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Semiconductor Manufacturing International Corporation

中 芯 國 際 集 成 電 路 製 造 有 限 公 司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

**CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE WITH CHINA IC FUND**

FORMATION OF THE JOINT VENTURE COMPANY

The Company announces that it has entered into the Joint Venture Agreement with China IC Fund and its sole manager, Sino IC Capital, and seven other independent third parties to establish the Joint Venture Company in accordance with PRC laws and regulations. The Joint Venture Company is owned as to approximately 35.21% and 10.56% by China IC Fund and the Company respectively.

IMPLICATIONS UNDER THE LISTING RULES

The Joint Venture Agreement constitutes a connected transaction of the Company subject to the reporting and announcement requirements under the Listing Rules, and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

FORMATION OF THE JOINT VENTURE COMPANY

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THE JOINT VENTURE AGREEMENT

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

Date

27 August 2015

Parties

- (a) China IC Fund and its sole manager, Sino IC Capital;
- (b) the Company; and
- (c) seven other independent third parties.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, other than China IC Fund and Sino IC Capital for the reasons disclosed in this announcement, the parties to the Joint Venture Agreement and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Purpose of the Joint Venture Company

The Joint Venture Company is committed to providing services to the integrated circuit industry, other pan-semiconductor industry and related strategically emerging industries; focusing on the promotion of balanced interaction and development among the integrated circuit equipment industry and enhancing the level of equipment in the integrated circuit industry and the overall healthy development of the industry chain.

Scope of Business and Term of Operation

The business scope of the Joint Venture Company includes financial leasing, leasing of equipments, purchase of leased properties in the PRC or overseas, maintaining and processing of the residual value of the leased properties, consulting and guarantee services in relation to leasing and related business factoring services. The term of operation of the Joint Venture Company is 30 years from the date of the establishment of the Joint Venture Company.

Register Capital and Capital Commitment

The Joint Venture Company's registered capital is RMB5.68 billion. Any increase to the Registered Capital will be subject to the approval of the board of the Joint Venture Company.

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

Shareholder	Capital Commitment (RMB)	Means of Contribution	Shareholding
China IC Fund	2.00 billion	Cash	35.21%
The Company	0.60 billion	Cash	10.56%
Seven other independent third parties	3.08 billion	Cash	54.23%

In consideration of the factors such as industry conditions in the PRC, its own financial and capital position, investment returns and shareholding structure of the Joint Venture Company, the Company has determined its investment amount. The capital contribution to be made by the Company will be funded by internal resources. Each party is required to inject 30% of its agreed capital commitment within 30 working days after the date of the business license of the Joint Venture Company. The remaining part of the agreed capital commitments will be paid by each party in accordance with the payment amount and payment date stated on the payment notice, which the Joint Venture Company will deliver to each party in due course for the purposes of satisfying its development needs. Each party is required to pay up its part of agreed capital commitment within two years after the date of the business license of the Joint Venture Company.

Composition of the Board of the Joint Venture Company

The board of the Joint Venture Company will comprise 11 directors, with three directors to be nominated by Sino IC Capital on behalf of China IC Fund, one director to be nominated by the Company and one director to be nominated by each of the remaining seven Shareholders. The chairman will be elected from the three directors nominated by Sino IC Capital.

Composition of the Supervisory Board of the Joint Venture Company

The supervisory board of the Joint Venture Company will comprise three members with one member to be nominated by Sino IC Capital on behalf of China IC Fund, one member to be nominated by an independent third party Shareholder and one member to be nominated by the employees of the Joint Venture Company. The chairman of the supervisory board will be nominated by Sino IC Capital.

MATERIAL INTEREST OF DIRECTORS IN THE JOINT VENTURE AGREEMENT

Mr. Ren Kai, who is a Class III non-executive Director and a member of the Strategic Advisory Committee of the Company, is deemed to have a material interest in the Joint Venture Agreement as he holds the position of Vice President in Sino IC Capital. Mr. Ren Kai has abstained from voting on the relevant board resolution in respect of the Joint Venture Agreement.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE AGREEMENT

The Company considers that holding equity interests in the Joint Venture Company is beneficial to the Company to create a favorable financial environment to expand its financing channels and enhance its financial returns. The Directors (including the independent non-executive Directors) believe that the terms of the Joint Venture Agreement are fair and reasonable, and the entering into of the Joint Venture Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund holds approximately 11.18% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited, it is a connected person of the Company under the Listing Rules.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Joint Venture Agreement exceed 0.1% but are less than 5%, the Joint Venture Agreement constitutes a connected transaction of the Company subject to the reporting and announcement requirements under the Listing Rules, and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE COMPANY

The Company is one of the leading semiconductor foundries in the world and the largest and most advanced foundry in the PRC. The Company provides integrated circuit foundry and technology services at 0.35-micron to 28-nanometer. Headquartered in Shanghai, China, the Company has a 300mm wafer fabrication facility (fab) and a 200mm mega-fab in Shanghai; a 300mm mega-fab and a second majority owned 300mm fab under development for advance nodes in Beijing; 200mm fabs in Tianjin and Shenzhen. The Company also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, and a representative office in Hong Kong.

INFORMATION ABOUT CHINA IC FUND AND SINO IC CAPITAL

China IC Fund, incorporated in September 2014, mainly invests in the value chain of integrated circuit industry via various approaches, primarily in IC chip manufacturing as well as chip designing, packaging test and equipment and materials. With a mandate from the fund, Sino IC Capital is the sole manager of China IC Fund and is responsible for the investment selection, execution and exit. Fund investors include CDB Capital, China National Tobacco Corporation, Beijing Yizhuang International Investment and Development Co., Ltd., China Mobile Communications Corporation, Shanghai Guosheng (Group) Co., Ltd., Beijing Purple Communications Technology Group Ltd. and Sino IC Capital, etc.

DEFINITIONS

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

“ Board ”	the board of Directors
“ China IC Fund ”	China Integrated Circuit Industry Investment Fund Co., Ltd. (國家集成電路產業投資基金股份有限公司), a company established under the laws of the PRC
“ Company ”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange and the American depository shares of which are listed on the New York Stock Exchange, Inc.
“ Director(s) ”	the director(s) of the Company
“ Hong Kong ”	Hong Kong Special Administrative Region of the PRC
“ Joint Venture Agreement ”	the agreement entered into among the Company, China IC Fund and its sole manager, Sino IC Capital, and seven other independent third parties on 27 August 2015 in relation to the Joint Venture Company
“ Joint Venture Company ”	Sino IC Leasing Co., Ltd. (芯鑫融資租賃有限責任公司), a limited liability company incorporated in the PRC
“ Listing Rules ”	the Rules Governing the Listing of Securities on the Stock Exchange
“ PRC ”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“ Registered Capital ”	the registered capital of the Joint Venture Company
“ RMB ”	Renminbi, the lawful currency of the PRC
“ Shareholder(s) ”	the shareholder(s) of the Joint Venture Company
“ Sino IC Capital ”	Sino IC Capital Co., Ltd. (華芯投資管理有限責任公司), the sole manager of China IC Fund, a limited liability company incorporated in the PRC
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited; and
“ % ”	per cent.

Semiconductor Manufacturing International Corporation

Dr. Tzu-Yin Chiu

Chief Executive Officer and Executive Director

Shanghai, 15 October 2015

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

Executive Directors

Zhou Zixue (*Chairman*)

Tzu-Yin Chiu (*Chief Executive Officer*)

Gao Yonggang (*Chief Financial Officer*)

Non-executive Directors

Chen Shanzhi (*Li Yonghua as his Alternate*)

Zhou Jie

Ren Kai

Independent Non-executive Directors

William Tudor Brown

Sean Maloney

Lip-Bu Tan

Carmen I-Hua Chang

* *For identification purposes only*