantial shareholders, domestic shareholders indirectly holding over 5% of shares	See note 1	Effective for a long time	No	Yes	N/A	N/A
	Resolve related (connected) transaction	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares, Directors and senior management personnel	See note 2	Effective for a long time	No	Yes	N/A	N/A
	Other (commitments on price stabilisation)	The Company, salaried directors (except independent non-executive Directors) and senior management personnel	See note 3	July 16, 2020 to July 16, 2023	Yes	Yes	N/A	N/A
	Other (share repurchase and commitment on share repurchase)	The Company	See note 4	Effective for a long time	No	Yes	N/A	N/A
	Other (share repurchase commitment for fraudulent offering and listing)	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares	See note 5	Effective for a long time	No	Yes	N/A	N/A
	Other (commitment to remedy diluted current returns)	The Company, Directors and senior management personnel	See note 6	Effective for a long time	No	Yes	N/A	N/A
	Dividends	The Company	See note 7	Effective for a long time	No	Yes	N/A	N/A
	Other (commitment to bear compensation or liability according to law)	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares, Directors and senior management personnel	See note 8	Effective for a long time	No	Yes	N/A	N/A
	Other (binding measures should the commitments be violated)	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares, Directors and senior management personnel	See note 9	Effective for a long time	No	Yes	N/A	N/A
	Other (commitments on applicable laws and competent courts)	The Company, Directors and senior management personnel	See note 10	Effective for a long time	No	Yes	N/A	N/A

SECTION 6 SIGNIFICANT EVENTS

Note 1:

Commitments by substantial shareholders and domestic shareholders indirectly holding over 5% of shares

1. As of the date of this undertaking, the Company and affiliates directly or indirectly controlled by the Company have not, directly or indirectly, engaged in any business in any way within or outside China that constitutes peer competition or potential peer competition with the principal business of the issuer or its subsidiaries, including but not limited to develop, operate or assist in operating, participating in, and engaging in relevant businesses, not independently or in conjunction with, on behalf of any person, firm or company (enterprise, unit).
2. As of the date of this undertaking, the Company undertakes that it will not: (1) independently or with a third party, in the form of direct or indirect control, engage in a business or activity that constitutes peer competition or potential peer competition with issuer's or its affiliates' principal business that has a significant adverse impact ("competitive business"); (2) if the Company and its affiliates directly or indirectly controlled by the Company obtained new investment opportunities in any way to own the controlling shares, equity or interests of companies engaged in competitive business with the issuer and its affiliates, the Company will notify the issuer in writing. If within the reasonable period specified in the notice, the issuer makes a written reply that it is willing to accept the new investment opportunity, the Company or its affiliates directly or indirectly controlled by the Company (except the issuer and its affiliates) will procure as permitted by law that these new investment opportunities to be first provided to the issuer or its affiliates on reasonable and fair terms and conditions.
3. The undertaking takes effect from the date of making the undertaking until any of the following occurs: (1) the Company and parties acting in concert (if any) directly or indirectly hold less than 5% (exclusive) of the issuers' shares; (2) the issuer's shares are terminated from listing on the Shanghai Stock Exchange (except for the suspension of trading of the issuer's shares for any reason); (3) when there is no statutory requirement for the content of a certain undertaking, the relevant part shall be automatically terminated.
4. For any party of the letter of undertaking, "affiliates" shall mean any other enterprise or entity (1) holds or controls 50% or more issued share capital or 50% or more voting rights, if applicable; or (2) is entitled 50% or more profits after tax; or (3) has the right to control the composition of the board of directors or control in any other form, regardless of whether it has legal personality or not, and the affiliates of the enterprise or entity.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

Note 2:

Commitments by the Company

1. To implement the statutory approval procedures for related (connected) transaction in strict accordance with the relevant laws and regulations of the place of listing, and strictly implement the related (connected) transaction avoidance system;
2. To ensure that independent non-executive Directors exercise their powers according to law, ensure the fairness of prices of related (connected) transactions and the compliance of approval procedures, and protect the interests of other shareholders to the maximum;
3. Where there are related (connected) transactions between the Company's substantial shareholders and affiliates and the Company, it will perform related (connected) transaction decision-making procedures, and disclose information in a timely manner to ensure not to harm the legitimate rights and interests of the Company and other shareholders by virtue of such related (connected) transactions in strict accordance with the requirements of relevant laws, regulations and regulatory documents.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

SECTION 6 SIGNIFICANT EVENTS

Commitments by substantial shareholders and domestic shareholders indirectly holding over 5% of shares

1. Without adversely affecting the interests of the issuer and other shareholders, the Company will take measures to regulate and minimize related (connected) transactions with the issuer.
2. For related (connected) transactions required in normal course of business, the Company will sign a standardised transaction agreement with the issuer according to law, fulfill or cooperate with the issuer to perform review and approval procedures and avoidance of voting and information disclosure obligations in accordance with relevant laws, regulations, regulatory documents and the requirements of issuer's internal control systems including the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering, and guarantee such related (connected) transactions will be implemented based on the basic principles of related (connected) transactions, such as fairness, impartiality and openness.
3. Undertakes not to harm the interests of the issuer and other shareholders by virtue of the related (connected) transactions.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

Commitments by Directors and senior management personnel

1. Without adversely affecting the interests of the issuer and other shareholders, I will take measures to regulate and minimize related (connected) transactions with the issuer.
2. For related (connected) transactions in normal course of business or unavoidable for other reasonable reasons, I will sign a regulated transaction agreement with the issuer according to law, fulfill review and approval procedures and avoidance of voting and information disclosure obligations in accordance with relevant laws, regulations, regulatory documents, the issuer's Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering and the requirements of relevant internal control systems, and guarantee such related (connected) transactions will be implemented based on the principles of related (connected) transactions.
3. Undertakes not to harm the interests of the issuer and other shareholders by virtue of the related (connected) transactions.

The commitments made by me shall comply with applicable laws, regulations and regulatory documents, as well as the regulatory requirements of the securities regulatory authority and other competent authorities. In violation of the above-mentioned commitment, I will undertake corresponding obligations in accordance with the Letter of Commitment of Directors and Senior Management Personnel of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments.

Note 3:

Commitments by the Company, salaried Directors (except for independent non-executive Directors) and senior management personnel

Triggering condition for stabilisation of share price:

Where the closing price of the shares has been lower than the latest audited net asset value per share (as adjusted for changes in the Company's net assets or total number of shares due to profit distribution, conversion of capital reserves into share capital, share allotment or placing etc.) for 20 consecutive trading days in the three years after the listing of shares on the STAR Market of the Shanghai Stock Exchange, which is not due to force majeure events, the Company will, or will procure such other parties covered in this plan to, initiate price stabilisation pursuant to the provisions in this plan.

Main measures and procedures of price stabilisation of the Company:

When the triggering condition herein is satisfied, the Company shall take all or part of the following measures to stabilize the price of the shares according to laws, regulations, regulatory documents, the Memorandum and Articles of Association of the Semiconductor Manufacturing International Corporation, and provisions in the relevant policies of the Company:

1. Without prejudicing the normal operations of the Company, and after being considered and approved by competent internal organisation(s) pursuant to applicable laws, regulations and regulatory documents, the Company will repurchase the shares from public shareholders;

SECTION 6 SIGNIFICANT EVENTS

2. After taking the measure specified in item 1 above, if the closing price of the Company's shares is still lower than the latest audited net asset value per share, the Company shall request its salaried Directors (except for independent non-executive Directors) and senior management personnel to increase their holding of shares (provided that they are qualified to purchase shares);
3. Other means of price stabilisation as specified by laws, regulations and regulatory documents, and as permitted by the China Securities Regulatory Commission or the Shanghai Stock Exchange.

In the course of and after taking such share price stabilizing measures, the Company shall make sure that its shareholding structure shall always satisfy the listing conditions of the Main Board of The Stock Exchange of Hong Kong Limited and the STAR Market of the Shanghai Stock Exchange.

I/the Company will strictly enforce the Plan for Stabilisation of the Price of RMB Ordinary Shares (A Shares) for the Three Years after the Initial Public Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation and relevant requirements on stabilizing the price of the Company's shares in the Letter of Commitment. In violation of the above-mentioned commitment, I/the Company will undertake corresponding legal liabilities.

Note 4:

Commitments by the Company

1. If securities regulatory departments or other competent departments determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus for the A Share offering such that there is a material and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, and the Company has obtained registration of the issuance by fraud and has the shares listed, the Company hereby undertakes to repurchase all new shares issued under the A Share offering in accordance with laws.
2. When the triggering condition for stabilizing the share price as specified in the Company's plan for Stabilisation of the Price of RMB Ordinary Shares (A Shares) for the Three Years after the Initial Public Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation is satisfied, the Company will perform its obligations to repurchase the shares in accordance with the provisions in such plan.

In violation of the above-mentioned commitments, the Company will undertake corresponding liabilities in accordance with its Letter of Commitment of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments.

Note 5:

Commitments by the Company

1. The Company undertakes that the A Share offering by issuer is not fraudulent.
2. If the Company obtains registration of the issuance by fraud, and has issued and listed shares when it does not meet the conditions for issuance and listing, the Company will start share repurchase procedures to repurchase all new shares issued under the A Share offering within 5 working days after being confirmed by the China Securities Regulatory Commission and other competent departments.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

Commitments by the substantial shareholders and domestic shareholders indirectly holding over 5% of shares

1. Undertake that the Company's A Share issuance is not fraudulent.
2. If the Company obtains registration of the issuance by fraud, and has issued and listed shares when it does not meet the conditions for issuance and listing, urge the Company to start share repurchase procedures to repurchase all new shares issued under the A Share offering within 5 working days after being confirmed by the China Securities Regulatory Commission and other competent departments.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

SECTION 6 SIGNIFICANT EVENTS

Note 6:

Commitments by the Company

The Company will take active measures in compensation for the diluted immediate return. If it violates the relevant commitments, it will undertake corresponding liabilities in accordance with its Letter of Commitment of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments. In the meantime, the Company shall make supplementary or substitutive commitments to the investors, so as to protect the investors' interests to the greatest extent possible. Such supplementary or substitutive commitments shall be fulfilled after being considered and approved at a general meeting.

Commitments by Directors and senior management personnel

1. I will not transfer any interests to other entities or individuals without consideration or with unfair conditions, nor otherwise damage the interests of the Company.
2. I will impose constraints on position-related consumption behavior.
3. I will not make any investment or consumption activity irrelevant to my performance of duties using the Company's assets.
4. I will propel to link the remuneration policy formulated by the Board or the Remuneration Committee with the implementation of the issuer's remedial measures for returns.
5. In the case that any equity incentive scheme is introduced hereafter, I will actively support to link the vesting conditions of equity incentive with the implementation of the issuer's remedial measures for diluted immediate returns.
6. During the date of this commitment to the completion of the A Share offering, if China Securities Regulatory Commission or the Shanghai Stock Exchange issue other new regulatory provisions on the remedial measures for diluted immediate returns and its commitments, and when the above commitments fail to meet the aforementioned requirements, I will make supplementary commitments in accordance with the aforementioned provisions.
7. I undertake to conscientiously fulfill the measures formulated by the issuer's remedial measures for returns and any commitments made thereon regarding remedial measures for diluted immediate returns, in breach of such commitments and resulting in losses to the issuer or investors, I am willing to bear the compensation liability to the issuer or investor according to law.

The commitments I made shall comply with applicable laws, regulations and regulatory documents, as well as the regulatory requirements of the securities regulatory authorities and other competent authorities. In violation of the above-mentioned commitment, I will undertake corresponding obligations in accordance with the Letter of Commitment of Directors and Senior Management Personnel of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments.

Note 7:

Commitments by the Company

The Company will implement the profit distribution policy strictly in accordance with the Notice on Further Implementation of Cash Dividends of Listed Companies issued by the China Securities Regulatory Commission, the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation, and the Profit Distribution Policy and Dividend Return Plan for the Three Years after the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation applicable after the A Share offering.

In violation of the above-mentioned commitments, the Company will undertake corresponding liabilities in accordance with its Letter of Commitment of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments.

SECTION 6 SIGNIFICANT EVENTS

Note 8:

Commitments by the Company

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. If the China Securities Regulatory Commission or other competent departments determine(s) that there is any misrepresentation, misleading statement or material omission in the contents contained in the prospectus such that there is a material and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, and the Company has obtained registration of the issuance by fraud and has the shares listed, the Company hereby undertakes to repurchase all new shares issued under the A Share offering in accordance with laws.
3. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or other competent departments determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within five working days after receiving such written confirmation;
 - (2) The Company will communicate with the relevant intermediaries and investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or other competent departments, the Company will make compensation in the form confirmed through the above-mentioned method or such other forms required by laws.

In violation of the above-mentioned commitments, the Company will undertake corresponding liabilities in accordance with its Letter of Commitment of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments.

Commitments by substantial shareholders

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within ten working days after receiving such written confirmation.
 - (2) The Company will communicate with the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation.
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, the Company will make compensation accordingly.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

SECTION 6 SIGNIFICANT EVENTS

Commitments by domestic shareholders indirectly holding over 5% of shares

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation.
 - (2) The Company will communicate with the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation.
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, the Company will make compensation accordingly.

If the Company fails to perform such obligations under the commitments above, the Company shall bear corresponding liabilities in accordance with the binding measures applicable to the failure of performance.

Commitments by Directors and senior management personnel

1. Contents contained in the Prospectus for the A Share offering and other application documents have no misrepresentation, misleading statement or material omission, and I will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus and other application documents leads to any losses of investors in securities transactions, I will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or other competent authorities determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus and other application documents such that I shall be liable, I will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation;
 - (2) I will communicate with the issuer, other intermediaries and the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, I will make compensation in the form confirmed through the above-mentioned method or such other forms required by laws.

The commitments made by me shall comply with applicable laws, regulations and regulatory documents, as well as the regulatory requirements of the securities regulatory authority and other competent authorities. In violation of the above-mentioned commitments, I will undertake corresponding obligations in accordance with the Letter of Commitment of Directors and Senior Management Personnel of Semiconductor Manufacturing International Corporation on Binding Measures when Failing to Fulfill Relevant Commitments.

SECTION 6 SIGNIFICANT EVENTS

Note 9:

Commitments by the Company

1. All public commitments made by the Company in the course of the A Share offering (hereinafter referred to as the "Company Commitments") are true and binding on the Company. The Company voluntarily accepts the supervision by regulatory authorities, self-regulatory organisations and the public. The Company will perform all obligations and take all responsibilities under the Company Commitments strictly.
2. If the Company fails to fulfill the Company Commitments fully and effectively for reasons except force majeure, the Company hereby undertakes to adopt the following binding measures:
 - (1) Taking corresponding remedial measures or making new commitments (such commitments shall fulfill relevant approval and information disclosure procedure in accordance with laws, regulations, regulatory documents, the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation, and the provisions in relevant internal control policy);
 - (2) Within 30 days after securities regulatory departments or other competent departments determine that the Company breaks or fails to fulfill the Company Commitments, or 30 days after determining that the investors suffer losses in securities transactions due to the Company's breaking of or failure to fulfill the Commitments, the Company will compensate for the losses of the investors in accordance with laws. The compensation amounts shall be negotiated and confirmed by and between the Company and the investors, or decided or determined by means as permitted by securities regulatory departments or other competent departments.

Commitments by substantial shareholders and domestic shareholders indirectly holding over 5% of shares

1. All public commitments made by the Company in the course of the A Share offering of issuers (hereinafter referred to as the "Shareholders Commitments") are true and binding on the Company. The Company voluntarily accepts the supervision by regulatory authorities, self-regulatory organisations and the public. The Company will perform all obligations and take all responsibilities under the Shareholders Commitments strictly.
2. If the Company fails to fulfill the Shareholders Commitments fully and effectively for reasons except force majeure, the Company hereby undertake to adopt the following binding measures:
 - (1) Taking corresponding remedial measures or making new commitments (such commitments shall fulfill relevant approval and information disclosure procedure in accordance with laws, regulations, regulatory documents, the Articles of Association, and the provisions in relevant internal control policy);
 - (2) If securities regulatory departments or judicial authority determine that the Company break or fail to fulfill foregoing Shareholders Commitments and shall assume corresponding responsibility, the Company will assume corresponding responsibility in accordance with laws.

Commitments by Directors and senior management personnel

1. All public commitments made by me in the course of the A Share offering (hereinafter referred to as the "Individual Commitments") are true and binding on me. I voluntarily accept the supervision by regulatory authorities, self-regulatory organisations and the public. I will perform all obligations and take all responsibilities under the Individual Commitments strictly.
2. If I fail to fulfill the Individual Commitments fully and effectively for reasons except force majeure, I hereby undertake to adopt the following binding measures:
 - (1) Taking corresponding remedial measures or making new commitments (such commitments shall fulfill relevant approval and information disclosure procedure in accordance with laws, regulations, regulatory documents, the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation, and the provisions in relevant internal control policy);
 - (2) Within 30 days after securities regulatory departments or other competent departments determine that I break or fail to fulfill foregoing Individual Undertakings, or 30 days after determining that the investors suffer losses in securities transactions due to my breaking of or failure to fulfill the Individual Commitments, I voluntarily compensate investors in advance from all salary and/or allowances I received from the issuer.

SECTION 6 SIGNIFICANT EVENTS

Note 10:

Commitments by the Company

- Any dispute arising from the initial public offering and listing of RMB Ordinary shares (A Shares) on the STAR Market of the Shanghai Stock Exchange and during the listing period of the Company on STAR Market shall be governed by the laws of the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) (hereinafter referred to as "China"), and be adjudicated by competent courts in China. The Company will not raise any objection to the above-mentioned applicable law and competent court.
- The "disputes" stipulated in foregoing paragraph 1 shall include:
 - where Directors or senior management personnel violate laws and regulations or the Company's Articles of Association in performing their duties and cause losses to the Company, or others infringe on the legal rights and interests of the Company and cause losses to the Company, derivative litigation filed by shareholders who individually or collectively hold more than 1% of the Company's RMB ordinary shares (A Shares) for more than 180 consecutive days;
 - where the Company fails to disclose information in accordance with regulations, or there is misrepresentation, misleading statement or material omission in securities issuance documents, regular reports, interim reports and other information disclosure materials, which causes holders of RMB ordinary shares (A Shares) to suffer losses in securities transactions, civil lawsuits filed by holders of RMB ordinary shares (A Shares) against the issuer and other responsible persons.

Commitments by directors and senior management personnel

- Any dispute arising from and during the A Share offering and listing and during the listing period of the Company on STAR Market shall be governed by the laws of the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) (hereinafter referred to as "China"), and be adjudicated by competent courts in China.
- I will not raise any objection to the above-mentioned applicable law and competent court.

II. MATERIAL LITIGATION AND ARBITRATION

(I) LITIGATION AND ARBITRATION EVENTS THAT HAVE BEEN DISCLOSED IN THE PROVISIONAL ANNOUNCEMENTS AND WITHOUT SUBSEQUENT DEVELOPMENTS

Summary and type of the event	Inquiry index
The Company received a ruling from the United States District Court for the Central District of California dated June 9, 2022 (Los Angeles, U.S. time) dismissing, in its entirety, the civil lawsuit as disclosed in the Company's announcement dated December 15, 2020, with prejudice and without leave to amend.	For details, please refer to the Announcement of Complete Dismissal of Civil Lawsuit published on the website of SSE (http://www.sse.com.cn) dated June 10, 2022, and Announcement of Complete Dismissal of Civil Lawsuit published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) dated June 10, 2022.

(II) OTHER EXPLANATIONS

1. Arbitration of contract disputed with PDF SOLUTIONS, INC.

On May 7, 2020, SMIC New Technology, a subsidiary of the Company, received an arbitration notice issued by the Hong Kong International Arbitration Center, whereby PDF SOLUTIONS, INC. ("PDF") filed an arbitration request with the Hong Kong International Arbitration Center. PDF disputed the rights and obligations of both parties under a series of agreements it entered into with SMIC New Technology. PDF required SMIC New Technology to pay the relevant fees under the agreements. SMIC New Technology has formally responded to the Hong Kong International Arbitration Center and opined that the fees it owed to PDF had already been fully paid in accordance with the contractual obligations and no additional fee is required. The arbitration is still ongoing.

2. Civil complaint filed with the United States district court

On July 8, 2022 (Los Angeles, U.S. time), the plaintiff filed a notice appeal from the dismissal of the civil complaint as mentioned in (I) above. United States Court of Appeals for the Ninth Circuit confirmed receipt of the appeal with a notification on July 11, 2022 (Log Angeles, U.S. time). The litigation is still ongoing.

SECTION 6 SIGNIFICANT EVENTS

III. SIGNIFICANT RELATED PARTY TRANSACTIONS

(I) RELATED PARTY TRANSACTIONS IN RELATION TO DAILY OPERATION

1. Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation

Summary and type of the event	Inquiry index
On March 30, 2022, the Board of the Company reviewed and approved the Proposal for Predicted Line of Daily Connected Transactions in 2022.	For details, please refer to the Announcement on Predicted Line of Daily Connected Transactions in 2022 dated March 31, 2022 published in Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and on the website of SSE (http://www.sse.com.cn).

The actual amounts during the reporting period of the daily related transactions, of which estimated amount in RMB were approved during the reporting period and disclosed on the Shanghai Stock Exchange, are as follows:

Related party	Related transaction	Estimated amount for 2022 (RMB'000)	Actual amount for the reporting period (RMB'000)	Percentage in the amount of similar transactions (%)
Semiconductor Global Solutions Corporation	Purchase of goods	2,000	124	0.0
	Leasing assets to the related party	1,550	1,375	1.3
	Purchase of machinery and equipment from the related party	200,000	89,137	0.7
	Sale of machinery and equipment from the related party	10,000	–	0.0
	Subtotal	213,550	90,636	–
China Fortune-Tech Capital Co., Ltd.	Receiving services	5,046	1,832	9.9
	Leasing assets to the related party	4,378	2,199	2.1
	Subtotal	9,424	4,031	–
Toppan SMIC Electronic (Shanghai) Co., Ltd.	Purchase of goods	67,504	6,045	0.1
	Leasing assets to the related party	31,302	15,469	15.1
Brite Semiconductor (Shanghai) Corporation	Subtotal	98,806	21,514	–
	Sale of goods	699,225	309,976	1.0
	Subtotal	699,225	309,976	–
	Total	1,021,005	426,157	–

The actual amounts during the reporting period of the daily related transactions, of which annual caps in USD were approved in the previous year and disclosed on the Hong Kong Stock Exchange, are as follows:

Related party	Related transaction	Annual caps in 2022 (USD' million)	Actual amount for the reporting period (USD' million)
Sino IC Leasing Co., Ltd.	Financial Services	2,500	–
	Other related services	50	–
Datang Telecom Technology & Industry Holdings Co., Ltd. and its related parties	Sale of goods	266	94

SECTION 6 SIGNIFICANT EVENTS

IV. MATERIAL CONTRACTS

(I) GUARANTEES

In USD'000

External guarantees provided by the Company (excluding guarantees provided to its subsidiaries)	
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	-
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	-
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	149,176
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	1,575,594
Aggregate guarantee of the Company (including guarantees provided to subsidiaries)	
Aggregate guarantee (A+B)	1,575,594
Percentage of aggregate guarantee to net assets of the Company (%)	8.66
Representing:	
Amount of guarantee provided for shareholders, de facto controller and related parties (C)	-
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	361,453
Excess amount of aggregate guarantee over 50% of net assets (E)	-
Aggregate amount of the above three categories (C+D+E)	361,453

V. USE OF THE PROCEEDS

(I) OVERALL UTILIZATION OF PROCEEDS

By way of issue of 1,685,620,000 ordinary shares which were subscribed for in RMB and traded on the SSE STAR Market (the "RMB Share Issue"), the Company made its trading debut on the SSE STAR Market on July 16, 2020 and became the first overseas listed Red-Chip company that was dual-listed on the Main Board of the Hong Kong Stock Exchange and the SSE STAR Market.

As of August 14, 2020, Haitong Securities Co., Ltd. ("Haitong Securities") has fully exercised the over-allotment options. The Company issued an additional 252,843,000 shares based on the initial issuance of 1,685,620,000 shares at the issue price of RMB27.46 per share of the RMB Share Issue, accounting for 15% of the initial shares of the RMB Share Issue. The total amount of funds raised by the Company from such exercise is approximately RMB6,943.1 million (equivalent to approximately US\$1,000.1 million). The total amount of funds raised from the issue is approximately RMB53,230.2 million (equivalent to approximately US\$7,616.1 million). The net amount of funds raised after deducting the issuance expenses of approximately RMB714.6 million (equivalent to approximately US\$102.2 million) is approximately RMB52,515.6 million (equivalent to approximately US\$7,513.9 million). The net price to each ordinary share was RMB27.09. The proceeds were used according to the intended use of proceeds as disclosed in the Company's announcement dated May 5, 2020.

In USD'000

The resource of the proceeds	Total proceeds raised from the issue	The net amount of funds raised after deducting the issuance expenses	Total committed investment amount	Total committed investment amount after adjustment(1)	Accumulated investment amount as at the end of the reporting period(2)	Progress in investment as at the end of the reporting period(%) (3)=(2)/(1)	Investment amount for the period (4)	Percentage of investment amount for the period(%) (5)=(4)/(1)	Unutilized proceeds as of the release date of this report	Expected timeline for the use of unutilized proceeds
Public Offering of Ordinary Shares on SSE STAR Market	7,616,128	7,513,885	7,513,885	7,513,885	7,577,368	96.7	403,028	5.1	256,690	2023

SECTION 6 SIGNIFICANT EVENTS

(II) THE BREAKDOWN FOR THE FUNDRAISING INVESTMENT

In USD'000

Items	Whether the investment changes	Source of the proceeds	Total committed investments amount from the Proceeds	Total investment amount after adjustment(1)	Accumulated investment amount as at the end of the reporting period (2)	Progress in investment as at the end of the reporting period(%) (3)=(2)/(1)	Expected usable date for the projects	Whether the investment has been closed	Whether the input schedule is in line with the planned schedule	The specific reason why the investment progress does not reach the plan	Revenue generated and R&D achievements during the reporting period	Whether significant changes have been made to the project feasibility, If so, please specify the specific situation	Balance and the reason for its formation.
12-inch wafer SN1 project	No	Public Offering of Ordinary Shares on SSE STAR Market	2,685,164	2,685,164	2,685,164	100.0	N/A	N/A	Yes	N/A	N/A	No	N/A
Reserve funds for advanced and mature technology	No	Public Offering of Ordinary Shares on SSE STAR Market	1,044,231	1,044,231	787,540	75.4	N/A	N/A	Yes	N/A	N/A	No	N/A
Construction of matured technology production line	No	Public Offering of Ordinary Shares on SSE STAR Market	1,461,470	1,461,470	1,461,470	100.0	N/A	N/A	Yes	N/A	N/A	No	N/A
Supplementary working capital	No	Public Offering of Ordinary Shares on SSE STAR Market	2,643,193	2,643,193	2,643,193	100.0	N/A	N/A	Yes	N/A	N/A	No	N/A

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) TABLE OF CHANGES IN SHARES

1. Table of changes in shares

Unit: Share

	Prior to the change		Increase/decrease (+, -) in the change					After the change	
	Number	Proportion (%)	Issuance of new shares	Shares Dividend	Conversion of Provident Fund to Shares	Others	Sub-total	Number	Proportion (%)
I. Shares subject to selling restrictions	67,424,800	0.86	-	-	-	-	-	67,424,800	0.85
1. Shares held by state-owned legal persons	67,424,800	0.86	-	-	-	-	-	67,424,800	0.85
II. Tradable shares not subject to selling restrictions	7,836,431,755	99.14	-	-	-	-1,920,348	-1,920,348	7,834,511,407	99.15
1. Ordinary Shares denominated in RMB	1,871,038,200	23.67	-	-	-	-	-	1,871,038,200	23.68
2. Overseas-listed foreign shares	5,965,393,555	75.47	-	-	-	-1,920,348	-1,920,348	5,963,473,207	75.47
III. Total Shares	7,903,856,555	100.00	-	-	-	-1,920,348	-1,920,348	7,901,936,207	100.00

Note: This table does not include the impact of refinancing business on share changes.

2. Description of changes in shares

During the reporting period, the number of Hong Kong shares decreased by 1,920,348 shares after the increase and decrease offset each other due to the exercise of options, the exercise of RSUs, the conversion of convertible bonds, and the repurchase and cancellation of shares.

3. The impact of share changes on financial indicators, such as earnings per share and net assets per share from the end of the reporting period to the publication date of this interim report

From the end of the reporting period to the publication date of this interim report, the Company's share capital increased upon the exercise of share options and restricted share units. The change has no significant impact on financial indicators, such as earnings per share and net assets per share.

(II) REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On May 19, 2022, the Company repurchased 4,215,000 Hong Kong shares on Hong Kong Stock Exchange. The buy-back was approved by shareholders of the Company at the annual general meeting on June 25, 2021. The Hong Kong shares were acquired at an average price of HK\$15.77 per share, with prices ranging from HK\$15.66 to HK\$15.88. The total cost of HK\$66.6 million (approximately US\$8.6 million) was deducted from the shareholder equity.

On May 24, 2022, the Company repurchased 4,110,500 Hong Kong shares on Hong Kong Stock Exchange. The buy-back was approved by shareholders at the annual general meeting on June 25, 2021. The Hong Kong shares were acquired at an average price of HK\$16.53 per share, with prices ranging from HK\$16.38 to HK\$16.88. The total cost of HK\$68.0 million (approximately US\$8.7 million) was deducted from the shareholder equity. On June 28, 2022, the Company cancelled 8,325,500 Hong Kong shares amounted at US\$17.3 million, in respect of the repurchase on May 19, 2022 and May 24, 2022.

For details, please refer to Note 19 to the Condensed Consolidated Financial Statements.

II. PARTICULARS OF SHAREHOLDERS

(I) TOTAL NUMBER OF SHAREHOLDER

	Number of registered shareholders
Total number of shareholders of ordinary shares as at the end of the reporting period ^(note)	318,516
Total number of shareholders of preference shares with voting rights restored as at the end of the reporting period	-
Total number of shareholders of shares with special voting rights as at the end of the reporting period	-

Note: As at the end of the reporting period, 318,516 registered shareholders consist of 306,130 holding A Shares and 12,386 holding Hong Kong Shares.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(II) SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware that there was any party who, as at June 30, 2022, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and its subsidiaries:

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Ordinary Shares held		Percentage of Ordinary Shares held to total issued Share Capital ⁽¹⁾	Derivatives	Total Interests	Percentage of total interests to total issued Share Capital ⁽¹⁾
			Directly	Indirectly				
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⁾	880,522,595 ⁽²⁾	12.06%	-	952,993,450	12.06%
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	880,522,595 ⁽²⁾	-	11.14%	-	880,522,595	11.14%
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⁾	7.81%	-	617,214,804	7.81%
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	617,214,804 ⁽³⁾	-	7.81%	-	617,214,804	7.81%

Notes:

- (1) Based on 7,901,936,207 shares in issue as at June 30, 2022.
- (2) 880,522,595 shares are held by Datang HK which is a wholly-owned subsidiary of Datang Holdings, which in turn is wholly-owned by CICT. In addition, CICT directly holds 72,470,855 Ordinary Shares denominated in RMB, for a total of 952,993,450 shares.
- (3) 617,214,804 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.

(III) PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS AND THE TOP TEN SHAREHOLDERS NOT SUBJECT TO SELLING RESTRICTIONS AS AT THE END OF THE REPORTING PERIOD

1. As at the end of the reporting period, the Company had issued 5,963,473,207 shares in Hong Kong, accounting for approximately 75.5% of the total share capital of the Company and 1,938,463,000 shares in SSE STAR Market, accounting for approximately 24.5% of the total share capital of the Company.
2. The Company's register of members in Hong Kong consists of HKSCC NOMINEES LIMITED and other registered shareholders, among which, shares held by HKSCC NOMINEES LIMITED on behalf of non-registered shareholders account for approximately 99.8% of the Company's Hong Kong Shares; shares held by other registered shareholders account for approximately 0.2% of the Company's Hong Kong Shares.
3. According to the SFO, shareholders who are interested in 5% or more of any class of voting shares in the Company are required to make disclosure. The number of shares held by HKSCC NOMINEES LIMITED displayed below excludes 880,522,595 Hong Kong Shares held by Datang HK and 617,214,804 Hong Kong Shares held by Xinxin HK based on the information disclosed in the declaration.
4. Nature of A shareholders is reported according to the nature of holders of shares as set out in the A Share register of China Clearing.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Unit: Share

Particulars of shareholdings of top 10 shareholders

Name of shareholder (Full name)	Increase/decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held with selling restrictions	Number of restricted shares including lending shares for securities financing	Pledged, marked or moratorium Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED	-30,188,777	4,454,828,801	56.38	-	-	Unknown	-	Unknown
Datang Holdings (Hongkong) Investment Company Limited	28,000,000	880,522,595	11.14	-	-	Nil	-	Overseas legal person
Xinxin (Hongkong) Capital Co., Ltd.	-	617,214,804	7.81	-	-	Nil	-	Overseas legal person
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	-	127,458,120	1.61	-	-	Nil	-	Others
China Information and Communication Technology Group Co., Ltd.	-	72,470,855	0.92	-	-	Nil	-	State-owned legal person
China Merchants Bank Co., Ltd. – ChinaAMC SSE STAR 50 Exchange Traded Funds* (華夏上證科創板50成份交易型開放式指數證券投資基金)	24,924,425	57,250,964	0.72	-	-	Nil	-	Others
Qingdao Juyuan Xinxing Equity Investment Partnership LLP	-	39,488,205	0.50	-	-	Nil	-	Others
Guoxin Investment Corporation Limited	-	36,416,605	0.46	-	-	Nil	-	State-owned legal person
GIC PRIVATE LIMITED	-40,664,086	32,789,348	0.41	-	-	Nil	-	Overseas legal person
China Merchants Bank Co., Ltd. – Galaxy Innovation Growth Mixed Securities Investment Fund* (銀河創新成長混合型證券投資基金)	4,200,000	31,200,000	0.39	-	-	Nil	-	Others

Particulars of shareholding of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held without selling restrictions	Type	Type and number of shares	Number
HKSCC NOMINEES LIMITED	4,454,828,801	Overseas listed foreign shares		4,454,828,801
Datang Holdings (Hongkong) Investment Company Limited	880,522,595	Overseas listed foreign shares		880,522,595
Xinxin (Hongkong) Capital Co., Ltd.	617,214,804	Overseas listed foreign shares		617,214,804
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	127,458,120	Ordinary shares denominated in RMB		127,458,120
China Information and Communication Technology Group Co., Ltd.	72,470,855	Ordinary shares denominated in RMB		72,470,855
China Merchants Bank Co., Ltd. – ChinaAMC SSE STAR 50 Exchange Traded Funds* (華夏上證科創板50成份交易型開放式指數證券投資基金)	57,250,964	Ordinary shares denominated in RMB		57,250,964
Qingdao Juyuan Xinxing Equity Investment Partnership LLP	39,488,205	Ordinary shares denominated in RMB		39,488,205
Guoxin Investment Corporation Limited	36,416,605	Ordinary shares denominated in RMB		36,416,605
GIC PRIVATE LIMITED	32,789,348	Ordinary shares denominated in RMB		32,789,348
China Merchants Bank Co., Ltd. – Galaxy Innovation Growth Mixed Securities Investment Fund* (銀河創新成長混合型證券投資基金)	31,200,000	Ordinary shares denominated in RMB		31,200,000

Explanations on affiliated relationship or parties acting in concert among the abovementioned shareholders

- Datang HK is a wholly-owned subsidiary of CICT.
- Xinxin HK is a wholly-owned subsidiary of China IC Fund; Lou Yuguang (樓宇光), Ding Wenwu (丁文武), Yang Lumin (楊魯閔), Tang Xuefeng (唐雪峰), Yan Jianqiu (嚴劍秋) and Wang Wenli (王文莉), directors of China IC Fund, also serve as the directors of China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. ("China IC Fund II"); supervisors Lin Guifeng (林桂鳳), Li Hongying (李洪影) and Song Ying (宋穎) also serve as supervisors of China IC Fund II; and director Fan Bing (范冰) also serves as the supervisor of China IC Fund II. As the fund manager, Sino IC Capital Co., Ltd. manages China IC Fund and China IC Fund II according to their respective entrusted management agreements. China IC Fund and China IC Fund II have some of the same shareholders. It is unknown whether the above shareholders have other related relationships.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Number of shares held by top ten shareholders subject to selling restrictions and conditions of selling restrictions

Unit: Share

No.	Name of Shareholders Subject to Selling Restrictions	Number of Shares Held Subject to Selling Restrictions	Listing and Trading Shares		Conditions of Selling Restrictions
			Listing and Trading Date	Number of Additional Listing and Trading Shares	
1	Haitong Innovation Securities Investment Co., Ltd.	33,712,400	July 16, 2022	–	Within twenty-four months from the date of initial public offering of shares and listing on SSE STAR Market
2	China CICC Wealth Management Securities Company Limited	33,712,400	July 16, 2022	–	Within twenty-four months from the date of initial public offering of shares and listing on SSE STAR Market

(IV) STRATEGIC INVESTORS OR GENERAL LEGAL PERSONS BECOMING TOP 10 SHAREHOLDERS BECAUSE OF THE NEW SHARE PLACING/DEPOSITARY RECEIPTS

Name of Strategic Investors or General Legal Persons	Stipulated start date of shareholding	Stipulated end date of shareholding
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	July 16, 2020	Nil
China Information and Communication Technology Group Co., Ltd.	July 16, 2020	Nil
Qingdao Juyuan Xinxing Equity Investment Partnership LLP	July 16, 2020	Nil
Guoxin Investment Corporation Limited	July 16, 2020	Nil
GIC PRIVATE LIMITED	July 16, 2020	Nil
Explanation on agreed shareholding period of strategic investors or general legal persons participating in placing of new shares	The lock-up period was within twelve months from the date of initial public offering of shares and listing on SSE STAR Market.	

III. DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

(I) CHANGES IN SHAREHOLDING OF CURRENT AND RESIGNED DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS DURING THE REPORTING PERIOD

Unit: Share

Name	Position	Number of share held at the beginning of the period	Number of shares held at the end of the period	Changes in shares held during the reporting period	Reason for changes
Gao Yonggang	Chairman, Executive Director and Chief Financial Officer	–	–	–	
Lu Guoqing	Non-executive Director	–	–	–	
Chen Shanzhi	Non-executive Director	–	–	–	
Huang Dengshan	Non-executive Director	–	–	–	
Ren Kai	Non-executive Director	–	–	–	
Lau Lawrence Juen- Yee	Independent Non-executive Director	–	–	–	
Fan Ren Da Anthony	Independent Non-executive Director	187,500	187,500	–	
Liu Ming	Independent Non-executive Director	–	–	–	
Wu Hanming	Independent Non-executive Director	–	–	–	
Zhao Haijun	Co-Chief Executive Officer	–	–	–	
Liang Mong Song	Co-Chief Executive Officer	–	–	–	
Guo Guangli	Senior Vice President, Board Secretary and Joint Company Secretary	6,059	6,059	–	
Zhang Xin	Senior Vice President	16,682	34,951	18,269	Exercise of RSUs
Jin Da	Vice President	7,530	14,866	7,336	Exercise of RSUs
Yan Dayong	Vice President	–	4,565	4,565	Exercise of RSUs
Zhou Zixue (resigned)	Executive Director	–	–	–	
William Tudor Brown (resigned)	Independent Non-executive Director	–	–	–	
Zhou Meisheng (resigned)	Executive Vice President in Technology Research and Development	–	–	–	
Total		217,771	247,941	30,170	

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(II) THE EQUITY INCENTIVES GRANTED TO THE DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS DURING THE REPORTING PERIOD

1. Stock option

(1) Stock option plan

Unit: Share

Name	Position	Number of share options held at the beginning of the period	Number of share options new granted during the reporting period	Number of share options exercisable during the reporting period	Number of share options exercised during the reporting period	Number of share options cancelled during the reporting period	Number of share options held at the end of the reporting period
Gao Yonggang	Chairman, Executive Director and Chief Financial Officer	2,532,350	-	1,649,472	-	-	2,532,350
Lu Guoqing	Non-executive Director	187,500	-	67,109	-	120,391	67,109
Chen Shanzhi	Non-executive Director	475,156	-	-	-	-	475,156
Huang Dengshan	Non-executive Director	-	-	-	-	-	-
Ren Kai	Non-executive Director	-	-	-	-	-	-
Lau Lawrence Juen- Yee	Independent Non-executive Director	32,877	-	32,877	-	-	32,877
Fan Ren Da Anthony	Independent Non-executive Director	220,377	-	-	-	-	220,377
Liu Ming	Independent Non-executive Director	187,500	-	-	-	-	187,500
Wu Hanming	Independent Non-executive Director	-	-	-	-	-	-
Zhao Haijun	Co-Chief Executive Officer	2,372,588	-	188,233	-	-	2,372,588
Liang Mong Song	Co-Chief Executive Officer	659,117	-	164,779	-	-	659,117
Guo Guangli	Senior Vice President, Board Secretary and Joint Company Secretary	117,161	-	68,205	-	-	117,161
Zhang Xin	Senior Vice President	446,902	-	204,060	71,000	-	375,902
Jin Da	Vice President	95,753	-	49,028	-	9	95,744
Yan Dayong	Vice President	39,808	-	18,280	-	-	39,808
Zhou Zixue (resigned)	Executive Director	3,457,429	-	-	-	-	3,457,429
William Tudor Brown (resigned)	Independent Non-executive Director	275,000	-	62,500	150,000	-	125,000
Zhou Meisheng (resigned)	Executive Vice President in Technology Research and Development	403,833	-	162,168	-	-	403,833
Total		11,503,351	-	2,666,711	221,000	120,400	11,161,951

(2) Equity incentive plan

Unit: Unit

Name	Position	Number of RSUs held at the beginning of the period	Number of RSUs new granted during the reporting period	Number of RSUs exercisable during the reporting period	Number of RSUs exercised during the reporting period	Number of RSUs cancelled during the reporting period	Number of RSUs held at the end of the reporting period
Gao Yonggang	Chairman, Executive Director and Chief Financial Officer	464,287	400,764	85,505	-	-	865,051
Lu Guoqing	Non-executive Director	187,500	-	61,875	-	125,625	61,875
Chen Shanzhi	Non-executive Director	475,156	92,500	475,156	-	92,500	475,156
Huang Dengshan	Non-executive Director	-	-	-	-	-	-
Ren Kai	Non-executive Director	-	-	-	-	-	-
Lau Lawrence Juen- Yee	Independent Non-executive Director	32,877	92,500	32,877	-	-	125,377
Fan Ren Da Anthony	Independent Non-executive Director	32,877	92,500	-	-	-	125,377
Liu Ming	Independent Non-executive Director	187,500	-	-	-	-	187,500
Wu Hanming	Independent Non-executive Director	-	-	-	-	-	-
Zhao Haijun	Co-Chief Executive Officer	224,653	401,538	-	-	-	626,191
Liang Mong Song	Co-Chief Executive Officer	259,808	401,538	86,602	-	-	661,346
Guo Guangli	Senior Vice President, Board Secretary and Joint Company Secretary	37,322	60,875	17,106	-	-	98,197

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Name	Position	Number of RSUs held at the beginning of the period	Number of RSUs new granted during the reporting period	Number of RSUs exercisable during the reporting period	Number of RSUs exercised during the reporting period	Number of RSUs cancelled during the reporting period	Number of RSUs held at the end of the reporting period
Zhang Xin	Senior Vice President	102,608	148,649	–	36,455	–	214,802
Jin Da	Vice President	33,668	81,776	–	12,065	–	103,379
Yan Dayong	Vice President	17,033	27,500	–	7,523	–	37,010
Zhou Zixue (resigned)	Executive Director	1,478,356	382,349	–	–	–	1,860,705
William Tudor Brown (resigned)	Independent Non-executive Director	275,000	92,500	62,500	212,500	–	155,000
Zhou Meisheng (resigned)	Executive Vice President in Technology Research and Development	171,937	158,070	–	79,206	–	250,801
Total		3,980,582	2,433,059	821,621	347,749	218,125	5,847,767

2. Type II Restricted Shares

Unit: Share

Name	Position	Number of Restricted Shares held at the beginning of the period	Number of Restricted Shares new granted during the reporting period	Number of Shares exercisable	Number of Shares exercised	Number of Restricted Shares cancelled during the reporting period	Number of Restricted Shares held at the end of the reporting period
Gao Yonggang	Chairman, Executive Director and Chief Financial Officer	360,000	–	–	–	–	360,000
Zhao Haijun	Co-Chief Executive Officer	400,000	–	–	–	–	400,000
Liang Mong Song	Co-Chief Executive Officer	400,000	–	–	–	–	400,000
Guo Guangli	Senior Vice President, Board Secretary and Joint Company Secretary	160,000	120,000	–	–	–	280,000
Zhang Xin	Senior Vice President	320,000	–	–	–	–	320,000
Jin Da	Vice President	160,000	–	–	–	–	160,000
Yan Dayong	Vice President	140,000	–	–	–	–	140,000
Zhou Zixue (resigned)	Executive Director	400,000	–	–	–	–	400,000
Zhou Meisheng (resigned)	Executive Vice President in Technology Research and Development	360,000	–	–	–	–	360,000
Total		2,700,000	120,000	–	–	–	2,820,000

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(III) THE INTERESTS AND RIGHTS OF DIRECTORS AND KEY MANAGEMENT REQUIRED TO BE DISCLOSED UNDER THE HONG KONG LISTING RULES

1. Directors' Interests in Securities of the Company

As at June 30, 2022, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Long/Short Position	Nature of Interests	Number of Ordinary Shares held	Options (Hong Kong Share) ⁽²⁾	Derivatives Restricted Share Units (Hong Kong Share) ⁽²⁾	Restricted Shares (RMB Share) ⁽²⁾	Total Interests (Share)	Percentage of aggregate interests to total issued share capital of the Company% ⁽¹⁾
Executive Directors								
Gao Yonggang	Long Position	Beneficial Owner	–	2,532,350	865,051	360,000	3,757,401	0.048
Zhao Haijun*	Long Position	Beneficial Owner	–	2,372,588	626,191	400,000	3,398,779	0.043
Non-executive Directors								
Lu Guoqing	Long Position	Beneficial Owner	–	67,109	61,875	–	128,984	0.002
Chen Shanzhi	Long Position	Beneficial Owner	–	475,156	475,156	–	950,312	0.012
Huang Dengshan	–	–	–	–	–	–	–	–
Ren Kai	–	–	–	–	–	–	–	–
Independent Non-executive Directors								
William Tudor Brown**	Long Position	Beneficial Owner	–	125,000	155,000	–	280,000	0.004
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	–	32,877	125,377	–	158,254	0.002
Fan Ren Da Anthony	Long Position	Beneficial Owner	187,500	220,377	125,377	–	533,254	0.007
Liu Ming	Long Position	Beneficial Owner	–	187,500	187,500	–	375,000	0.005
Co-Chief Executive Officer								
Liang Mong Song	Long Position	Beneficial Owner	–	659,117	661,346	400,000	1,720,463	0.022

* Dr. Zhao Haijun has resigned as an executive Director of the Company on August 11, 2022. Dr. Zhao continues to serve as the Co-Chief Executive Officer of the Company after the aforementioned resignation.

** Mr. William Tudor Brown has resigned as an independent non-executive Director of the Company on August 11, 2022.

Note:

(1) Based on 7,901,936,207 shares in issue as at June 30, 2022.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

- (2) As at June 30, 2022, the details of options (Hong Kong Share), RSUs (Hong Kong Share) and Restricted Shares (RMB Shares) held by Directors and Co-Chief Executive Officers are as follows:

Name	Interests Category	Date Granted	Exercise Price Per Share (USD)	Number of Interests
Gao Yonggang	Options (Hong Kong Share)	6/17/2013	0.80	1,360,824
	Options (Hong Kong Share)	6/12/2014	0.82	288,648
	Options (Hong Kong Share)	5/25/2020	2.31	586,793
	Options (Hong Kong Share)	5/31/2021	3.12	296,085
	RSUs (Hong Kong Share)	11/17/2014	0.004	85,505
	RSUs (Hong Kong Share)	5/25/2020	0.004	231,300
	RSUs (Hong Kong Share)	5/31/2021	0.004	147,482
	RSUs (Hong Kong Share)	4/8/2022	0.004	400,764
	Restricted Shares (RMB Shares)	7/19/2021	2.98	360,000
Zhao Haijun	Options (Hong Kong Share)	6/11/2013	0.82	188,233
	Options (Hong Kong Share)	9/7/2017	1.01	1,687,500
	Options (Hong Kong Share)	5/25/2020	2.31	219,706
	Options (Hong Kong Share)	5/31/2021	3.12	277,149
	RSUs (Hong Kong Share)	5/25/2020	0.004	86,603
	RSUs (Hong Kong Share)	5/31/2021	0.004	138,050
	RSUs (Hong Kong Share)	4/8/2022	0.004	401,538
		Restricted Shares (RMB Shares)	7/19/2021	2.98
Lu Guoqing	Options (Hong Kong Share)	5/31/2021	3.12	67,109
	RSUs (Hong Kong Share)	5/31/2021	0.004	61,875
Chen Shanzhi	Options (Hong Kong Share)	5/25/2016	0.82	98,958
	Options (Hong Kong Share)	9/12/2016	1.11	1,198
	Options (Hong Kong Share)	4/5/2017	1.25	62,500
	Options (Hong Kong Share)	5/23/2018	1.34	125,000
	Options (Hong Kong Share)	5/21/2019	1.09	62,500
	Options (Hong Kong Share)	5/25/2020	2.31	62,500
	Options (Hong Kong Share)	5/31/2021	3.12	62,500
	RSUs (Hong Kong Share)	5/25/2016	0.004	98,958
	RSUs (Hong Kong Share)	9/12/2016	0.004	1,198
	RSUs (Hong Kong Share)	4/5/2017	0.004	62,500
	RSUs (Hong Kong Share)	5/23/2018	0.004	125,000
	RSUs (Hong Kong Share)	5/21/2019	0.004	62,500
	RSUs (Hong Kong Share)	5/25/2020	0.004	62,500
	RSUs (Hong Kong Share)	5/31/2021	0.004	62,500
William Tudor Brown	Options (Hong Kong Share)	5/25/2020	2.31	62,500
	Options (Hong Kong Share)	5/31/2021	3.12	62,500
	RSUs (Hong Kong Share)	5/31/2021	0.004	62,500
	RSUs (Hong Kong Share)	4/8/2022	0.004	92,500
Lau Lawrence June-Yee	Options (Hong Kong Share)	5/31/2021	3.12	32,877
	RSUs (Hong Kong Share)	5/31/2021	0.004	32,877
	RSUs (Hong Kong Share)	4/8/2022	0.004	92,500
Fan Ren Da Anthony	Options (Hong Kong Share)	9/13/2018	1.09	187,500
	Options (Hong Kong Share)	5/31/2021	3.12	32,877
	RSUs (Hong Kong Share)	5/31/2021	0.004	32,877
	RSUs (Hong Kong Share)	4/8/2022	0.004	92,500
Liu Ming	Options (Hong Kong Share)	5/31/2021	3.12	187,500
	RSUs (Hong Kong Share)	5/31/2021	0.004	187,500
Liang Mong Song	Options (Hong Kong Share)	5/25/2020	2.31	659,117
	RSUs (Hong Kong Share)	5/25/2020	0.004	259,808
	RSUs (Hong Kong Share)	4/8/2022	0.004	401,538
	Restricted Shares (RMB Shares)	7/19/2021	2.98	400,000

SECTION 8 RELEVANT INFORMATION ON BONDS

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

(I) DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES IN INTER-BANK BOND MARKET

1. Basic information of debt financing instruments of non-financial enterprises

Name of bonds	Short Name	Code	Issue Date	Value Date	Maturity Date	Balance of Bonds	Interest rate(%)	Payment of principal and interest	Trading Place	Arrangement (if any) to ensure the suitability of investors	Trading Mechanism	Whether there is a risk of termination of listing for trading
First tranche of 2019 medium-term notes of SMIC	19 SMIC MTN001	101900258	February 28, 2019	March 4, 2019	March 4, 2022	RMBO	3.57	Interest will be payable annually and the principal will be repaid in a lump sum upon maturity	Inter-bank bond market	Nil	Listing for trading	No

(II) PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

In USD'000

	06/30/22	12/31/21	06/30/22 as compared with 12/31/21(%)	Explanations
Current ratio ⁽¹⁾	2.83	3.42	(17.3)	No significant change
Quick ratio ⁽²⁾	2.61	3.15	(17.1)	No significant change
Asset-liability ratio ⁽³⁾	32.5%	29.6%	Increased by 2.9 percentage points	No significant change

Six months ended

	06/30/22	06/30/21	06/30/22 as compared with 06/30/21(%)	Explanations
Profit for the period after non-recurring profit or loss	797,642	362,659	119.9	Primarily due to the increase in wafer shipments, higher average selling price and product-mix change.
Total debt to EBITDA ratio ⁽⁴⁾	0.32	0.29	10.3	Primarily due to the increase in wafer shipments, higher average selling price and product-mix change.
Interest coverage ratio (times) ⁽⁵⁾	23.07	15.72	46.8	Primarily due to the increase in wafer shipments, higher average selling price and product-mix change.
Cash interest coverage ratio (times) ⁽⁶⁾	47.31	30.17	56.8	Primarily due to the increase in net cash generated from operating activities.
EBITDA interest coverage ratio (times) ⁽⁷⁾	42.96	31.50	36.4	Primarily due to the increase in wafer shipments, higher average selling price and product-mix change.
Loan repayment ratio(%) ⁽⁸⁾	100.0%	100.0%	–	No significant change
Interest repayment ratio(%) ⁽⁹⁾	100.0%	100.0%	–	No significant change

Notes:

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventories)/current liabilities
- (3) Asset-liability ratio = total liabilities/total assets × 100%
- (4) Total debt to EBITDA ratio = EBITDA/total debts
- (5) Interest coverage ratio = profit before interest and tax/(finance costs + capitalised interest expenses)
- (6) Cash interest coverage ratio = (net cash flows from operating activities + interest paid + income tax paid)/interest paid
- (7) EBITDA interest coverage ratio = EBITDA/(finance costs + capitalised interest expenses)
- (8) Loan repayment ratio = actual amount of loan repayment/loan amount repayable × 100%
- (9) Interest repayment ratio = interests actually paid/interests payable × 100%

SECTION 9 FINANCIAL REPORTS

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

(In USD'000, except for per share)

	Notes	Six months ended	
		06/30/22	06/30/21
Revenue	4	3,745,058	2,447,751
Cost of sales		(2,244,315)	(1,792,625)
Gross profit		1,500,743	655,126
Research and development expenses		(352,753)	(299,325)
Sales and marketing expenses		(18,627)	(12,032)
General and administration expenses		(213,721)	(99,935)
Impairment losses reversed/(recognised) on financial assets, net		99	(206)
Other operating income	5	159,673	418,776
Profit from operations		1,075,414	662,404
Interest income		126,621	107,214
Finance costs	6	(54,852)	(55,842)
Foreign exchange gain		13,269	1,428
Other (losses)/gains, net	7	(1,266)	21,407
Share of profits and losses of joint venture and associates		51,211	85,318
Profit before tax		1,210,397	821,929
Income tax (expense)/credit	8	(12,163)	2,100
Profit for the period	9	1,198,234	824,029
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translating foreign operations		(85,802)	15,352
Cash flow hedges	20	16,800	3,325
Total comprehensive income for the period		1,129,232	842,706
Profit/(loss) for the period attributable to:			
Owners of the Company		961,559	846,679
Non-controlling interests		236,675	(22,650)
		1,198,234	824,029
Total comprehensive income for the period attributable to:			
Owners of the Company		892,557	865,356
Non-controlling interests		236,675	(22,650)
		1,129,232	842,706
Earnings per share			
Basic	10	\$0.12	\$0.11
Diluted	10	\$0.12	\$0.11

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2022

(In USD'000)

	Notes	06/30/22	12/31/21
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	15,773,199	14,260,783
Right-of-use assets	13	496,171	553,729
Intangible assets		50,577	67,616
Investments in associates	14	1,868,839	1,859,151
Investment in joint venture	14	10,809	17,639
Deferred tax assets		14,615	14,624
Financial assets at fair value through profit or loss	15	199,895	223,024
Financial assets at amortised cost	15	3,535,414	3,725,962
Derivative financial instruments	15	53,739	51,073
Restricted cash	16	515,127	117,787
Other assets		529	1,688
Total non-current assets		22,518,914	20,893,076
<i>Current assets</i>			
Inventories	17	1,448,790	1,193,811
Prepayment and prepaid operating expenses		58,162	43,368
Trade and other receivables	18	1,209,869	1,215,473
Financial assets at fair value through profit or loss	15	312,975	78,184
Financial assets at amortised cost	15	5,913,809	3,838,129
Derivative financial instruments	15	130,872	31,371
Restricted cash	16	221,820	214,191
Cash and cash equivalents		8,634,495	8,581,746
		17,930,792	15,196,273
Assets classified as held-for-sale		26,017	21,592
Total current assets		17,956,809	15,217,865
Total assets		40,475,723	36,110,941

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2022

(In USD'000)

	Notes	06/30/22	12/31/21
Equity and liabilities			
<i>Capital and reserves</i>			
Ordinary shares	19	31,608	31,615
Share premium		13,829,888	13,836,614
Reserves	20	412,978	321,576
Retained earnings		3,921,418	2,959,859
Equity attributable to owners of the Company		18,195,892	17,149,664
Non-controlling interests		9,134,743	8,288,479
Total equity		27,330,635	25,438,143
<i>Non-current liabilities</i>			
Borrowings	21	5,628,583	4,937,671
Lease liabilities		80,183	109,461
Bonds payable	23	598,018	597,663
Deferred tax liabilities		27,117	32,188
Deferred government funding		473,523	538,992
Derivative financial instruments	15	2,486	3,203
Total non-current liabilities		6,809,910	6,219,178
<i>Current liabilities</i>			
Trade and other payables	25	2,878,441	1,830,415
Contract liabilities		2,076,685	1,022,660
Borrowings	21	872,465	789,316
Lease liabilities		75,675	100,763
Convertible bonds	22	–	1,978
Medium-term notes	24	–	235,515
Deferred government funding		148,231	203,368
Accrued liabilities		241,310	234,107
Derivative financial instruments	15	31,327	8,848
Current tax liabilities		11,044	26,650
Total current liabilities		6,335,178	4,453,620
Total liabilities		13,145,088	10,672,798
Total equity and liabilities		40,475,723	36,110,941

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2022

(In USD'000)

	Ordinary shares	Share premium	Equity-settle employee benefit reserve	Foreign currency translation reserve	Convertible bond equity reserve
	(Note 19)				
Balance at December 31, 2020	30,814	13,512,397	52,475	9,769	1,964
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	15,352	-
Total comprehensive income for the period	-	-	-	15,352	-
Exercise of stock options	25	10,201	(6,973)	-	-
Share-based compensation	-	-	7,486	-	-
Conversion options of convertible bonds exercised during the period	32	10,796	-	-	(1,623)
Conversion options of perpetual subordinated convertible securities exercised during the period	733	298,655	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-
Share of other capital reserve of associates accounted for using equity method	-	-	-	-	-
Dilution of interests in subsidiaries	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-
Subtotal	790	319,652	513	-	(1,623)
Balance at June 30, 2021	31,604	13,832,049	52,988	25,121	341
Balance at December 31, 2021	31,615	13,836,614	112,426 ⁽¹⁾	46,558 ⁽¹⁾	341 ⁽¹⁾
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	(85,802)	-
Total comprehensive income for the period	-	-	-	(85,802)	-
Shares repurchased	(33)	(17,154)	-	-	-
Exercise of stock options	19	8,103	(6,853)	-	-
Share-based compensation	-	-	89,466	-	-
Conversion options of convertible bonds exercised during the period	7	2,325	-	-	(341)
Share of other capital reserve of associates accounted for using equity method	-	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-
Dilution of interests in subsidiaries	-	-	-	-	-
Subtotal	(7)	(6,726)	82,613	-	(341)
Balance at June 30, 2022	31,608	13,829,888	195,039 ⁽¹⁾	(39,244) ⁽¹⁾	-

⁽¹⁾ These reserve accounts comprise the reserves of US\$412,978,000 (December 31, 2021: US\$321,576,000) in the consolidated statement of financial position.

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2022

(In USD'000)

Cash flow hedges	Others	Retained earnings	Attributable to owner of the Company	Perpetual subordinated convertible securities	Non-controlling interests	Total equity
(Note 20)						
(11,363)	21,094	1,258,056	14,875,206	299,388	6,507,144	21,681,738
-	-	846,679	846,679	-	(22,650)	824,029
3,325	-	-	18,677	-	-	18,677
3,325	-	846,679	865,356	-	(22,650)	842,706
-	-	-	3,253	-	-	3,253
-	-	-	7,486	-	283	7,769
-	-	-	9,205	-	-	9,205
-	-	-	299,388	(299,388)	-	-
-	-	-	-	-	367,350	367,350
-	929	-	929	-	-	929
-	10	-	10	-	(10)	-
-	154	-	154	-	(131,473)	(131,319)
-	1,093	-	320,425	(299,388)	236,150	257,187
(8,038)	22,187	2,104,735	16,060,987	-	6,720,644	22,781,631
17 ⁽¹⁾	162,234 ⁽¹⁾	2,959,859	17,149,664	-	8,288,479	25,438,143
-	-	961,559	961,559	-	236,675	1,198,234
16,800	-	-	(69,002)	-	-	(69,002)
16,800	-	961,559	892,557	-	236,675	1,129,232
-	-	-	(17,187)	-	-	(17,187)
-	-	-	1,269	-	-	1,269
-	-	-	89,466	-	12,242	101,708
-	-	-	1,991	-	-	1,991
-	2,693	-	2,693	-	-	2,693
-	-	-	-	-	672,786	672,786
-	75,439	-	75,439	-	(75,439)	-
-	78,132	-	153,671	-	609,589	763,260
16,817 ⁽¹⁾	240,366 ⁽¹⁾	3,921,418	18,195,892	-	9,134,743	27,330,635

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2022

(In USD'000)

	Six months ended	
	06/30/22	06/30/21
Operating activities		
Cash generated from operations	3,725,363	1,509,352
Interest paid	(80,761)	(52,888)
Interest received	95,308	86,524
Income taxes paid	(24,451)	(40,007)
Net cash generated from operating activities	3,715,459	1,502,981
Investing activities		
Payments to acquire financial assets at fair value through profit or loss	(361,094)	(25,156)
Proceeds from sale of financial assets at fair value through profit or loss	117,800	123,669
Payments to acquire financial assets at amortised cost	(6,763,755)	(5,394,317)
Proceeds from maturity of financial assets at amortised cost	4,074,573	2,065,450
Payments for property, plant and equipment	(2,023,422)	(1,365,441)
Proceeds from disposal of property, plant and equipment and assets classified as held-for-sale	36,374	200,701
Payments for intangible assets	(6,089)	(6,282)
Proceeds from disposal of land-use right	6,325	-
Payments for land use right	-	(98,739)
Proceeds from disposal of a subsidiary	-	340,222
Payments for investment of associates	(50,822)	(50,769)
Proceeds from disposal of joint venture and associates	12,599	4,203
Distributions received from associates	290	134
Proceeds from release of restricted cash relating to investing activities	33,300	101,979
Payments for settlement of derivative financial instruments	(23,477)	-
Net cash used in investing activities	(4,947,398)	(4,104,346)
Financing activities		
Proceeds from borrowings	1,682,489	860,672
Repayment of borrowings	(667,574)	(1,182,070)
Principal elements of lease payments	(54,329)	(47,277)
Repayment of medium-term notes	(238,042)	-
Payment for shares repurchased	(17,187)	-
Proceeds from exercise of employee stock options	1,269	3,253
Capital injection from non-controlling interests	672,786	367,350
Proceeds from/(payments for) settlement of derivative financial instruments	49,970	(77,636)
Payments for deposit relating to financing activities	(12,818)	-
Net cash generated from / (used in) financing activities	1,416,564	(75,708)
Net increase/(decrease) in cash and cash equivalent	184,625	(2,677,073)
Cash and cash equivalent, beginning of the period	8,581,746	9,826,537
Effects of exchange rate changes on the balance of cash held in foreign currencies	(131,876)	29,603
Cash and cash equivalent, end of the period	8,634,495	7,179,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

1. GENERAL INFORMATION

Semiconductor Manufacturing International Corporation (the “Company” or “SMIC”) was established as an exempt company incorporated under the laws of the Cayman Islands on April 3, 2000. The Company’s ordinary shares are listed on the Stock Exchange of Hong Kong Limited and the SSE STAR Market, respectively. The address of the principal place of business is 18 Zhangjiang Road, Pudong New Area, Shanghai, China, 201203. The registered address is at P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The subsidiaries of the Company are engaged in the various business activities, such as manufacture, testing and trading of integrated circuits, as well as technical research and development, manufacture of semiconductor masks and providing of other services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Hong Kong Listing Rules. The interim condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following revised IFRSs for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments from January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments from January 1, 2022. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments from January 1, 2022. The amendments did not have any impact on the financial position and performance of the Group.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022. The amendments did not have any impact on the financial position and performance of the Group.
- *IFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. SEGMENT INFORMATION AND REVENUE DESCRIPTION OF SEGMENTS

For management purposes, the Group operates in one segment, engaging principally in the computer-aided design, manufacture and trading of integrated circuits. Management makes high-level strategic decisions and reviews the consolidated results of the Group.

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's operating revenue from customers is detailed as below:

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Geographical market⁽¹⁾		
Chinese Mainland and Hong Kong, China	2,581,797	1,458,709
North America	708,408	618,266
Europe and Asia ⁽²⁾	454,853	370,776
	3,745,058	2,447,751
Types of goods or services		
Sale of wafers	3,495,072	2,239,675
Mask making, testing and others	249,986	208,076
	3,745,058	2,447,751
Timing of revenue recognition		
Goods transferred at a point in time	3,674,122	2,447,751
Services transferred over time	70,936	–
	3,745,058	2,447,751

⁽¹⁾ Representing the revenue to those companies whose headquarters are in the locations, ultimately selling and shipping the products to their global customers.

⁽²⁾ Excluding Chinese Mainland and Hong Kong, China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

5. OTHER OPERATING INCOME

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Gain on disposal of property, plant and equipment, right-of-use assets and assets classified as held-for-sale	14,433	19,801
Government funding	145,240	167,593
Gain on disposal of a subsidiary	–	231,382
	159,673	418,776

6. FINANCE COSTS

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Interest on:		
Bank and other borrowings	41,816	38,317
Leases	3,124	4,619
Convertible bonds	13	31
Corporate bonds	8,435	8,559
Medium-term notes	1,464	4,316
	54,852	55,842

7. OTHER (LOSSES)/GAINS, NET

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Fair value change arising on:		
Cross currency swap contracts	–	11,356
Foreign currency forward contracts	359	108
Structural deposits and monetary funds	4,129	222
Equity securities	(11,280)	3,694
	(6,792)	15,380
Others	5,526	6,027
	(1,266)	21,407

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Current tax — Land Appreciation Tax	25	1,229
Current tax — Enterprise Income Tax	15,701	(9,112)
Deferred tax	(3,563)	5,783
	12,163	(2,100)

INCOME TAX RATE

The Company is incorporated in the Cayman Islands, where it is not currently subject to taxation. The detailed tax statuses of SMIC's principal PRC entities with tax holidays are elaborated as follows:

SMIS obtained the certificate of high-tech enterprise issued on November 18, 2020 and is entitled to enjoy the preferential income tax rate of 15% from 2020 to 2022. In 2022, the income tax rate for SMIS was 15%.

According to CaiShui [2012] No.27, Announcement No.45 of 2020 and relevant tax regulations, SMIT is qualified as an integrated circuit enterprise and entitled to enjoy a 10-year tax holiday (income tax full exemption from 2013 to 2017, 50% reduction of income tax from 2018 to 2022) beginning from 2013 after utilising all prior years' tax losses. Meanwhile, SMIT has obtained the certificate of high-tech enterprise issued on November 28, 2019. In 2022, the income tax rate for SMIT was 12.5%.

According to CaiShui [2012] No.27, Guofa [2020] No.8 and relevant tax regulations, SMIB is qualified as an integrated circuit enterprise and entitled to enjoy a 10-year tax holiday (income tax full exemption from 2015 to 2024) beginning from 2015 after utilising all prior years' tax losses. Meanwhile, SMIB has obtained the certificate of high-tech enterprise issued on December 17, 2021. SMIB enjoyed the preferential treatment of full exemption from income tax in 2022 and would submit the required documents in accordance with the relevant regulations.

SMNC obtained the certificate of high-tech enterprise issued on December 2, 2019 and was entitled to enjoy the preferential income tax rate of 15% from 2019 to 2021. In 2022, SMNC would apply for the certificate of high-tech enterprise again in accordance with the relevant regulations. The prepaid income tax rate for SMNC was 15%.

SMIZ obtained the certificate of high-tech enterprise issued on December 11, 2020 and is entitled to enjoy the preferential income tax rate of 15% from 2020 to 2022. In 2022, the income tax rate for SMIZ was 15%.

All the other PRC entities of SMIC are subject to income tax rate of 25%.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Depreciation of property, plant and equipment	1,021,828	817,507
Depreciation of right-of-use assets	57,530	50,257
Amortization of intangible assets	11,809	13,522
Impairment losses recognised on inventory	21,008	5,418
Impairment losses (reversed)/recognised on financial assets	(99)	206
Equity-settled share-based payments	101,708	7,769

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

10. EARNINGS PER SHARE BASIC EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	(In USD'000, except share and per share data)	
	Six months ended	
	06/30/22	06/30/21
Profit for the period attributable to owners of the Company	961,559	846,679
Interest on to perpetual subordinated convertible securities holders	–	(82)
Earnings used in the calculation of basic earnings per share	961,559	846,597
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,904,648,304	7,892,359,745
Basic earnings per share	\$0.12	\$0.11

DILUTED EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	(In USD'000, except share and per share data)	
	Six months ended	
	06/30/22	06/30/21
Earnings used in the calculation of basic earnings per share	961,559	846,597
Interest on convertible bonds (Note 6)	13	31
Interest on perpetual subordinated convertible securities holders	–	82
Earnings used in the calculation of diluted earnings per share	961,572	846,710
Weighted average number of ordinary shares used in the calculation of basic earnings per share	7,904,648,304	7,892,359,745
Employee options and restricted share units	19,774,454	24,943,135
Restricted shares	11,373,416	–
Convertible bonds	933,108	2,496,106
Perpetual subordinated convertible securities	–	5,060,187
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	7,936,729,282	7,924,859,173
Diluted earnings per share	\$0.12	\$0.11

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

11. DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Balance at January 1	14,260,783	12,138,021
Additions	2,546,388	1,297,931
Depreciation	(1,021,828)	(817,507)
Disposals	(6,709)	(194,264)
Disposal of a subsidiary	–	(325,650)
Impairment loss written off	108	–
Reclassified as held-for-sale	(5,543)	(565)
Balance at June 30	15,773,199	12,097,966

As of June 30, 2022, property, plant and equipment with a carrying amount of approximately US\$207.1 million (December 31, 2021: approximately US\$215.9 million) have been pledged to secure borrowings of the Group under a mortgage.

13. LEASES

The carrying amounts of the Group's right-of-use assets during the period are as follows:

	06/30/22 USD'000	12/31/21 USD'000
Buildings	1,808	1,983
Machinery and equipment	144,488	198,024
Land use right	349,875	353,722
	496,171	553,729

For the six month ended June 30, 2022, additions to the right-of-use assets was nil (six months ended June 30, 2021: US\$69.1 million).

As of June 30, 2022, land use right with a carrying amount of approximately US\$33.8 million (December 31, 2021: approximately US\$34.2 million) has been pledged to secure borrowings of the Group under a mortgage.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

14. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

Details of the principle associates, which are all unlisted companies except for JCET listed on the Shanghai Stock Exchange, at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Class of share held	Statutory percentage of ownership interest attributable to the Group	
			06/30/22	12/31/21
JCET Group Co., Ltd. ("JCET")	Jiangsu, PRC	Ordinary	12.86%	12.86%
Sino IC Leasing Co., Ltd. ("Sino IC Leasing")	Shanghai, PRC	Ordinary	8.17%	8.17%
Ningbo Semiconductor International Corporation ("NSI")	Zhejiang, PRC	Ordinary	15.85%	15.85%
Semiconductor Manufacturing Electronics Zhejiang, PRC (Shaoxing) Corporation ("SMEC")	PRC	Ordinary	19.57%	19.57%

In accordance with the investment agreements, the Group has significant influence through the right the Group owned to appoint director(s) to the board of directors of the above companies.

Details of the joint venture, unlisted company invested directly through China IC Capital (Ningbo) Co., Ltd, at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Class of share held	Statutory percentage of ownership interest attributable to the Group	
			06/30/22	12/31/21
Shanghai Xinxin Investment Centre (Limited Partnership)	Shanghai, PRC	Limited partner interest	49.00%	49.00%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

Financial assets	06/30/22 USD'000	12/31/21 USD'000
Non-current portion		
Financial assets at fair value through profit or loss		
Listed equity securities	786	2,335
Restricted listed equity securities	10,262	16,133
Unlisted equity securities	188,847	204,556
Financial assets at amortised cost		
Bank deposits with more than 1 year	3,535,414	3,725,962
Other financial assets at amortised cost		
Restricted cash (Note 16)	515,127	117,787
Other assets ⁽¹⁾	–	991
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	34,487	46,547
Interest rate swap contracts — cash flow hedges	19,252	4,526
Current portion		
Financial assets at fair value through profit or loss		
Structural deposits	227,208	–
Monetary funds	85,767	78,184
Financial assets at amortised cost		
Bank deposits with more than 3 months	5,913,809	3,838,129
Other financial assets at amortised cost		
Cash and cash equivalents	8,634,495	8,581,746
Restricted cash (Note 16)	221,820	214,191
Trade and other receivables ⁽²⁾ (Note 18)	1,006,954	806,487
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	128,960	31,371
Foreign currency forward contracts	1,912	–
	20,525,100	17,668,945

⁽¹⁾ Other assets included the security deposits for derivative financial instruments, which were recognised as financial assets at amortised cost.

⁽²⁾ Trade and other receivables at amortised cost excluded the value-added tax to be deducted and tax recoverables, which were not recognised as financial assets at amortised cost.

Financial liabilities	06/30/22 USD'000	12/31/21 USD'000
Non-current portion		
Financial liabilities at amortised cost		
Borrowings (Note 21)	5,628,583	4,937,671
Lease liabilities	80,183	109,461
Bonds payable (Note 23)	598,018	597,663
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	2,486	2,065
Interest rate swap contracts — cash flow hedges	–	1,138
Current portion		
Financial liabilities at amortised cost		
Financial liabilities included in trade and other payables and accrual liabilities	2,910,111	1,856,814
Borrowings (Note 21)	872,465	789,316
Lease liabilities	75,675	100,763
Convertible bonds (Note 22)	–	1,978
Medium-term notes (Note 24)	–	235,515
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	29,774	8,848
Foreign currency forward contracts	1,553	–
	10,198,848	8,641,232

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

16. RESTRICTED CASH

	06/30/22 USD'000	12/31/21 USD'000
Non-current portion ⁽¹⁾	515,127	117,787
Current portion ⁽²⁾	221,820	214,191
	736,947	331,978

⁽¹⁾ As of June 30, 2022, the non-current restricted cash was bank time deposit pledged against for borrowings.

⁽²⁾ As of June 30, 2022, the current restricted cash consisted of US\$201.8 million (December 31, 2021: US\$36.7 million) of bank deposits pledged against letters of credit and borrowing and US\$20.0 million (December 31, 2021: US\$21.1 million) of bank deposits pledged against letters of guarantee.

17. INVENTORIES

	06/30/22 USD'000	12/31/21 USD'000
Raw materials	525,544	455,071
Work in progress	875,704	664,362
Finished goods	47,542	74,378
	1,448,790	1,193,811

18. TRADE AND OTHER RECEIVABLES

	06/30/22 USD'000	12/31/21 USD'000
Trade receivables	808,611	691,314
Allowance on doubtful trade receivables	(1,050)	(751)
	807,561	690,563
Other receivables	19,022	49,667
Allowance on doubtful other receivables	(671)	(1,070)
	18,351	48,597
Notes receivables	77,557	4,367
Value-added tax to be deducted	154,119	349,137
Tax recoverables	48,796	59,849
Investment receivables	14,860	3,761
Dividend receivables	6,828	-
Interest receivables	47,844	27,998
Refundable deposits and surety	33,953	31,201
	1,209,869	1,215,473

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

Age of trade receivables	06/30/22 USD'000	12/31/21 USD'000
Within 1 year	808,100	671,658
1-2 years	44	19,207
2-3 years	54	58
Over 3 years	413	391
	808,611	691,314

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

18. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

The following is an aged analysis of other receivables presented based on the invoice date at the end of the reporting period.

Age of other receivables	06/30/22 USD'000	12/31/21 USD'000
Within 1 year	17,578	22,998
1-2 years	209	12,194
2-3 years	293	7,281
Over 3 years	942	7,194
	19,022	49,667

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair value.

19. SHARES AND ISSUED CAPITAL

	Six months ended 06/30/22		Six months ended 06/30/21	
	Number of shares	USD'000	Number of shares	USD'000
Balance at January 1	7,903,856,555	31,615	7,703,507,527	30,814
Issuance of shares under the Company's employee stock incentive plans	4,725,650	19	6,447,060	25
Shares repurchased	(8,325,500)	(33)	-	-
Conversion options of convertible bonds exercised	1,679,502	7	7,977,636	32
Conversion options of perpetual subordinated convertible securities exercised	-	-	183,178,403	733
Balance at June 30	7,901,936,207	31,608	7,901,110,626	31,604

20. RESERVES

CASH FLOW HEDGES

To mitigate the impact of volatility of future cash flows caused by the changes in exchange rates and interest rate associated with outstanding debts, the Group entered into several cross currency swap contracts and interest rate swap contracts, which were designated as hedging instruments. Any gains or losses arising from changes in fair value of these hedging instruments are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The hedging reserve is used to record gains or losses on derivatives designated and qualified as cash flow hedges that are recognised in other comprehensive income. Amounts will be reclassified to profit or loss when the associated hedged transaction affects profit or loss.

	Six months ended	
	06/30/22 USD'000	06/30/21 USD'000
Other comprehensive income on cash flow hedges recognised		
Fair value gain	107,054	92,651
Offset foreign exchange loss	(90,185)	(93,078)
(Deducted)/added finance cost	(69)	3,598
Reclassified into profit or loss due to disposal of a subsidiary	-	154
Balance at January 1	16,800	3,325
Balance at June 30	16,817	(8,038)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

21. BORROWINGS

	06/30/22 USD'000	12/31/21 USD'000
At amortised cost		
Short-term bank borrowings		
– secured	140,000	–
– unsecured nor unguaranteed	370,000	170,000
Long-term bank borrowings		
– guaranteed	1,222,503	1,267,819
– secured	580,964	278,082
– unsecured nor unguaranteed	4,164,081	3,984,462
Other borrowings		
– secured	23,500	26,624
	6,501,048	5,726,987
Current portion		
Short-term bank borrowings	510,000	170,000
Current maturities of long-term bank borrowings and other borrowings	362,465	619,316
	872,465	789,316
Non-current portion		
Non-current maturities of long-term bank borrowings and other borrowings	5,628,583	4,937,671
	6,501,048	5,726,987
Borrowing by repayment schedule		
Within 1 year	872,465	789,316
1-2 years	1,437,263	657,850
2-5 years	3,865,743	3,909,968
Over 5 years	325,577	369,853
	6,501,048	5,726,987

As at June 30, 2022, the bank borrowings amounted to US\$1,416.0 million (December 31, 2021: US\$1,470.4 million) were guaranteed by the Company.

The amounts of the bank borrowings and other borrowings secured by the mortgage of assets (Note 12) or the pledge of bank deposits (Note 16) are set out below:

	06/30/22 USD'000	12/31/21 USD'000
Secured by:		
Property, plant and equipment and land-use rights	193,499	202,624
Restricted cash	550,964	102,082
	744,464	304,706

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

21. BORROWINGS (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	06/30/22 USD'000	12/31/21 USD'000
RMB	4,948,048	4,813,787
USD	1,553,000	913,200
	6,501,048	5,726,987

The weighted average effective interest rates of borrowings are set out as follows:

	06/30/22 USD'000	12/31/21 USD'000
RMB	2.26%	2.27%
USD	1.90%	1.66%

The carrying amounts of short-term and current borrowings approximate their fair values, as the impact of discounting is not significant.

22. CONVERTIBLE BONDS

The Company issued the convertible bonds (the "Convertible Bonds") at a par value of US\$250.0 thousand each with the aggregate principal amounts of US\$650.0 million, including US\$450.0 million issued on July 7, 2016 (the "2016 Issue") and US\$200.0 million issued on December 10, 2019 (the "2019 Issue").

The Convertible Bonds is a compound instrument included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the Convertible Bonds. For the 2016 Issue, such embedded derivatives are deemed to be clearly and closely related to the host contract and therefore do not need to be separately accounted for. For the 2019 Issue, such embedded derivatives are deemed to be not clearly and closely related to the host contract and therefore need to be separately accounted for.

As at the date of issue, the fair value of the liability component of the Convertible Bonds was disclosed as below:

	2019 Issue USD'000	2016 Issue USD'000
Principal amount	200,000	450,000
Premium of Issue	32,000	-
Transaction cost	(2,525)	(9,194)
Liability component	(195,328)	(387,871)
Equity component	34,147	52,935

Subsequent to the initial recognition, the liability component of the Convertible Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the Convertible Bonds was 2.20% per annum. The movements of the liability component and the equity component of the Convertible Bonds are set out below:

	Liability component USD'000	Equity component USD'000	Total USD'000
Balance at January 1, 2021	11,131	1,964	13,095
Interest charged	31	-	31
Conversion options exercised	(9,205)	(1,623)	(10,828)
Balance at June 30, 2021	1,957	341	2,298
Balance at January 1, 2022	1,978	341	2,319
Interest charged (Note 6)	13	-	13
Conversion options exercised	(1,991)	(341)	(2,332)
Balance at June 30, 2022	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

23. BONDS PAYABLE

On February 27, 2020, the Company issued 5-year unsecured corporate bonds for a total amount of US\$600.0 million on the Singapore Exchange. The corporate bonds carry a coupon interest rate of 2.693% with bond interest payable semi-annually on February 27 and August 27. As at the issue date, the net book value of the liabilities amounted to US\$596.4 million after deducting commissions and other estimated expenses payable in connection with the offering of the bonds.

	USD'000
Principal amount	600,000
Discount of bonds payable	(3,233)
Transaction cost	(367)
	596,400

The movement of the corporate bonds is set out below:

	USD'000
Balance at January 1, 2021	596,966
Interest charged	8,559
Interest payable recognised	(8,213)
Balance at June 30, 2021	597,312
Balance at January 1, 2022	597,663
Interest charged (Note 6)	8,435
Interest payable recognised	(8,080)
Balance at June 30, 2022	598,018

24. MEDIUM-TERM NOTES

On February 28, 2019, the Company issued medium-term notes in a principal amount of RMB1,500.0 million (approximately US\$224.0 million) with a maturity date of March 4, 2022 and with an interest rate of 3.57%.

The movement of the medium-term is set out below:

	USD'000
Balance at January 1, 2021	229,217
Interest charged	4,316
Interest payable recognised	(4,142)
Foreign exchange loss	2,691
Balance at June 30, 2021	232,082
Balance at January 1, 2022	235,515
Repayment	(238,042)
Interest charged (Note 6)	1,464
Interest payable recognised	(1,405)
Foreign exchange loss	2,468
Balance at June 30, 2022	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

25. TRADE AND OTHER PAYABLES

	06/30/22 USD'000	12/31/21 USD'000
Payables for property, plant and equipment	1,668,546	1,175,499
Trade payables	732,590	528,910
Deposits received	404,406	51,796
Others	72,899	74,210
	2,878,441	1,830,415

Trade and other payables are non-interest-bearing and are normally settled on 30 to 60-day terms.

The following is an aged analysis of trade payables and payables for property, plant and equipment presented based on the invoice date at the end of the reporting period:

	06/30/22 USD'000	12/31/21 USD'000
Within 30 days	2,057,740	1,640,658
31-60 days	54,802	33,501
Over 60 days	288,594	30,250
	2,401,136	1,704,409

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

26. SHARE-BASED PAYMENT STOCK INCENTIVE PLANS

The Company's stock incentive plans allow the Company to offer a variety of incentive awards, including share options, RSUs and restricted shares, to employees, consultants or external service advisors of the Group.

The expense arising from share-based payments for the six months ended June 30, 2022 was US\$101.7 million (six months ended June 30, 2021: US\$7.8 million).

MOVEMENTS DURING THE PERIOD

Share options

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the period:

	Six months ended 06/30/22		Six months ended 06/30/21	
	Number	WAEP	Number	WAEP
Outstanding at January 1	38,579,564	US\$1.94	36,738,628	US\$1.56
Granted during the period	-	-	4,986,759	US\$3.16
Forfeited and expired during the period	(1,076,108)	US\$1.88	(1,353,825)	US\$1.91
Exercised during the period	(1,886,644)	US\$0.67	(3,048,139)	US\$1.21
Outstanding at June 30	35,616,812	US\$1.99	37,323,423	US\$1.79

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

26. SHARE-BASED PAYMENT (continued) MOVEMENTS DURING THE PERIOD (continued) RSUs

The following table illustrates the number and WAEP of, and movements in, RSUs during the period:

	Six months ended 06/30/22		Six months ended 06/30/21	
	Number	WAEP	Number	WAEP
Outstanding at January 1	10,862,268	US\$0.004	10,924,467	US\$0.004
Granted during the period	7,677,896	US\$0.004	2,727,599	US\$0.004
Forfeited during the period	(458,550)	US\$0.004	(520,120)	US\$0.004
Exercised during the period	(2,839,006)	US\$0.004	(3,398,921)	US\$0.004
Outstanding at June 30	15,242,608	US\$0.004	9,733,025	US\$0.004

Restricted shares

The following table illustrates the number and WAEP of, and movements in, the exercisable option of restricted shares during the period:

	Six months ended 06/30/22	
	Number	WAEP
Outstanding at January 1	66,858,880	RMB¥20
Granted during the period	8,115,200	RMB¥20
Forfeited during the period	(399,200)	RMB¥20
Outstanding at June 30	74,574,880	RMB¥20

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

The Group considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statement approximate their fair values.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSES OF MEASURING FAIR VALUE

The fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Pricing information that the Group obtains from third parties is internally validated for reasonableness prior to use. When observable market prices are not readily available, the Group generally estimates the fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily observable from objective sources and are estimated based on pertinent information available at the time of the applicable reporting periods. In certain cases, fair values are not subject to precise quantification or verification and may fluctuate as economic and market factors vary and the Group's evaluation of those factors changes.

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following tables provide an analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. There is no transfer within different levels of the fair value hierarchy in the six months ended June 30, 2022:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)* FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

June 30, 2022	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Listed equity securities	Using quoted market prices	786	-	-	786
Restricted listed equity securities	Using Asian options pricing model	-	-	10,262	10,262
Unlisted equity securities	Using valuation multiples or the latest price method of financing	-	-	188,847	188,847
Structural deposits	Using discount cash flows	-	-	227,208	227,208
Monetary funds	Using observable prices	-	85,767	-	85,767
Cross currency swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	163,447	-	163,447
— cash flow hedges		-	163,447	-	163,447
Interest rate swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	19,252	-	19,252
— cash flow hedges		-	19,252	-	19,252
Foreign currency forward contracts	Using forward exchange rates at the balance sheet date	-	1,912	-	1,912
		786	270,378	426,317	697,481
Financial liabilities					
Cross currency swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	32,260	-	32,260
— cash flow hedges		-	32,260	-	32,260
Foreign currency forward contracts	Using forward exchange rates at the balance sheet date	-	1,553	-	1,553
		-	33,813	-	33,813
December 31, 2021					
		Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Listed equity securities	Using quoted market prices	2,335	-	-	2,335
Restricted listed equity securities	Using Asian options pricing model	-	-	16,133	16,133
Unlisted equity securities	Using valuation multiples or the latest price method of financing	-	-	204,556	204,556
Monetary funds	Using observable prices	-	78,184	-	78,184
Cross currency swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	77,918	-	77,918
— cash flow hedges		-	77,918	-	77,918
Interest rate swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	4,526	-	4,526
— cash flow hedges		-	4,526	-	4,526
		2,335	160,628	220,689	383,652
Financial liabilities					
Cross currency swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	10,913	-	10,913
— cash flow hedges		-	10,913	-	10,913
Interest rate swap contracts	Using the present value of the estimated future cash flows based on observable yield curves	-	1,138	-	1,138
— cash flow hedges		-	1,138	-	1,138
		-	12,051	-	12,051

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued) FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 instruments for the six months ended:

	Restricted listed equity securities USD'000	Unlisted equity securities USD'000	Structural deposits USD'000	Total USD'000
Balance at January 1, 2021	–	119,885	111,094	230,979
Additions	–	7,798	17,490	25,288
Disposals	–	(622)	(123,047)	(123,669)
(Loss)/gain recognised	–	(262)	174	(88)
Foreign exchange gain	–	1,410	1,121	2,531
Balance at June 30, 2021	–	128,209	6,832	135,041
Balance at January 1, 2022	16,133	204,556	–	220,689
Additions	–	2,600	240,681	243,281
Disposals	–	(2,698)	(4,744)	(7,442)
(Loss)/gain recognised	(5,243)	(5,829)	3,469	(7,603)
Foreign exchange gain	(628)	(9,782)	(12,198)	(22,608)
Balance at June 30, 2022	10,262	188,847	227,208	426,317

28. RELATED PARTY TRANSACTIONS

The names of the related parties which had transactions with the Group for the six months ended June 30, 2022 and the relationships with the Group are disclosed below:

Related party name	Relationship
Subsidiaries ("Datang") of China Information and Communication Technology Group Co., Ltd. ("CICT")	CICT indirectly holding more than 5% shares of the Company
Toppan SMIC Electronic (Shanghai) Co., Ltd. ("Toppan")	An associate of the Group
Brite Semiconductor (Shanghai) Corporation ("Brite") and its subsidiaries	An associate of the Group
China Fortune-Tech Capital Co., Ltd. ("China Fortune-Tech")	An associate of the Group
JECT Group Co., Ltd. ("JECT") and its subsidiaries	An associate of the Group
Sino IC Leasing Co., Ltd. ("Sino IC Leasing") and its subsidiaries	An associate of the Group
Semiconductor Manufacturing Electronics (Shaoxing) Corp. ("SMEC")	An associate of the Group
Ningbo Semiconductor International Corporation ("NSI")	An associate of the Group
Semiconductor Global Solutions Corporation ("SGS")	An associate of the Group
Semiconductor Technology Innovation Center (Beijing) Co., Ltd. ("Beijing Innovation Center")	An associate of the Group
National Silicon Industry Group ("Silicon") and its subsidiaries	A director of the Company served as its director
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. ("China IC Fund II")	A director of the Company served as its director
Haitong Securities Co., Ltd. ("Haitong")	A within 12 month resigned director of the Company served as its director
Key Management Personnel who have transactions with the Group	Directors and senior management personnel

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

28. RELATED PARTY TRANSACTIONS (continued)

TRADING TRANSACTIONS

During the period, group entities entered into the following trading transactions with related parties that are not members of the Group:

		Six months ended	
		06/30/22	06/30/21
		USD'000	USD'000
Sale of goods and services			
Datang	Sale of goods	94,059	5,025
Beijing Innovation Center	Sale of goods and services	77,911	14,952
Brite and its subsidiaries	Sale of goods	69,924	46,614
NSI	Sale of goods and services	10,734	12,029
SMEC	Sale of goods and services	54	320
Purchase of goods and services			
Subsidiaries of Silicon	Purchase of goods	14,143	10,073
Toppan	Purchase of goods	933	3,460
China Fortune-Tech	Purchase of services	282	181
Subsidiaries of JCET	Purchase of services	275	1,733
SMEC	Purchase of services	–	13
SGS	Purchase of goods	19	–
Haitong	Purchase of services	17	–
Transfer of assets			
SGS	Purchase of equipment	13,848	3,485
SMEC	Sale of equipment	352	–
Group as a lessor			
Toppan	Rent income	2,383	1,911
SMEC	Rent income	95	40
Beijing Innovation Center	Rent income	151	48
China Fortune-Tech	Rent income	336	298
NSI	Rent income	45	45
SGS	Rent income	211	7
Group as a lessee			
Sino IC Leasing and its subsidiaries	Increase of right-of-use assets	–	65,336
Sino IC Leasing and its subsidiaries	Payment of lease liabilities	54,154	51,679

The pricing of trading transactions with related parties that are not members of the Group refers to the pricing standards of third parties for comparable product or services at the same time and in the same region.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

28. RELATED PARTY TRANSACTIONS (continued)

TRADING TRANSACTIONS (continued)

The following balances were outstanding at the end of the reporting period:

	Amounts due from related parties		Amounts due to related parties	
	06/30/22 USD'000	12/31/21 USD'000	06/30/22 USD'000	12/31/21 USD'000
Beijing Innovation Center	71,913	48,392	382	752
Brite and its subsidiaries	18,311	27,650	5,368	–
SGS	14,231	11,202	4,813	5,302
Haitong	12,822	–	–	–
Toppan	2,027	880	615	523
SMEC	513	20,337	–	752
China Fortune-Tech	199	24	–	–
Sino IC Leasing and its subsidiaries	–	–	153,898	207,964
Datang	19,915	2,650	128,896	33,671
NSI	4,970	5,422	10,617	10,117
Silicon	–	–	6,299	2,882
JCET and its subsidiaries	6,828	–	190	29

Amounts due from related parties are normally settled on 30 to 90-day terms. Amounts due to related parties are normally settled on 30-day to 60-day terms.

CAPITAL CONTRIBUTION

The Group engaged with China IC Fund II in several capital contributions in SMZC and SMBC during the reporting period.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Directors and senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The remuneration of directors and senior management personnel during the reporting and the corresponding period are as follows:

	Six months ended	
	06/30/22 USD'000	12/31/21 USD'000
Salaries, bonus and benefits	1,776	1,282
State-managed pension	19	13
Equity-settled share-based payments	4,600	1,634
	6,395	2,929

The remuneration of directors and senior management personnel is determined by the Compensation Committee having regard to the Group's profitability, business achievement, individual performance and market trends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

29. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	06/30/22 USD'000	12/31/21 USD'000
Commitments for building and facility construction	1,041,202	594,056
Commitments for acquisition of machinery and equipment	10,773,395	8,077,734
Commitments for acquisition of intangible assets	45,480	24,909
Capital contributions payable to associates	223,155	216,342
	12,083,232	8,913,041

30. CONTINGENCY EVENTS

ARBITRATION OF CONTRACT DISPUTED WITH PDF SOLUTIONS, INC.

On May 7, 2020, SMIC New Technology, a subsidiary of the Company, received an arbitration notice issued by the Hong Kong International Arbitration Center, whereby PDF SOLUTIONS, INC. ("PDF") filed an arbitration request with the Hong Kong International Arbitration Center. PDF disputed the rights and obligations of both parties under a series of agreements it entered into with SMIC New Technology. PDF required SMIC New Technology to pay the relevant fees under the agreements. SMIC New Technology has formally responded to the Hong Kong International Arbitration Center and opined that the fees it owed to PDF had already been fully paid in accordance with the contractual obligations and no additional fee is required.

Management of the Group is of the view that the aforementioned contract dispute is still ongoing and the result of arbitration is uncertain and cannot be reasonably ascertainable. As of June 30, 2022, the Group did not make provision for the contingent liabilities from the contract dispute.

CIVIL COMPLAINT FILED WITH THE UNITED STATES DISTRICT COURT

The Company noted that on December 10, 2020 (U.S. time), a civil complaint was filed with the United States District Court, Central District of California relating to certain securities of the Company (the "Complaint"). The plaintiff filed the Complaint on behalf of herself and other persons alleged to have acquired certain Company securities publicly traded on the OTCQX market. The Complaint lists the Company and certain of its directors as defendants. It seeks unquantified financial compensation for alleged violations of sections 10(b) and 20(a) of the United States ("U.S.") Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the U.S. Securities and Exchange Commission, which prohibit certain misrepresentations and omissions in connection with the purchase or sale of securities, in respect of certain statements or documents published by the Company.

On June 9, 2022 (Los Angeles, U.S. time), the Company received a ruling from the United States District Court for the Central District of California dismissing, in its entirety, the civil lawsuit as mentioned above, with prejudice and without leave to amend. On July 8, 2022 (Los Angeles, U.S. time), the plaintiff filed a notice appeal from the dismissal of the case. United States Court of Appeals for the Ninth Circuit confirmed receipt of the appeal with a notification on July 11, 2022 (Los Angeles, U.S. time). The litigation is still ongoing.

Management of the Group believes that it is unlikely that the lawsuit would cause the outflow of economic benefits. As of June 30, 2022, the Group did not make provision for the contingent liabilities from the contract dispute.

31. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after June 30, 2022.



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