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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: 0981)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is made by Semiconductor Manufacturing International Corporation (the "**Company**") pursuant to Rule 13.10B of the Listing Rules.

Reference is made to the announcement of the Company dated 29 November 2017 in relation to, among others, the proposed issue of the Placed PSCS (the "**Announcement**"). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Placed PSCS were listed on the Singapore Exchange on 15 December 2017. Please refer to the attached offering circular dated 11 December 2017 in relation to the Placed PSCS (the "**Offering Circular**"), which was published on the website of the Singapore Exchange on 15 December 2017. The Singapore Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained therein.

The posting of the Offering Circular on the website of the Hong Kong Stock Exchange is only for the purpose of complying with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Circular does not constitute a prospectus, notice, circular, brochure, advertisement or document offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to acquire, subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

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

Shanghai, PRC, 18 December 2017

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

Executive Directors
Zhou Zixue *(Chairman)*
Zhao HaiJun *(Co-Chief Executive Officer)*
Liang Mong Song *(Co-Chief Executive Officer)*
Gao Yonggang *(Chief Financial Officer and Joint Company Secretary)*

Non-executive Directors
Tzu-Yin Chiu *(Vice Chairman)*
Chen Shanzhi
Zhou Jie
Ren Kai
Lu Jun
Tong Guohua

Independent Non-executive Directors
Lip-Bu Tan
William Tudor Brown
Carmen I-Hua Chang
Shang-yi Chiang
Jason Jingsheng Cong

* *For identification purposes only*

STRICTLY CONFIDENTIAL — DO NOT FORWARD

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Confirmation of Your Representation: By accepting the e-mail and accessing the attached document you shall be deemed to have represented to J.P. Morgan Securities plc, Deutsche Bank AG, Hong Kong Branch and Barclays Bank PLC (the "**Managers**") that (1) you are not in the United States and, to the extent you purchase the securities described in the attached offering circular, you will be doing so pursuant to Regulation S under the US Securities Act of 1933, as amended (the "**Securities Act**") and (2) that you consent to the delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer of the securities or the Managers or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

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Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer of the securities or the Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers and their respective affiliates on behalf of the Issuer in such jurisdiction. You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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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: 0981)

US$65,000,000 2.00 per cent. Perpetual Subordinated Convertible Securities convertible into ordinary shares of Semiconductor Manufacturing International Corporation Issue Price: 100.00%

The US$65,000,000 2.00 per cent. perpetual subordinated convertible securities (the "**Securities**") will be issued by Semiconductor Manufacturing International Corporation (the "**Issuer**" or the "**Company**"). The issue price of the Securities shall be 100.00% of the aggregate principal amount of the Securities and the denomination of each Security shall be US$250,000 and integral multiples thereof. The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Securities (as defined in the Terms and Conditions (as defined below)) of the Issuer.

Subject to Condition 4(C) of the terms and conditions of the Securities (the "**Terms and Conditions**"), the Securities confer a right to receive distribution (each a "**Distribution**") from 14 December 2017 (the "**Issue Date**") at the Distribution Rate (as defined in the Terms and Conditions), and Distribution shall be payable on the Securities semi-annually in arrear in equal instalments on 14 June and 14 December of each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 14 June 2018.

The Issuer may, at its sole discretion, elect to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the holders of the Securities (the "**Securityholders**") not more than 10 nor less than five Business Days (as defined in the Terms and Conditions) prior to a scheduled Distribution Payment Date. Any Distribution so deferred shall constitute "**Arrears of Distribution**". Each amount of Arrears of Distribution shall bear Distribution as if it constituted the principal of the Securities at the Distribution Rate and the amount of such Distribution payable thereon shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution as described in the Terms and Conditions. The Issuer may further defer any Arrears of Distribution by complying with the foregoing notice requirement and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred. See "*Terms and Conditions of the Securities — Distribution — Distribution Deferral*".

Each Security shall entitle the holder to convert such Security at any time (subject to any applicable fiscal or other laws or regulations) on or after 23 January 2018 up to the close of business (at the place where the certificate evidencing such Security is deposited for conversion) (the "**Conversion Right**") on the date falling seven days prior to the date fixed for redemption of the relevant Security (both days inclusive) (but, except as provided in Condition 5(A)(iii) of the Terms and Conditions, in no event thereafter) or if notice requiring redemption has been given by the holder of such Security pursuant to Condition 7(H) of the Terms and Conditions, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice, into shares of US$0.004 each in the issued share capital of the Company (the "**Shares**") at an initial conversion price of HK$12.78 per Share (the "**Conversion Price**"). The Conversion Price is subject to adjustment in the circumstances described under "*Terms and Conditions of the Securities — Conversion — Adjustments to Conversion Price*". The closing price of the Shares on The Stock Exchange of Hong Kong Limited ("**HKSE**" or the "**Hong Kong Stock Exchange**") on 28 November 2017 was HK$11.20 per Share.

The Securities are perpetual securities and have no fixed redemption date. At any time following the occurrence of a Triggering Event (as defined in the Terms and Conditions), the Issuer may redeem the Securities, in whole but not in part, at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on giving not more than 60 nor less than 30 days' irrevocable notice to The Bank of New York Mellon, London Branch as the trustee (the "**Trustee**") and The Bank of New York Mellon, London Branch as the Principal Agent (the "**Principal Agent**") in writing and to the Securityholders in accordance with Condition 10 of the Terms and Conditions. The Issuer may also at its option redeem in whole but not in part, the Securities (i) if it has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 November 2017; (ii) if the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to International Financial Reporting Standards ("**IFRS**") or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer; (iii) upon a Rating Disqualification Event (as defined in the Terms and Conditions); (iv) on or at any time after the Third Anniversary (as defined in the Terms and Conditions), if the closing price of the Shares for any 20 Trading Days (as defined in the Terms and Conditions) out of 30 consecutive Trading Days immediately prior to the date upon which such notice of redemption is given (translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions)) was at least 130 per cent. of the applicable Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)); or (v) if Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 15 of the Terms and Conditions). See *"Terms and Conditions of the Securities — Redemption, Purchase and Cancellation*".

Following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of each Security will have the right, at such holder's option, to require the Issuer to redeem all or some only of such holder's Securities on the Relevant Event Put Date (as defined in the Terms and Conditions) at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). See *"Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption for Relevant Event*".

The Securities will not be rated.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST for the listing and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer or any other subsidiary or associated company of the Issuer, the Securities or the Shares. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as any of the Securities remains listed on the SGX-ST and the rules of the SGX-ST so require. Conditional approval for the listing of the Shares to be issued on conversion of the Securities has been granted by the Hong Kong Stock Exchange.

Investing in the Securities and the Shares involves certain risks. See "*Risk Factors*" beginning on page 23 for a discussion of certain factors to be considered in connection with an investment in the Securities and the Shares.

The Securities, and the Shares to be issued upon conversion of the Securities, have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Securities, and the Shares to be issued upon conversion of the Securities, may only be offered outside the United Sates in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Securities and the Shares to be issued upon conversion of the Securities and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Securities will be initially represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**" and together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described therein, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator

J.P. Morgan

Joint Bookrunners and Joint Managers

J.P. Morgan **Deutsche Bank** **Barclays**

The date of this Offering Circular is 11 December 2017.

IMPORTANT NOTICE

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Securities (the "**Offering**") described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

The Issuer, having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (collectively, the "**Group**") and to the issue of the Securities and Shares, which is material in the context of the issue and offering of the Securities (including all information which, according to the particular nature of the Issuer, the Group and of the Securities and the Shares, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and of the rights attaching to the Securities and the Shares), (ii) all statements of fact relating to the Issuer, the Group and to the Securities and the Shares contained in this Offering Circular are in all material respects true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Group and to the Securities and the Shares the omission of which would in the context of the issue of the Securities make any statement in this Offering Circular misleading in any material respect, (iii) the opinions and intentions expressed with regard to the Issuer and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts full responsibility for the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Securities described in this Offering Circular. The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities or the Shares deliverable upon conversion of the Securities or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities and the Shares deliverable upon conversion of the Securities, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group, the Securities or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Managers, the Trustee or the Agents (as defined in the Terms and Conditions). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the

Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers to subscribe for or purchase any of the Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers have independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers that any recipient of this Offering Circular should purchase the Securities.

Each potential purchaser of the Securities should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Securities should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Hong Kong Listing Rules**") for the purposes of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the Offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, the Managers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, agents and advisers do not and shall not accept any responsibility for the contents of this Offering Circular. Each of the Managers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, agents and advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee and the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers undertake to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents or advisers. Except as

otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of Hong Kong have been extracted or derived from publicly available information and industry publications.

The information has not been independently verified by the Issuer, the Trustee, the Agents or the Managers or any of their respective affiliates, directors, officers, employees, agents or advisers, and none of the Issuer, the Trustee, the Agents, the Managers or any of their respective affiliates, directors, officers, employees, agents or advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

References to "**we**", "**us**", "**our**", the "**Issuer**", the "**Company**" or "**SMIC**" are to Semiconductor Manufacturing International Corporation. References to the "**Group**" are to the Issuer and its subsidiaries taken as a whole.

Unless otherwise specified or the context requires, references herein to "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong, references herein to "**RMB**" and "**Renminbi**" are to Renminbi, the lawful currency of the People's Republic of China (the "**PRC**") and references herein to "**US dollars**", "**U.S. Dollars**", "**U.S. dollars**", "**U.S.$**" and "**US$**" are to the lawful currency of the United States of America (the "**United States**" or the "**US**").

References to "**Latest Practicable Date**" are to 8 December 2017.

PRESENTATION OF FINANCIAL INFORMATION AND INCORPORATION BY REFERENCE

The Issuer's audited consolidated financial statements and the independent auditor's report for the year ended 31 December 2016 along with the Issuer's unaudited consolidated financial statements for the six months ended 30 June 2017 are incorporated by reference in, and form part of, this Offering Circular.

The Issuer's unaudited results as at and for the three months ended 30 September 2016 and 2017 are contained in the Issuer's announcement dated 14 November 2017, which is incorporated by reference in, and forms part of, this Offering Circular.

Such unaudited condensed consolidated financial results should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The Managers do not make any representation or warranty, expressed or implied, regarding the sufficiency of such unaudited condensed consolidated interim results for an assessment of, and potential investors must exercise caution when using such data to evaluate, our financial condition, results of operations and results. Such unaudited condensed consolidated interim results should not be taken as an indication of the expected financial condition, results of operations and results for the full financial year ended 31 December 2017.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

The audited consolidated financial statements for the year ended 31 December 2016, the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 and for the three months ended 30 September 2017 were prepared in accordance with the International Financial Reporting Standards ("**IFRS**").

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular are not historical facts and are forward-looking statements. This Offering Circular may contain words such as "believe", "could", "may", "will", "target", "estimate", "project", "predict", "forecast", "guideline", "should", "plan", "expect" and "anticipate" and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the sections "*Summary*", "*Risk Factors*", "*Business*" and sections relating to the following matters may include forward-looking statements regarding:

- the financial position, business strategy, prospects, capital expenditure and investment plans of the Group; and
- the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations).

Such statements are subject to various risks and uncertainties, including, but not limited to:

- competition in the industry in which the Group operates;
- adverse economic conditions that could negatively impact the Group's business, financial condition and results of operations;
- broad market trends and other factors beyond the Group's control that could harm its business, financial condition and results of operations;
- the Group's ability to obtain adequate financing;
- failure to protect the Group's intellectual property rights;
- the risks of increased costs and the uncertainty of technological changes, insufficient systems capacity and systems failures;
- changes in laws, regulations and taxation in the highly-regulated industry in which the Group operates and, any failure to comply with such legal and regulatory obligations;
- any delay or disapproval of new rules, amendments to existing rules or fees that could have an adverse effect on the Group; and
- other factors, including those discussed in "*Risk Factors*".

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, investors are cautioned not to place undue reliance on the forward-looking statements and we undertake no obligations to update or revise any of them, whether as a result of new information, future developments or otherwise.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and the financial statements contained elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

Business Overview

We are one of the leading semiconductor foundries in the world and the largest foundry in the PRC by revenue and capacity. We are also the most technologically advanced foundry in the PRC, providing integrated circuit ("**IC**") foundry and technology services from 0.35-micron (m) down to 28-nanometer (nm).

We are a pure-play IC foundry that provides wafer fabrication of 8-inch and 12-inch wafers. In addition to our top-of-the-line manufacturing capabilities, we provide customers with complete foundry solutions with a seamless flow of services that include mask services, IP development services, back-end design services and turnkey services. With complete foundry solutions, our goal is to help customers to shorten time-to-market in the most cost-effective way. Our services are used by integrated device manufacturers ("**IDMs**") and fabless and system companies to produce integrated circuits for semiconductor chips used in a broad range of fast growing electronic application markets.

We were established in 2000 and are headquartered in Shanghai, the PRC. In 2004, we were listed on the Hong Kong Stock Exchange and the New York Stock Exchange ("**NYSE**"). Our current substantial shareholders include PRC state-owned enterprises ("**SOEs**") such as Datang Telecom Technology & Industry Holdings Co., Ltd. ("**Datang Holdings**") and China Integrated Circuit Industry Investment Fund Co., Ltd. ("**China IC Fund**"). We have received equity investment and strategic support from our SOE shareholders, being major players in their respective fields.

Our market capitalisation as of 30 September 2017, was approximately US$5.3 billion. We have market leading manufacturing capacity in the PRC and operate 12-inch and 8-inch wafer fabrication facilities (fabs) in Shanghai, Beijing, Tianjin, Shenzhen, and Avezzano, Italy. We also have a majority-owned joint venture in Jiangyin for 12-inch fab bumping and related testing. We plan to continue to advance our technology and carefully expand both our mature and advanced capacities via close cooperation with our customers in order to capture available opportunities for growth and notable prospects. We have a network of customer services and marketing offices in the United States, Europe, Japan and Taiwan, and a representative office in Hong Kong.

We have a global and diversified customer base that includes some of the world's leading IDMs and fabless semiconductor and system companies. We have established long-term relationships with our international and domestic customers, and we have been repeatedly recognised by our customers for the quality of our services, strategic support and technological contributions.

Given our position as the largest and the most technologically advanced foundry in the PRC, we are uniquely positioned to take advantage of the long-term growth of the global and domestic semiconductor markets.

Our Key Strengths

We are the largest and the most technologically advanced foundry in the PRC, and we are ranked in the top four pure-play foundries by revenue globally.

As the first pure-play foundry in the PRC to enter into mass production with 28nm wafer process technology, we are at the forefront of the PRC's foundry business and a beneficiary to the growth of the PRC's semiconductor industry.

We have expanded steadily since our incorporation and established ourselves as one of the leading foundries in the global arena. In each of 2014, 2015, and 2016, we were one of the top four pure-play foundries by revenue globally. Our technology, scale and location in China, together with our capable team, enable us to serve our customers to meet their diverse specifications.

We have established long term relationships and benefited from strong strategic and funding support from the PRC SOE shareholders.

We have a history of strategic and funding support from our PRC SOE shareholders. Datang Holdings became our shareholder in 2008 when it agreed to subscribe for ordinary shares of US$172 million in the Company through its subsidiary, Datang HK, and further strengthened its commitment to us by subscribing for further ordinary shares of US$102 million in 2010. In September 2011, Datang HK subscribed for US$58.9 million in convertible preferred shares (the "**Datang Further Subscription**"). In May 2014, Datang HK subscribed for pre-emptive bonds of US$54.6 million. In February 2016, China IC Fund subscribed for 4,700,000,000 ordinary shares through its wholly-owned subsidiary at the subscription price of HK$0.6593 per share, and the net proceeds of the subscription amounted to approximately US$399.5 million. As of 30 September 2017, our two substantial SOE shareholders hold a combined 33.07% of our shares.

We are uniquely positioned to leverage our research and development ("R&D") leadership in the PRC to benefit from government support of the semiconductor industry.

We were one of the few semiconductor companies included in the PRC central government's 12th 5-Year Plan and 13th 5-Year Plan, which among others, proclaims increasing support of and favourable industrial policies for the domestic semiconductor industry. As such, the government recognises our cornerstone role in the development of the domestic semiconductor eco-system and establishing the PRC standard in the domestic semiconductor industry.

In order to encourage development of the semiconductor industry, the PRC central, provincial and local governments have extended various incentives to domestic companies in the industry, including reduced tax rates. In addition, as the market leader in the PRC, we have been able to enjoy continued government support in the form of funding of R&D contracts. We have received government funding of US$181.1 million, US$40.2 million and US$57.3 million and recognized US$52.5 million, US$34.3 million and US$37.4 million as reductions of certain R&D expenses in 2016, 2015 and 2014 respectively for several specific R&D projects.

Apart from receiving the aforementioned government support, we have established a joint venture (the "**Beijing Joint Venture**") with China IC Fund, Beijing Semiconductor Manufacturing and Equipment Equity Investment Center (Limited Partnership), Beijing Industrial Development Investment Management Co. Ltd. ("**IDIMC**"), which is wholly

owned by the PRC central government, and Zhongguancun Development Group ("**ZDG**"), which was established by the Beijing municipal government to develop the science park. The Beijing Joint Venture is expected to establish and build up significant manufacturing capacity with a focus on 45-nanometer and finer technologies and aims to reach a manufacturing capacity of 35,000 wafers per month. The total investment is estimated to be US$3.59 billion. We will contribute 51.0% of the registered capital, China IC Fund will contribute 26.5% of the registered capital, and Beijing Semi Fund, IDIMC and ZDG will contribute in aggregate 22.5% of the registered capital.

Furthermore, Dr. Liang Mong Song, who was recently appointed as our Co-Chief Executive Officer and Executive Director in October 2017, has a wealth of experience in the R&D arena, in particular in memories and advanced logic process technology developments. We expect Dr. Liang's appointment to further drive our R&D capabilities.

We have strong relationships with high quality, fast-growing domestic and top-tier international customers.

We have a global and diversified customer base that includes some of the leading international and fast growing domestic semiconductor IDMs and fabless and system companies. We have formed partnerships with international global clients and fast growth companies in the PRC which have become our key customers and contribute to an increasing share of our revenues.

Our clients have consistently recognised us as a partner of choice and repeatedly rewarded us for the quality of our services, strategic support and technology contributions. We have received various awards recognising our high level of performance and service as well as technological improvements. Several of these awards came from our top ten customers. Through a formation of global alliances with our top tier international customers and the incubation of local clients, we aim to continue to be the preferred foundry source partner in the PRC for international and domestic IDMs and fabless customers. We are gaining momentum in engaging with our key customers on both differentiated and advanced technologies.

Our long-term relationships with domestic customers continue to be strengthened with our unique combination of scale, advanced technological capabilities, locality and proximity to domestic clients. Our fabs are strategically located in major cities in the PRC with strong high-tech industries and semiconductor bases, such as Beijing, Shanghai, Tianjin and Shenzhen. As a result, we are able to directly access our customers in the same or nearby cities and provide high-level localised services to address our customers' demands.

We are a transparent and compliant foundry in the PRC possessing export licences to manufacture the most advanced IC.

We have received the necessary export licences to provide the most advanced IC manufacturing services in the PRC, which includes manufacturing technology down to 20nm and conducting R&D down to 14nm. We were one of the first batch of companies in the PRC to be selected by the United States government as a validated end-user ("**VEU**"), which permits us to receive United States controlled items without an export licence, including high-tech equipment and spare parts that are restricted to certain countries such as the PRC. We were also the first PRC foundry among the VEU-qualified companies in the PRC to have been granted the right to purchase controlled export items from the United States without having to apply for permits on a case-by-case basis.

These export licensing approvals allow us to provide superior manufacturing services for customers in both domestic and international markets. As the first PRC foundry recognised by the United States government as a VEU, we have established ourselves as a transparent and compliant foundry in the PRC with the most competitive global platform.

We have a highly-experienced management team.

We have a highly-experienced management team. Our senior management team, consisting of eight individuals, is recognised as a group of highly respected industry veterans. Our Co-Chief Executive Officers, Dr. Haijun Zhao and Dr. Liang Mong Song, are semiconductor industry veterans with combined experience of more than 50 years in technology development and operations.

Dr. Zhao, age 54, was appointed as the Executive Director with effect from 16 October 2017 and Chief Executive Officer (now known as Co-Chief Executive Officer) of the Company since 10 May 2017. Dr. Zhao joined the Company in October 2010 and was appointed as Chief Operating Officer and Executive Vice President in April 2013. In July 2013, Dr. Zhao was appointed as General Manager of Semiconductor Manufacturing North China (Beijing) Corporation, a joint venture company established in Beijing and a subsidiary of the Company. Dr. Zhao received his degree in bachelor of science and doctor of philosophy in electronic engineering from Tsinghua University (Beijing) and master degree in business administration from the University of Chicago. He has 25 years of experience in semiconductor operations and technology development. Dr. Zhao has also served as an independent director on the board of directors of Zhejiang Juhua Co., Ltd. (Stock Code: 600160), a company which is listed on the Shanghai Stock Exchange, since November 2016.

Dr. Liang Mong Song, age 65, was appointed as Co-Chief Executive Officer and the Executive Director of the company since 16 October 2017. Dr. Liang graduated with a doctor of philosophy degree in electrical engineering from the Department of Electrical Engineering and Computer Sciences at University of California, Berkeley. Dr. Liang has been engaged in the semiconductor industry for over 33 years. Dr. Liang was mainly involved in the memory and advanced logic process technology development. Dr. Liang owns over 450 patents and has published over 350 technical papers. He is a Fellow of the Institute of Electrical and Electronic Engineers (IEEE).

Our management team has extensive experience in operations and technology development. We expect to capitalise on the rich experience and execution capabilities of the management team for the continued growth and development of the Company.

THE OFFERING

The following summary is a summary of the Terms and Conditions, and is not intended to be complete. It does not contain all the information that is important to you. For a more complete description of the Securities, please refer to the section of this Offering Circular entitled "Terms and Conditions of the Securities." Phrases used in this summary and not otherwise defined shall have the meaning given to them in the section entitled "Terms and Conditions of the Securities."

Issuer	Semiconductor Manufacturing International Corporation.
Issue	US$65,000,000 2.00 per cent. perpetual subordinated convertible securities (the "**Securities**").The issue of the Securities was authorised by a resolution of the Board of Directors of the Issuer on 14 November 2017.
Pre-emptive Rights . . .	Country Hill Limited ("**Country Hill**"), a subsidiary of China Investment Corporation, Datang Telecom Technology & Industry Holdings Co., Ltd. ("**Datang Holdings**") and China Integrated Circuit Industry Investment Fund Co., Ltd. ("**China IC Fund**") each have a pre-emptive right to subscribe for a *pro rata* portion of new securities being issued equivalent to the percentage of the issued share capital of the Issuer owned prior to the issue of such new securities by Country Hill, Datang Holdings and China IC Fund, respectively ("**Pre-emptive Rights**"). The Pre-emptive Rights apply to the Securities, and the Securities that may be issued pursuant to the exercise of the Pre-emptive Rights by Country Hill, Datang Holdings and China IC Fund will be the "**Country Hill Pre-emptive Securities**", the "**Datang Pre-emptive Securities**" and the "**China IC Fund Pre-emptive Securities**", respectively. As Datang Holdings (through its wholly-owned subsidiary Datang Holdings (Hong Kong) Investment Company Limited ("**Datang HK**")) and China IC Fund (through its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Ltd.) are substantial Shareholders of the Issuer and thus connected persons of the Issuer, any Datang Pre-emptive Securities or further Securities issued to Datang Holdings or any China IC Fund Pre-emptive Securities or further Securities issued to China IC Fund will constitute a connected transaction of the Issuer and will be subject to independent Shareholders' approval under the Hong Kong Listing Rules. Pursuant to their respective share subscription agreements with the Issuer granting the Pre-emptive Rights, Country Hill is deemed to have elected that it will not exercise its Pre-emptive Rights to subscribe for the Securities while each of Datang Holdings and China IC Fund has informed the Company in a non-legally binding letter of intent that it intends to exercise its Pre-emptive Rights to subscribe for the Securities and to subscribe for additional Securities.

	For further details on the Pre-emptive Rights of Datang Holdings and China IC Fund, see "*Substantial Shareholders' and Directors' Interests*".
Issue Price	The Securities will be issued at 100.00 per cent. of their principal amount.
Issue Date	14 December 2017.
Status and Subordination of the Securities	The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Securities (as defined in Condition 4(D) of the Terms and Conditions) of the Issuer. In the event of the Winding-Up (as defined in Condition 4(D) of the Terms and Conditions) of the Issuer, the rights and claims of the Securityholders in respect of the Securities (other than in relation to the Conversion Right (as defined in Condition 5(A)(i) of the Terms and Conditions)) shall rank ahead of those persons whose claims are in respect of any Junior Securities (as defined in Condition 4(D) of the Terms and Conditions) of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer, other than the claims of holders of Parity Securities of the Issuer.
Set-off	Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Securityholder shall, by virtue of his holding of any Securities, be deemed to have waived all rights of set-off, deduction, withholding or retention against the Issuer.
Distributions	Subject to Condition 4(C) of the Terms and Conditions, the Securities confer a right to receive distribution (each a "**Distribution**") from the Issue Date at the Distribution Rate (as defined in Condition 4(B) of the Terms and Conditions) and Distribution shall be payable on the Securities semi-annually in arrear on 14 June and 14 December of each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 14 June 2018.

Conversion Right	Each Security shall entitle the holder to convert such Security at any time (subject to any applicable fiscal or other laws or regulations) on or after 23 January 2018 up to the close of business (at the place where the certificate evidencing such Security is deposited for conversion) (the "**Conversion Right**") on the date falling seven days prior to the date fixed for redemption of the relevant Security (both days inclusive) (but, except as provided in Condition 5(A)(iii) of the Terms and Conditions, in no event thereafter) or if notice requiring redemption has been given by the holder of such Security pursuant to Condition 7(H) of the Terms and Conditions, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the "**Conversion Period**").
Conversion Price	The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$12.78 per Share, but will be subject to adjustment as described in the Terms and Conditions.
Redemption of Securities	The Securities are perpetual securities and have no fixed redemption date. At any time following the occurrence of a Triggering Event (as defined in Condition 4(D)(i) of the Terms and Conditions), the Issuer may redeem the Securities, in whole but not in part, at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on giving not more than 60 days nor less than 30 days' irrevocable notice to the Trustee, the Principal Agent and the Securityholders. See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption at the Option of the Issuer on a Step-Up*".

Redemption for Taxation Reasons . .	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice, to the Securityholders, the Trustee and the Principal Agent, redeem all and not some only of the Securities at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 November 2017 and such obligation cannot be avoided by the Issuer taking commercially reasonable measures available to it. However, each Securityholder shall have the right to elect not to have his Securities redeemed and that the provisions of Condition 8 of the Terms and Conditions shall not apply in respect of any payment of principal, premium or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) to be made in respect of such Security(s) which falls due after the relevant Tax Redemption Date (as defined in Condition 7(B)(i) of the Terms and Conditions), whereupon no additional amounts will be payable by the Issuer pursuant to Condition 8 of the Terms and Conditions and payment of all amounts by the Issuer to such Securityholder in respect of such Security(s) shall be made subject to deduction or withholding of any tax required to be deducted or withheld. See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons*".
Redemption for Accounting Reasons.	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Principal Agent, redeem in whole, but not in part, the Securities (i) at the Early Redemption Amount (as defined below), at any time before 14 December 2020 (the "**Third Anniversary**") or (ii) at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the Third Anniversary, if as a result of any changes or amendments to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard. See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption for Accounting Reasons*".

	"**Early Redemption Amount**" means the greater of: (i) the principal amount of the Securities, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount); and (ii) the Make Whole Amount (as defined in the Terms and Conditions), together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).
Redemption for Rating Event	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Principal Agent, redeem in whole, but not in part the Securities at (i) the Early Redemption Amount, at any time before the Third Anniversary or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the Third Anniversary if, immediately before giving such notice, an amendment, clarification or change has occurred in the equity credit methodology of Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") or S&P Global Ratings Inc. ("**S&P**") and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date or, if equity credit is not assigned on the Issue Date, at the date when equity credit is assigned for the first time. See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption for Rating Event*".
Redemption at the Option of the Issuer on Increased Share Price.	On or at any time after the Third Anniversary, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Principal Agent, redeem the Securities in whole, but not in part, at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if the Closing Price of the Shares for any 20 Trading Days out of 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given (translated into U.S. Dollars at the Prevailing Rate), was at least 130 per cent. of the applicable Conversion Price then in effect (translated into U.S. Dollars at the Fixed Exchange Rate). See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption at the Option of the Issuer on Increased Share Price*".

Redemption on Minimum Outstanding Amounts.	At any time the Issuer may, having given not less than 45 nor more than 60 days' notice (the "**Optional Redemption Notice**") to the Securityholders, the Trustee and the Principal Agent, redeem all, but not some only, of the Securities on the Optional Redemption Date specified in the Optional Redemption Notice at (i) the Early Redemption Amount, at any time before the Third Anniversary or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the Third Anniversary if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 15 of the Terms and Conditions). See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption on Minimum Outstanding Amounts*".
Redemption for Relevant Event	Each Securityholder shall have the right, at such Securityholder's option, upon the occurrence of a Relevant Event, to require the Issuer to redeem all or some only of such Securityholder's Securities on the Relevant Event Put Date (as defined in Condition 7(H) of the Terms and Conditions) at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), where: (i) a "**Relevant Event**" means the occurrence of any Delisting or Suspension arising from or as a result of an application to the relevant stock exchange having been initiated or made by the Issuer or such Delisting or Suspension having been effected or imposed through any other means controlled by the Issuer or otherwise resulting from any action of the Issuer or any default or non-compliance by the Issuer of any of its obligations that are within its control (whether or not imposed by law or the Hong Kong Listing Rules); (ii) a "**Delisting**" occurs when the Shares cease to be listed or admitted to trading on the HKSE (or if applicable, the Alternative Stock Exchange); and (iii) a "**Suspension**" occurs if there is a suspension or material limitation in trading of the Shares on the HKSE or if applicable, the Alternative Stock Exchange) and such suspension or material limitation continues for a period of 45 consecutive Trading Days. See "*Terms and Conditions of the Securities — Redemption, Purchase and Cancellation — Redemption for Relevant Event*".

Form and Denomination of the Securities	The Securities will be issued in registered form in the denomination of US$250,000 and integral multiples thereof. The Securities are represented by the Global Certificate which will, on the Closing Date, be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream.
Share Ranking	The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date (as defined in Condition 5(B) of the Terms and Conditions) except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date. See "*Description of the Shares — Dividends and other methods of distributions*" and "*Terms and Conditions of the Securities — Conversion — Conversion Procedure — Registration*".
Further Issues	The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects and so that such further issue shall be consolidated and form a single series with the Securities. See "*Terms and Conditions of the Securities — Further Issues*".
Clearance.	The Securities will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.
Global Certificate	For as long as the Securities are represented by the Global Certificate and the Global Certificate is held by or on behalf of a common depository, payments of principal in respect of the Securities represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Securities, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Securities which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Selling Restrictions . . .	There are restrictions on the offer, sale and/or transfer of the Securities in, among others, the United States, United Kingdom, European Economic Area, Hong Kong, Singapore, Japan and the Cayman Islands. For a description of the selling restrictions on offers, sales and deliveries of the Securities, see "*Subscription and Sale*".

Listing.	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. Admission to the Official List of the SGX-ST for the listing and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer or any other subsidiary or associated company of the Issuer, the Securities or the Shares. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as any of the Securities remains listed on the SGX-ST and the rules of the SGX-ST so require. The Issuer has received in-principle approval for listing of the Shares issuable upon conversion of the Securities on the Hong Kong Stock Exchange and the Issuer has undertaken to apply to have the Shares, issuable upon conversion of the Securities, approved for listing on the Hong Kong Stock Exchange and any Alternative Stock Exchange (as defined in the Conditions) on which its Shares are listed from time to time.
Trustee	The Bank of New York Mellon, London Branch.
Principal Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Governing Law	The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, the laws of England, except that the subordination provisions set out in Condition 2 of the Terms and Conditions will be governed by, and construed in accordance with, the laws of the Cayman Island.
Use of Proceeds	For a description of the use of proceeds of this offering, see "*Use of Proceeds*".

Lock-up.	The Issuer has undertaken that neither itself nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Securities or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Securities, the Shares or securities of the same class as the Securities, the Shares or other instruments representing interests in the Securities, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, or (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agreed to do, any of the foregoing, whether such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise, or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date of the Subscription Agreement (as defined in "*Subscription and Sale*") and the date which is 90 days thereafter (both dates inclusive), except for in the circumstances provided in "*Subscription and Sale*". Each of Datang Holdings (Hongkong) Investment Company Limited and Xinxin (Hongkong) Capital Co., Ltd. has executed shareholder lock-up undertakings on similar terms as the Issuer.
ISIN	XS1730881247.
Common Code	173088124.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financials of the Issuer as at and for the periods indicated.

The selected financial information presented below as at and for the years ended 31 December 2015 and 31 December 2016 have been prepared in accordance with IFRS and are derived from, and should be read in conjunction with the Issuer's published audited consolidated financial statements for the year ended 31 December 2016, which have been audited by PricewaterhouseCoopers ("**PwC**"), and incorporated by reference in this Offering Circular.

The selected financial information presented below as at and for the six months ended 30 June 2016 and 2017 have been prepared in accordance with IFRS and are derived from, and should be read in conjunction with the Issuer's published unaudited condensed consolidated financial statements for the six months ended 30 June 2017, which have been incorporated by reference in this Offering Circular.

The selected financial information presented below as at and for the three months ended 30 September 2016 and 2017 have been prepared in accordance with IFRS and are derived from, and should be read in conjunction with the Issuer's unaudited condensed consolidated financial statements (as set out in the Issuer's announcement published with the Hong Kong Stock Exchange on 14 November 2017) which have been incorporated by reference in this Offering Circular.

Results for interim and quarterly periods are not indicative of results for the full year. The information set out below should be read in conjunction with the relevant consolidated financial statements of the Issuer, including the notes thereto, which are incorporated by reference in this Offering Circular.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		For the six months ended 30 June		For the three months ended 30 September	
	2015	2016	2016	2017	2016	2017
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in US$ thousands, except for earnings per share)					
Revenue	2,236,415	2,914,180	1,324,533	1,544,278	774,845	769,723
Cost of sales	(1,553,795)	(2,064,499)	(952,967)	(1,129,327)	(542,742)	(592,426)
Gross profit	682,620	849,681	371,566	414,951	232,103	177,297
Research and development expenses, net	(237,157)	(318,247)	(118,024)	(218,963)	(81,898)	(106,848)
Sales and marketing expenses	(41,876)	(35,034)	(17,938)	(19,816)	(8,009)	(9,587)
General and administration expenses	(213,177)	(157,371)	(60,988)	(93,593)	(35,449)	(46,104)
Other operating income (expense), net	31,594	177	6,940	16,439	1,885	7,947
Profit from operations	222,004	339,206	181,556	99,018	108,632	22,705
Interest income	5,199	11,243	3,524	12,248	3,045	6,545
Finance income (costs), net	(12,218)	(23,037)	(12,548)	(21,507)	(1,236)	12,906
Foreign exchange gains or losses	(26,349)	(1,640)	153	(10,201)	(2,274)	(11,685)
Other gains or losses, net	55,611	(2,113)	(15,907)	29,287	7,810	(1,657)
Share of (loss) profit of investment using equity method	(13,383)	(13,777)	(9,490)	(7,658)	2,874	1,181
Profit before tax	230,864	309,882	147,288	101,187	113,103	29,995
Income tax benefit (expense)	(8,541)	6,552	(1,035)	(3,658)	(960)	595
Profit for the year/period	222,323	316,434	146,253	97,529	112,143	30,590
Other comprehensive income (loss)						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	(8,185)	(19,031)	(7,326)	9,069	445	5,686
Change in value of available-for-sale financial assets	452	807	(476)	(1,859)	653	(455)
Cash flow hedges	—	(34,627)	—	30,118	285	5,620
Others	130	1	4	(131)	(3)	—
Items that will not be reclassified to profit or loss						
Actuarial gains or losses on defined benefit plans	—	1,520	—	88	82	32
Total comprehensive income (loss) for the year/period	214,720	265,104	138,455	134,814	113,605	41,473
Profit (loss) for the year/period attributable to:						
Owners of the Company	253,411	376,630	159,061	106,062	113,561	25,899
Non-controlling interests	(31,088)	(60,196)	(12,808)	(8,533)	(1,418)	4,691
	222,323	316,434	146,253	97,529	112,143	30,590
Total comprehensive income (loss) for the year/period attributable to:						
Owners of the Company	245,803	326,191	151,267	142,897	115,016	36,012
Non-controlling interests	(31,083)	(61,087)	(12,812)	(8,083)	(1,411)	5,461
	214,720	265,104	138,455	134,814	113,605	41,473
Earnings per share						
Basic	0.07	0.09	0.04	0.02	0.03	0.01
Diluted	0.06	0.08	0.04	0.02	0.02	0.01

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December		As of 30 June		As of 30 September
	2015	2016	2016	2017	2017
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in US$ thousands, except for earnings per share)				
Assets					
Non-current assets					
Property, plant and equipment	3,903,818	5,687,357	5,120,105	6,482,526	6,289,743
Land use right	91,030	99,267	90,681	98,604	98,040
Intangible assets	224,279	248,581	218,254	234,976	228,072
Investments in associates	181,331	240,136	228,580	737,111	740,931
Investments in joint ventures	17,646	14,359	19,685	14,588	15,016
Deferred tax assets	44,942	45,981	45,432	46,538	42,027
Derivative financial instrument	30,173	32,894	24,551	—	—
Other financial assets	—	—	—	4,120	10,448
Restricted cash	—	20,080	—	12,788	13,228
Other assets	32,078	42,870	31,723	31,374	33,359
Total non-current assets	4,525,297	6,431,525	5,779,011	7,662,625	7,470,864
Current assets					
Inventories	387,326	464,216	404,265	577,179	625,283
Prepayment and prepaid operating expenses	40,184	27,649	51,493	53,061	37,545
Trade and other receivables	499,846	645,822	657,406	722,911	609,849
Other financial assets	282,880	31,543	303,721	516,002	607,258
Restricted cash	302,416	337,699	228,381	344,100	339,596
Cash and cash equivalent	1,005,201	2,126,011	1,586,671	876,118	1,119,149
	2,517,853	3,632,940	3,231,937	3,089,371	3,338,680
Assets classified as held-for-sale	72,197	50,813	57,333	49,654	38,942
Total current assets	2,590,050	3,683,753	3,289,270	3,139,025	3,377,622
Total assets	7,115,347	10,115,278	9,068,281	10,801,650	10,848,486

	As of 31 December		As of 30 June		As of 30 September
	2015	2016	2016	2017	2017
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in US$ thousands, except for earnings per share)				
Equity and liabilities					
Capital and reserves					
Ordinary shares	16,830	17,012	16,876	18,603	18,606
Share premium	4,903,861	4,950,948	4,914,385	4,474,996	4,475,807
Reserves	96,644	93,563	86,908	100,736	113,900
Retained earnings (accumulated deficit)	(1,287,479)	(910,849)	(1,128,418)	106,062	131,961
Equity attributable to owners of the Company	3,729,856	4,150,674	3,889,751	4,700,397	4,740,274
Non-controlling interests	460,399	1,252,553	1,083,690	1,244,687	1,250,264
Total equity	4,190,255	5,403,227	4,973,441	5,945,084	5,990,538
Non-current liabilities					
Borrowings	416,036	1,233,594	1,232,457	1,456,108	1,573,150
Convertible bonds	—	395,210	—	402,549	406,357
Bonds payable	493,207	494,909	494,048	495,789	496,234
Medium-term notes	—	214,502	223,996	219,370	224,755
Deferred tax liabilities	7,293	15,382	8,126	18,353	13,280
Deferred government funding	175,604	265,887	164,861	305,998	291,894
Other financial liabilities	—	74,170	17,747	27,792	15,633
Other liabilities	65,761	37,497	41,364	29,771	30,309
Total non-current liabilities	1,157,901	2,731,151	2,182,599	2,955,730	3,051,612
Current liabilities					
Trade and other payables	1,047,766	940,553	1,097,743	1,268,158	1,019,153
Borrowings	113,068	209,174	91,375	305,898	437,375
Short-term notes	—	86,493	90,465	—	—
Convertible bonds	392,632	391,401	399,416	—	—
Deferred government funding	79,459	116,021	83,973	146,071	178,293
Accrued liabilities	132,452	230,450	148,555	179,597	170,735
Other financial liabilities	1,459	6,348	422	—	—
Current tax liabilities	355	460	292	1,112	780
Total current liabilities	1,767,191	1,980,900	1,912,241	1,900,836	1,806,336
Total liabilities	2,925,092	4,712,051	4,094,840	4,856,566	4,857,948
Total equity and liabilities	7,115,347	10,115,278	9,068,281	10,801,650	10,848,486

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		For the six months ended 30 June		For the three months ended 30 September	
	2015	2016	2016	2017	2016	2017
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in US$ thousands, except for earnings per share)					
Profit for the period	222,323	316,434	146,253	97,529	112,143	30,590
Net cash from operating activities	669,197	977,202	372,154	392,142	199,532	419,540
Payments for property, plant and equipment	(1,230,812)	(2,757,202)	(1,511,323)	(1,239,784)	(756,317)	(691,170)
Net cash used in investing activities	(789,556)	(2,443,333)	(1,627,326)	(1,850,277)	(687,808)	(399,015)
Net cash from financing activities	537,078	2,614,778	1,844,569	206,848	539,193	217,493
Net increase (decrease) in cash and cash equivalent	416,719	1,148,647	589,397	(1,251,287)	50,917	238,018

TECHNICAL GLOSSARY

This glossary contains certain definitions of technical terms used in this Offering Circular as they relate to us. Some of these definitions may not correspond to standard industry definitions.

ASIC/ASSP	Application Specific Integrated Circuit/Application Specific Standard Parts. ASICs/ASSPs are designed to provide a very specific function for a specific application in any one of the six application markets: computing, communications, consumer, automotive and industrial. ASICs include both standard catalogue products, standard and customized/application-specific logic ICs.
CCD	A charge coupled device for the movement of electrical charge.
CDMA	Code division multiple access, a channel access method used by various radio communication technologies.
Clean room	Area within a fab in which the wafer fabrication takes place. The classification of a clean room relates to the maximum number of particles of contaminants per cubic foot within that room. For example, a class 100 clean room contains less than 100 particles of contaminants per cubic foot.
CMOS	Complementary Metal Oxide Silicon. A fabrication process that incorporates n-channel and p-channel CMOS transistors within the same silicon substrate. Currently, this is the most commonly used integrated circuit fabrication process technology and is one of the latest fabrication techniques to use metal oxide semiconductor transistors.
CMOS Image Sensors	Sensors that are used in a wide range of camera-related systems, such as digital still cameras, digital video cameras, handset cameras, personal computer cameras and surveillance cameras, which integrate image-capturing capabilities onto a chip.
CVD	Chemical Vapor Deposition. A process in which gaseous chemicals react on a heated wafer surface to form solid film.
Die	One individual chip cut from a wafer before being packaged.
DRAM	Dynamic Random Access Memory. A device that temporarily stores digital information but requires regular refreshing to ensure data is not lost.
DSP	Digital Signal Processor. A type of integrated circuit that processes and manipulates digital information after it has been converted from an analog source.
EEPROM	Electrically Erasable Programmable Read-Only Memory. An integrated circuit that can be electrically erased and electrically programmed with user-defined information.

EPROM	Erasable Programmable Read-Only Memory. A form of PROM that is programmable electrically yet erasable using ultraviolet light.
Fab or Fabs	Semiconductor fabrication plant(s).
Fabless	A semiconductor design company that outsources fabrication and does not have its own fabs.
Fill factor	The percentage of LCOS metal surface area used for light reflection as compared to the total surface area. The higher the fill factor, the more light will be reflected from a given surface area.
Flash memory	A type of non-volatile memory where data is erased in blocks. The name "flash" is derived from the rapid block erase operation. Flash memory requires only one transistor per memory cell versus two transistors per memory cell for EEPROMs, making flash memory less expensive to produce. Flash memory is the most popular form of non-volatile semiconductor memory currently available.
IDM or IDMs	Integrated Device Manufacturer(s).
Integrated circuit	An electronic circuit where all the elements of the circuit are integrated together on a single semiconductor substrate.
Interconnect	Conductive materials such as aluminium, doped polysilicon or copper that form the wiring circuitry to carry electrical signals to different parts of the chip.
I/O	Inputs/Outputs.
IPD	Integrated Passive Devices. IPDs are generally fabricated using standard wafer fab technologies such as thin film and photolithography processing. IPDs can be designed as flip chip mountable or wire bondable components and the substrates for IPDs usually are thin film substrates like silicon, alumina or glass.
LCOS	Liquid Crystal On Silicon. A type of micro-display technology.
Logic device	A device that contains digital integrated circuits that perform a function rather than store information.
Mask	A glass plate with a pattern of transparent and opaque areas used to create patterns on wafers. "Mask" is commonly used to refer to a plate that has a pattern large enough to pattern a whole wafer at one time, as compared to a reticle, where a glass plate can contain the pattern for one or more dies but is not large enough to transfer a wafer-sized pattern all at once.

Mask ROM	A type of non-volatile memory that is programmed during fabrication (mask-defined) and the data can be read but not erased.
MCU	Microcontroller Unit. Includes a central processing unit, program memory, read/write data memory and some I/O capability. May include EEPROM, Flash and/or other types of memory embedded inside.
Memory	A device that can store information for later retrieval.
MEMS	Micro-Electro-Mechanical Systems
Micro-display	A small display that is of such high resolution that it is only practically viewed or projected with lenses or mirrors. A micro-display is typically magnified by optics to enlarge the image viewed by the user. For example, a miniature display smaller than one inch in size may be magnified to provide a 12-inch to 60-inch viewing area.
Micron	A term for micrometer, which is a unit of linear measure that equals one one-millionth (1/1,000,000) of a meter. There are 25.4 microns in one one-thousandth of an inch.
Mixed-signal	The combination of analog and digital circuitry in a single semiconductor.
NAND Flash	A type of flash memory commonly used for mass storage applications.
nm	A term for micrometer, which is a unit of linear measure that equals one thousandth (1/1,000) of a micron.
Non-volatile memory	Memory products that maintain their content when the power supply is switched off.
NOR Flash	A type of flash memory commonly used for mass storage applications.
OTP	One-time programmable memory used for programme and data storage, usually used in applications that require only a one- time data change.
PROM	Programmable Read-Only Memory. Memory that can be reprogrammed once after manufacturing.
Pure-play foundry	A company that focuses on producing IC for other companies.
RAM	Random Access Memory. Memory devices where any memory cell in a large memory array may be accessed in any order at random.
Reticle	See “Mask” above.

RF	Radio Frequency. Radio frequency semiconductors are primarily used in communications devices such as cell phones.
RF-FEM	Radio Frequency Front End Module. RF-Front End Module, a generic term for all the circuitry between the antenna and the first intermediate frequency (IF) stage. It consists of all the components in the receiver that process the signal at the original incoming radio frequency (RF), before it is converted to a lower intermediate frequency (IF). RF-FEM can consist of the combination of Tuner, Switch, PA, Filter, Transceivers related devices.
RFID	Radio Frequency Identification. Radio-frequency identification (RFID) is the use of a wireless non-contact system that uses radio-frequency electromagnetic fields to transfer data from a tag attached to an object. RFID's frequency bands ranges from (125kHz～135kHz) (13.56MHz), and (860MHz～960MHz).
ROM	Read-Only Memory. See "Mask ROM" above.
Scanner	An aligner that scans light through a slit across a mask to produce an image on a wafer.
Semiconductor	An element with an electrical resistivity within the range of an insulator and a conductor. A semiconductor can conduct or block the flow of electric current depending on the direction and magnitude of applied electrical biases.
SRAM	Static Random Access Memory. A type of volatile memory product that is used in electronic systems to store data and programme instructions. Unlike the more common DRAM, it does not need to be refreshed.
System-on-chip	A chip that incorporates functions usually performed by several different devices and therefore generally offers better performance and lower cost.
Systems companies	Companies that design and manufacture complete end market products or systems for sale to the market.
Transistor	An individual circuit that can amplify or switch electric current. This is the building block of all integrated circuits.
TSV	Through Silicon Via. Interconnects for 2.5D and 3D packaging applications that demand high performance and low power.
Volatile memory	Memory products that lose their content when the power supply is switched off.
Wafer	A thin, round, flat piece of silicon that is the base of most integrated circuits.

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be adversely affected by any of these risks. We believe that the following factors may affect its ability to fulfill its obligations under the Securities. Additional considerations and uncertainties not presently known to us or which the Group currently deems immaterial may also have an adverse effect on an investment in the Securities. All of these factors are contingencies, which may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring.

Factors which we believe may be material for the purpose of assessing the market risks associated with the Securities are described below. We believe that the factors described below represent the principal risks inherent in investing in the Securities, but our inability to repay principal, pay interest (if any) or other amounts or fulfill other obligations on or in connection with the Securities may occur for other reasons and we do not represent that the statements below regarding the risks of holding the Securities are exhaustive.

Risk Factors Related to Our Financial Condition and Business

We may not be able to maintain or increase profitability, primarily due to the possibility of increasing fixed costs and market competition reflected in price erosion in the average selling prices of our products.

Our annual profit totalled US$316.4 million in 2016 and US$222.3 million in 2015. However, with the offsetting impact of such profits, we still have net accumulated losses of US$910.8 million as of the end of 2016. We may not be able to maintain or increase profitability on an annual or quarterly basis, primarily because our business is characterized by high fixed costs relating to advanced technology equipment purchases, which result in correspondingly high levels of depreciation expenses. We will continue to incur capital expenditures and depreciation expenses as we equip and ramp-up additional fabs and expand our capacity at our existing fabs. This may result in an increase of our fixed costs and possibly reduce our chances of maintaining or increasing profitability.

In addition, we are competing in the same technology environment as a number of other foundries and our competitors who operate these foundries often use price as a means of securing business, resulting in erosion of the average selling price of our product portfolio, which adversely affects our ability to maintain or increase profitability.

The cyclical nature of the semiconductor industry and periodic overcapacity make our business and operating results particularly vulnerable to economic downturns, such as a global economic crisis.

The semiconductor industry has historically been highly cyclical and, at various times, has experienced significant downturns characterized by fluctuations in end-user demand, reduced demand for integrated circuits, rapid erosion of average selling prices and production overcapacity. Companies in the semiconductor industry have expanded aggressively during periods of increased demand in order to have the capacity needed to meet such increased demand or expected demand in the future. If actual demand is not sustained, does not increase or declines, or if companies in the industry expand too aggressively in light of the actual increase in demand, the industry will generally experience a period in which industry-wide capacity exceeds demand.

During periods when industry-wide capacity exceeds demand, our operations are subject to more intense competition, and our results of operations are likely to suffer because of the resulting pricing pressure and capacity underutilization. Furthermore, we may be faced with the situation of excess inventories and longer inventory turnover days. Severe pricing pressure could also result in the overall foundry industry becoming less profitable, at least for the duration of the downturn, and could prevent us from maintaining or increasing profitability. We expect that industry cyclicality will continue.

In addition, an erosion of global consumer confidence amidst concerns over declining asset values, inflation, energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability or solvency of financial institutions, financial markets, businesses and sovereign nations could have an adverse effect on our results of operations.

Adverse economic conditions could cause our expenses to vary materially from our expectations. The failure of financial institutions could negatively impact our treasury operations, as the financial condition of such parties may deteriorate rapidly and without notice in times of market volatility and disruption. Other income and expense could vary materially from expectations depending on changes in interest rates, borrowing costs and currency exchange rates. Economic downturns may also lead to restructuring actions and associated expenses.

If we cannot take appropriate or effective actions in a timely manner during any economic downturns, such as reducing our costs to sufficiently offset declines in demand for our services, our business and operating results may be adversely affected. A prolonged period of economic decline could have a material adverse effect on our results of operations. Economic uncertainty also makes it difficult for us to make accurate forecasts of revenue, gross margin and expenses.

Furthermore, a slowdown in the growth in demand for, or the continued reduction in selling prices of, devices that use semiconductors may decrease the demand for our products and reduce our profit margins.

Our results of operations may fluctuate from year to year, making it difficult to predict our future performance which may be below our expectations or those of the public market analysts and investors in these periods.

Our sales, expenses, and results of operations may fluctuate significantly from year to year due to a number of factors, many of which are outside our control. Our business and operations are subject to a number of factors, including:

- our customers' sales outlook, purchasing patterns and inventory adjustments based on general economic conditions or other factors;
- the loss of one or more key customers or the significant reduction or postponement of orders from such customers;
- timing of new technology development and the qualification of this technology by our customers;
- timing of our expansion and development of our facilities;
- our ability to obtain equipment and raw materials; and

- our ability to obtain financing in a timely manner.

Due to the factors noted above and other risks discussed in this section, year-to-year comparisons cannot be relied upon to predict our future performance. Unfavorable changes in any of the above factors may adversely affect our business and operating results. In addition, our operating results may be below the expectations of public market analysts and investors in some future periods.

Demand instability for foundry services may result in a lower rate of return on investments than previously anticipated and our business and operating results may be adversely affected.

The demand for foundry services by integrated device manufacturers ("**IDM(s)**"), fabless semiconductor companies and systems companies has been increasing. We have made significant investments in anticipation of the continuation of this trend and, as such, any reversal of this trend will likely result in a lower rate of return on our investments. During an industry slowdown, IDMs may allocate a smaller portion of their fabricating needs to foundry service providers and perform a greater amount of foundry services for system companies and fabless semiconductor companies in order to maintain their equipment's utilization rates. As a result, our business and operating results could be adversely affected.

If we are unable to maintain high capacity utilization, optimize the technology and product mix of our services or improve our yields, our margins may substantially decline, thereby adversely affecting our operating results.

Our ability to maintain or increase profitability depends, in part, on our ability to:

- maintain high capacity utilization, which is the actual number of wafers we produce in relation to our capacity;

- optimize our technology and product mix, which is the relative number of wafers fabricated utilizing higher margin technologies as compared to commodity and lower margin technologies; and

- continuously maintain and improve our yield, which is the percentage of usable fabricated devices on a wafer.

Our capacity utilization affects our operating results because a large percentage of our costs are fixed. Our technology and product mix has a direct impact upon our average selling prices and overall margins. Our yields directly affect our ability to attract and retain customers, as well as the price of our products. If we are unable to maintain high capacity utilization, optimize the technology and product mix of our wafer production and continuously improve our yields, our margins may substantially decline, thereby adversely affecting our operating results.

If we lose one or more of our key personnel without obtaining adequate replacements in a timely manner or if we are unable to retain and recruit skilled personnel, our operations could become disrupted and the growth of our business could be delayed or restricted.

Our success depends on the continued service of our key management team members, and in particular, Mr. Zhou Zixue, Chairman of our board of directors and Executive Director as well as Dr. Zhao Haijun and Dr. Liang Mong Song, both the Co-Chief Executive Officer and Executive Director. We do not carry full key person insurance. If we

lose the services of any of our key executive officers, it could be very difficult to find, relocate and integrate adequate replacement personnel into our operations. As a result, our operations and the growth of our business could be seriously harmed.

We will require an increased number of experienced executives, engineers and other skilled employees in the future to implement our growth plans. In addition, we expect demand for skilled and experienced personnel in China to increase in the future as new wafer fabrication facilities and other similar high technology businesses are established there. There is intense competition for the services of these personnel in the semiconductor industry. If we are unable to retain our existing personnel or attract, assimilate and retain new experienced personnel in the future, our operations could become disrupted and the growth of our business could be delayed or restricted.

Our customers generally do not place purchase orders far in advance, which makes it difficult for us to predict our future sales, adjust our production costs and efficiently allocate our capacity on a timely basis and could therefore have an adverse effect on our business and operating results.

Our customers generally do not place purchase orders far in advance of the required shipping dates. In addition, due to the cyclical nature of the semiconductor industry, our customers' purchase orders have varied significantly from period to period. As a result, we do not typically operate with any significant backlog, which makes it difficult for us to forecast our sales in future periods. Also, since our cost of sales and operating expenses have high fixed cost components, including depreciation and employee costs, we may be unable to adjust our cost structure in a timely manner to compensate for shortfalls in sales. Our current and anticipated customers may not place orders with us in accordance with our expectations or at all. As a result, it may be difficult to plan our capacity, which requires significant lead time to ramp-up and cannot be altered easily. If our capacity does not match our customer demand, we will either be burdened with expensive and unutilized overcapacity or unable to support our customers' requirements, both of which could have an adverse effect on our business and results of operations.

Our sales cycles can be long, which could adversely affect our short-term operating results and cause our long-term income stream to be unpredictable.

Our sales cycles, which is measured as the time between our first contact with a particular customer and the first shipment of product orders to such customer, vary substantially and can last as long as one year or more, particularly for new technologies. Sales cycles to IDM customers typically take relatively longer since they usually require our engineers to become familiar with the customer's proprietary technology before production can commence. In addition, even after we make the initial product shipments, it may take the customer several more months to reach full production of that product using our foundry services. As a result of these long sales cycles, we may be required to invest substantial time and incur significant expenses in advance of the receipt of any product order and related revenue. Orders ultimately received may not be in accordance with our expectations and cause our long-term income stream to be unpredictable.

If we do not consistently anticipate trends in technology development, we will not be able to maintain or increase our business and operating margins.

The semiconductor industry is developing rapidly and the related technologies are constantly evolving. We must be able to anticipate the trends in technology development and rapidly develop and implement new and innovative technologies that our customers

require to produce sufficiently advanced products at competitive prices and within the time window of market opportunities. To do this, we must make long-term investments, develop or obtain appropriate intellectual property and commit significant resources based on forecasts. If there is large variation between our forecasts and the actual outcome, our long-term investments will not yield satisfactory results and our business and operations will be adversely affected.

Further, as the life cycle for a process technology matures, the average selling price falls. Accordingly, unless we continually upgrade our capability to manufacture new products that our customers design, our customers may use the services of our competitors instead of ours. This can result in the average selling prices of our wafers falling, which could adversely affect our business and operating margins.

Our sales are dependent upon a small number of customers and any decrease in sales to any of them could adversely affect our results of operations.

We have been dependent on a small number of customers for a substantial portion of our business. For the years ended 31 December 2015 and 2016, our five largest customers accounted for 52.8% and 54.6% of our total sales, respectively. We expect that we will continue to be dependent upon a relatively limited number of customers for a significant portion of our sales. Sales generated from these customers, individually or in the aggregate, may not reach our expectations or historical levels in any future period. Our sales could be significantly reduced if any of these customers cancels or reduces its orders, significantly changes its product delivery schedule, or demands lower prices, which could have an adverse effect on our results of operations.

We maintain a certain level of indebtedness which may adversely affect our financial health and our operating results.

We have incurred and may continue to incur, indebtedness to finance our developments and working capital which may adversely affect our financial health and our operating results. As of 31 December 2016, we had a total indebtedness of approximately US$3.03 billion.

Our indebtedness may increase our exposure to a number of risks associated with debt financing, including but not limited to the following:

- we will be required to dedicate a portion of our cash flow towards repayment of our existing debt and interest, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements;

- our ability to obtain additional financing in the future on favourable terms may be impaired;

- our ability to take advantage of significant new business opportunities may be limited;

- it will be more difficult for us to satisfy our payment obligations if market or operational conditions deteriorate; and

- there could be an adverse effect on our business, financial condition and results of operations if we are unable to service our indebtedness.

Since our operating cash flows may not be sufficient to cover our planned capital expenditures, we will require additional external financing, which may not be available on acceptable terms, or at all. Any failure to raise adequate funds in a timely manner could adversely affect our business and operating results.

In 2016, our capital expenditures totalled approximately US$2.7 billion and we currently expect our capital expenditures for foundry operations in 2017 to total approximately US$2.3 billion, subject to adjustment based on market conditions. We also have budgeted approximately US$70 million as the 2017 capital expenditures for non-foundry operations mainly for the construction of living quarters for our employees as part of our employee retention program. In addition, our actual expenditures may exceed our planned expenditures for a variety of reasons, including changes in our business plan, our process technology, market conditions, equipment prices, customer requirements or interest rates. Future acquisitions, mergers, strategic investments, or other developments also may require additional financing. The amount of capital required to meet our growth and development targets is difficult to predict in the highly cyclical and rapidly changing semiconductor industry.

Our operating cash flows may not be sufficient to meet our capital expenditures requirements. If our operating cash flows are insufficient, we plan to fund the expected shortfall through bank loans. If necessary, we will also explore other forms of external financing, as we did in 2016 with our convertible bond offerings and short-term and medium-term notes issuances. Our ability to obtain external financing is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities of semiconductor companies;
- our future stock price; and
- our future credit rating.

External financing may not be available in a timely manner, on acceptable terms, or at all. Since our capacity expansion is a key component of our overall business strategy, any failure to raise adequate funds could adversely affect our business and operating results.

Expansion of our production sites is subject to certain risks that could result in delays or cost overruns, which could require us to expend additional capital and adversely affect our business and operating results.

We spent approximately US$1,014 million, US$1,573 million and US$2,695 million to construct, equip and ramp up our fabs in 2014, 2015 and 2016, respectively. We plan to increase our production capacity through expansion of existing production sites, such as Semiconductor Manufacturing International (Shanghai) Corporation ("**SMIC Shanghai**"), Semiconductor Manufacturing International (Beijing) Corporation ("**SMIC Beijing**"), Semiconductor Manufacturing International (Tianjin) Corporation ("**SMIC Tianjing**") and Semiconductor Manufacturing International (Shenzhen) Corporation ("**SMIC Shenzhen**"), all of which are our wholly-owned subsidiaries, Semiconductor Manufacturing North China (Beijing) Corporation ("**SMNC**"), our majority-owned subsidiary in Beijing and SJ Semiconductor (Jiangyin) Corporation ("**SJ Jiangyin**"), our

majority-owned bumping facility in Jiangyin. There are a number of events that could delay these expansion projects or increase the costs of building and equipping these or future projects in accordance with our plans. Such potential events include, but are not limited to:

- shortages and late delivery of building materials and facility equipment;
- delays in the delivery, installation, commissioning and qualification of our manufacturing equipment;
- delays in securing financing for the expansion projects;
- disagreements with partners involved in the expansion projects;
- seasonal factors, such as extended periods of adverse weather that limit construction;
- labour disputes;
- design or construction changes with respect to building spaces or equipment layout;
- delays in securing necessary government approvals or land use rights; and
- changes in technology, capacity, or other changes in our plans for new fabs necessitated by changes in market conditions.

As a result, our projections relating to capacity, process technology capabilities, or technology developments may significantly differ from actual capacity, process technology capabilities, or technology developments.

Delays in the construction and equipping or expansion of any of our fabs could result in the loss or delayed receipt of earnings, an increase in financing costs, or the failure to meet profit and earnings projections, any of which could adversely affect our business and operating results.

If we cannot compete successfully in our industry, particularly in China, our results of operations and financial condition will be adversely affected.

The worldwide semiconductor foundry industry is highly competitive. We compete with other foundries, such as Taiwan Semiconductor Manufacturing Company Ltd. ("**TSMC**"), United Microelectronics Corporation ("**UMC**") and Global Foundries, as well as the foundry services offered by some IDMs, such as Samsung Electronics. We also compete with smaller semiconductor foundries in China, Korea, Malaysia and other countries. Some of our competitors have greater access to capital and possess substantially higher capacity and larger scale of operations, have longer or more established relationships with their customers, superior research and development capability, more advanced technology and greater marketing and other resources than we do. As a result, these companies may be able to compete more aggressively over a longer period of time than we can.

Some of our competitors have established operations in mainland China in order to compete for the growing domestic market in China. TSMC has its own fab in Shanghai and recently entered into an investment agreement with the Government of Nanjing for an investment project to build a wholly-owned 12-inch wafer manufacturing facility and a

design service center in Nanjing. UMC has its majority-owned fab in Suzhou and has a 12-inch joint venture fab in Xiamen currently under construction. In these cases, we understand that the ability of these fabs to manufacture wafers using certain more advanced technologies is subject to restrictions by the respective home jurisdiction of TSMC and UMC; however, such restrictions could be reduced or lifted at any time, which may lead to increased competition in China with such competitors and adversely affect our business and operating results.

In addition, various other factors such as import and export controls, foreign exchange controls, exchange rate fluctuations, interest rate fluctuations and political developments affect our ability to compete successfully. If we cannot compete successfully in our industry or are unable to maintain our position as a leading foundry in China, our results of operations and financial condition will be adversely affected.

We may be unable to obtain in a timely manner and at a reasonable cost the equipment necessary for our business and therefore may be unable to achieve our expansion plans or meet our customers' orders, which could negatively impact our competitiveness, financial condition and results of operations.

The semiconductor industry is capital-intensive and requires investment in advanced equipment that is available from a limited number of manufacturers. The market for equipment used in semiconductor foundries is characterized, from time to time, by significant demand, limited supply and long delivery cycles. Our business plan depends upon our ability to obtain our required equipment in a timely manner and at acceptable prices. Therefore, we invest in advanced equipment based on advance forecasts of demand. During times of significant demand for the types of equipment we use, lead times for delivery can be as long as one year. Shortages of equipment could result in an increase in equipment prices and longer delivery times. If we are unable to obtain equipment in a timely manner and at a reasonable cost, we may be unable to achieve our expansion plans or meet our customers' orders, which could negatively impact our competitiveness, financial condition, and results of operations.

We expect to have an ongoing need to obtain licenses for the proprietary technology of others, which subjects us to the payment of license fees and potential delays in the development and marketing of our products.

While we continue to develop and pursue patent protection for our own technologies, we expect to continue to rely on third party license arrangements to enable us to manufacture certain advanced wafers. As of 31 December 2016, we had been granted 6,447 patents worldwide, of which, 69 were in Taiwan, 735 were in the U.S., 5,619 were in China and 24 were in other jurisdictions. In comparison, we believe our competitors and other industry participants have been issued many more patents concerning wafer fabrication in multiple jurisdictions. Our limited patent portfolio may in the future adversely affect our ability to obtain licenses to the proprietary technology of others on favorable license terms due to our inability to offer cross-licensing arrangements. The fees associated with such licenses could adversely affect our financial condition and operating results. They might also render our services less competitive. If for any reason we are unable to license necessary technology on acceptable terms, it may become necessary for us to develop alternative technology internally, which could be costly and delay the marketing and delivery of key products and therefore have an adverse effect on our business and operating results. In addition, we may be unable to independently develop the technology required by our customers on a timely basis or at all, in which case our customers may purchase wafers from our competitors.

We may be subject to claims of intellectual property rights infringement owing to the nature of our industry partly due to our limited patent portfolio and limitations of the indemnification provisions in our technology license agreements. These claims could adversely affect our business and operating results.

There is frequent intellectual property litigation in our industry, involving patents, copyrights, trade secrets, mask works and other intellectual property subject matters. In some cases, a company attempts to avoid or settle litigation on favorable terms if it possesses patents that can be asserted against the plaintiff. The limited size of our current patent portfolio is unlikely to place us in such a favorable bargaining position. Moreover, some of our technology license agreements with our major technology partners do not provide for us to be indemnified in the event that the processes we license pursuant to such agreements infringe third party intellectual property rights. We could be sued for infringing one or more patents as to which we will be unable to obtain a license and unable to design around. As a result, we would be prohibited from manufacturing or selling the products which are dependent upon such technology, which could have a material adverse effect on our business. We may litigate the issues of whether these patents are valid or infringed, but in the event of a loss we could be required to pay substantial monetary damages and be enjoined from further production or sale of such products.

If we are unable to maintain relationships with certain technology partners or are unable to enter into new technology alliances on a timely basis, we may not be able to continue providing our customers with leading edge process technology, which could adversely affect our competitive position and operating results.

Enhancing our process technologies is critical to our ability to provide high quality services for our customers. One way we are using to enhance our process technologies is forming technology alliances with other companies and leveraging our appropriate technology partners to advance our portfolio of process technologies to lower development risk and development cycle. We currently have joint technology development arrangements and technology sharing arrangements with several companies and research institutes. If we are unable to continue our technology alliances with these entities or maintain mutually beneficial terms on our other joint development arrangements, research and development alliances and other similar agreements or enter into new technology alliances with other leading developers of semiconductor technology, we may not be able to continue providing our customers with leading edge process technology on time, which could adversely affect our competitive position and operating results.

The loan agreements entered into by members of the Group contain certain restrictions that limit our flexibility in operating our business.

The terms of certain of the existing loan agreements entered into by members of the Group contain, and certain future indebtedness of the Group would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on the Group, including restrictions on the ability of members of the Group to, among other things:

- pay dividends;
- repay outstanding shareholder loans and provide loans to subsidiaries; and

- consolidate, merge, sell or otherwise dispose of any of our assets under certain conditions.

In addition, certain loan agreements of the Group contain, and any future loan agreements may contain, cross-default clauses whereby a default under one of the loan agreements may constitute an event of default under the other loan agreements. We may also be required to satisfy and maintain specified financial ratios and other financial covenants. The Group's ability to meet such financial ratios and other covenants can be affected by various events, and we cannot assure you that we will meet these ratios and comply with such covenants in the future. A breach of any of these covenants would result in a default under the existing loan agreements of the Group, which may allow the lenders to declare all amounts outstanding thereunder to be due and payable after the lapse of the relevant grace period and terminate all commitments to extend further credit, any of which could result in an event of default under the terms and conditions of the loan agreement.

Global or regional economic, political and social conditions could adversely affect our business and operating results.

External factors such as potential terrorist attacks, acts of war, financial crises, the global economic crisis, or political, geopolitical and social turmoil in those parts of the world that serve as markets for our products could significantly adversely affect our business and operating results in ways that cannot presently be predicted. These uncertainties could make it difficult for our customers and us to accurately plan future business activities. For example, we purchase raw materials and other services from numerous suppliers, and, even if our facilities were not directly affected by such events, we could be affected by interruptions at such suppliers. Such suppliers may be less likely to be able to quickly recover from such events and may be subject to additional risks such as financial problems that limit their ability to conduct their operations. We are not insured for losses and interruptions caused by terrorist acts or acts of war. We cannot assure you that we will have insurance to adequately compensate us for any of these events. More generally, these geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets and economies that could adversely impact our sales. Therefore, any of these events or circumstances could adversely affect our business and operating results.

The recurrence of an outbreak of the H7N9 and H5N1 strain of flu (Avian Flu), the H1N1 strain of flu (Swine Flu), Severe Acute Respiratory Syndrome (SARS), or an outbreak of any other similar epidemic could, directly or indirectly, adversely affect our operating results.

Concerns about the spread of the H7N9 strain of flu (Avian Flu) in China and outbreaks of the H1N1 virus (Swine Flu) in North America, Europe and Asia in the past have caused governments to take measures to prevent spread of the virus. The spread of epidemics could negatively affect the economy. For example, past occurrences of epidemics such as SARS have caused different degrees of damage to the national and local economies in China. If any of our employees are identified as a possible source of spreading Swine Flu, Avian Flu or any other similar epidemic, we may be required to quarantine employees that are suspected of being infected, as well as others that have come into contact with those employees. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our manufacturing capacity, thus adversely affecting our operations. A recurrence of an outbreak of Swine Flu, SARS, Avian Flu or other similar epidemic could restrict the level of economic activities generally and/or slow down or disrupt our business activities which could in turn adversely affect our results of operations.

Risks Relating to Manufacturing

Our manufacturing processes are highly complex, costly and potentially vulnerable to impurities and other disruptions, which could significantly increase our costs and delay product shipments to our customers.

Our manufacturing processes are highly complex, require advanced and costly equipment, demand a high degree of precision and may have to be modified to improve yields and product performance. Dust and other impurities, difficulties in the fabrication process or defects with respect to the equipment or facilities used can lower yields, because quality control problems interrupt production or result in losses of products in process. As system complexity has increased and process technology has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become even more demanding. As a result, we may experience production difficulties, which could significantly increase our costs and delay product shipments to our customers. For products that cannot meet the quality standards of our customers, we may suffer indemnification losses in addition to the production cost.

We may have difficulty in ramping up production, which could cause delays in product deliveries and loss of customers and otherwise adversely affect our business and operating results.

We may experience difficulty in ramping up production at new or existing facilities. This could be due to a variety of factors, including hiring and training new personnel, implementing new fabrication processes, recalibrating and re-qualifying existing processes and the inability to achieve required yield levels.

In the future, we may face construction delays or interruptions, infrastructure failure, or delays in upgrading or expanding existing facilities or changing our process technologies, which may adversely affect our ability to ramp up production in accordance with our plans. Our failure to ramp up our production on a timely basis could cause delays in product deliveries, which may result in the loss of customers and sales. It could also prevent us from recouping our investments in a timely manner or at all, and otherwise adversely affect our business and operating results.

If we are unable to obtain raw materials, spare parts and outsourcing services in a timely manner, our production schedules could be delayed and our costs could increase.

We depend on suppliers of raw materials, such as silicon wafers, gases and chemicals, and spare equipment parts, in order to maintain our production processes. To maintain operations, we must obtain from our suppliers sufficient quantities of quality raw materials and spare equipment parts at acceptable prices and in a timely manner. The most important raw material used in our production is silicon in the form of raw wafers, almost all of which are sourced from outside China. We currently purchase approximately 73.6% of our overall raw wafer requirements from our top three raw wafer suppliers. In addition, a portion of our gas and chemical requirements currently must be sourced from outside China. We may not be able to obtain adequate supplies of raw materials and spare parts in a timely manner and at a reasonable cost. In addition, from time to time, we may need to reject raw materials and parts that do not meet our specifications, resulting in potential delays or declines in output. If the supply of raw materials and necessary spare parts is substantially reduced or disrupted; if there are significant increases in their prices; or if the lead times for the supply

of raw materials and necessary spare parts are extended, we may incur additional costs to acquire sufficient quantities of these parts and materials to maintain our production schedules and commitments to customers.

We outsource certain wafer manufacturing, assembly and testing services to third parties. Any delay or interruption in the provision of supplies and/or services could result in our inability to meet our customers' demand or fulfill contract terms, damage our reputation and customer relationships and adversely affect our business.

Our production may be interrupted, limited or delayed if we cannot maintain sufficient sources of fresh water and electricity, which could adversely affect our business and operating results.

The semiconductor fabrication process requires extensive amounts of fresh water and a stable source of electricity. As our production capabilities increase and our business grows, our requirements for these resources will grow substantially. While we have not, to date, experienced any instances of the lack of sufficient supplies of water or material disruptions in the electricity supply to any of our fabs, we may not have access to sufficient supplies of water and electricity to accommodate our planned growth. Droughts, pipeline interruptions, power interruptions, electricity shortages or government intervention, particularly in the form of rationing, are factors that could restrict our access to these utilities in the areas in which our fabs are located. In particular, our fab in Tianjin and our Beijing mega-fab are located in areas that are susceptible to severe water shortages during the summer months. If there is an insufficient supply of fresh water or electricity to satisfy our requirements, we may need to limit or delay our production, which could adversely affect our business and operating results. In addition, a power outage, even of very limited duration, could result in a loss of wafers in production and deterioration in yield.

In February 2016, a temporary power supply suspension occurred at our fabs in Beijing but it did not cause any casualty or equipment damage, and we don't believe it had any material adverse financial impact on the Company.

We are subject to the risk of damage due to fires or explosions because the materials we use in our manufacturing processes are highly flammable. Such damage could temporarily reduce our manufacturing capacity, thereby adversely affecting our business and operating results.

We use highly flammable materials such as silane and hydrogen in our manufacturing processes and are therefore subject to the risk of loss arising from explosions and fires. The risk of explosion and fire associated with these materials cannot be completely eliminated. Our comprehensive fire insurance and insurance for the loss of property and the loss of profit resulting from business interruption, may not be sufficient to cover all of our potential losses due to an explosion or fire. If any of our fabs were to be damaged or cease operations as a result of an explosion or fire, it could temporarily reduce our manufacturing capacity, which could adversely affect our business and operating results.

Any new regulations or customer requirements related to climate change or environmental protection could negatively impact our operating results.

There is global concern that an increase in global average temperatures due to emissions of greenhouse gases (GHG) and other human activities have or will cause significant changes in weather patterns, including natural disasters. Such climate change creates risks, such as the physical risks of increased sea levels or extreme weather events,

and the financial risks of causing adverse effects on our operations, financial condition, supply chain, increased manufacturing costs, or reduced demand for products believed to contribute to climate change.

We may become subject to legislation, regulation, or treaty obligations designed to address global climate change, Chinese air quality, and other environmental concerns. Compliance with any new rules could be difficult and costly, causing us to incur additional energy and environmental costs, as well as costs for defending and resolving legal claims.

Furthermore, continued serious air pollution in Chinese cities where we operate could pose long-term health risks to our employees and make recruiting and retaining employees more difficult.

Risks related to New Investment Fund

Our performance may be affected by the performance of our investment fund and we may incur losses as a result of ineffective investment strategy and poor risk management.

On 27 February 2014, our wholly-owned subsidiary, SMIC Shanghai, established a wholly-owned investment fund in Shanghai which is called China IC Capital Co., Ltd. (the "**Fund**"). As of 31 December 2016, the Fund has a capital of RMB777 million, all funded by SMIC Shanghai. With an operating period of 15 years from the date of the issuance of its business license, the Fund is operated and managed by China Fortune-Tech Capital Co., Ltd ("**China Fortune-Tech**"), an equity investment management company established by SMIC Shanghai and an independent third party on 27 February 2014. As of 31 December 2016, we held 30% ownership interest of China Fortune-Tech, which was accounted as investment in associates.

The Fund is intended to invest primarily in the integrated circuits industry but will also invest in other strategic emerging industries such as energy saving and environmental protection, information technology and new energy as well as some other traditional industries. While we generally expect China's integrated circuits industry to develop rapidly in the next decade and we believe that the other industries we will invest in also have a promising prospect of development, uncertainties due to the slow recovery of the world economy, the global market demand and consumption behaviour may lead to weak market demand in the industries in which we may choose to invest and our investees may not be able to execute their business strategies as successfully as they expect.

As a result, there is no assurance that our investment will be successful. We may incur losses in our investments through the Fund and our overall financial results may be adversely affected by such failure in the Fund's investment activities.

Risks Related to Conducting Operations in the PRC

Our business is subject to extensive government regulation and benefits from certain government incentives, and changes in these regulations or incentives could adversely affect our business and operating results.

The Chinese government has broad discretion and authority to regulate the technology industry in China. China's government has also implemented policies from time to time to regulate economic expansion in China. The economy of China has been transitioning from a planned economy to a market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the

establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency- denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. New regulations or the readjustment of previously implemented regulations could require us to change our business plan, increase our costs or limit our ability to sell products and conduct activities in China, which could adversely affect our business and operating results.

In addition, the Chinese government and provincial and local governments have provided, and continue to provide, various incentives to domestic companies in the semiconductor industry, including our company, in order to encourage the development of the industry. Such incentives include tax rebates, reduced tax rates, favorable lending policies, and other measures. Any of these incentives could be reduced or eliminated by governmental authorities at any time, which would adversely affect our business and operating results.

Because our business is highly dependent on growth in the electronics manufacturing supply chain in China, any slowdown in this growth could adversely affect our business and operating results.

Our business is highly dependent upon the economy and the business environment in China. In particular, our growth strategy is based upon the assumption that demand in China for devices that use semiconductors will continue to grow. Therefore, any slowdown in the growth of consumer demand in China for products that use semiconductors, such as computers, mobile phones or other consumer electronics, could have a serious adverse effect on our business. In addition, our business plan assumes that an increasing number of non-Chinese IDMs, fabless semiconductor companies and systems companies will establish operations in China. Any decline in the rate of migration to China of semiconductor design companies or companies that require semiconductors as components for their products could adversely affect our business and operating results.

Limits placed on exports into China could harm our business and operating results.

The growth of our business depends on the ability of our suppliers to export and our ability to import, into China, equipment, materials, spare parts, process know-how and other technologies and hardware. Any burdensome new restrictions placed on the import and export of these items could adversely impact our growth and substantially harm our business. In particular, the international export control regime led by the United States requires our suppliers and us to obtain licenses to export and import, as applicable, certain of the above items. If we or our suppliers are unable to obtain such licenses in a timely manner, our business and operating results could be adversely affected.

Devaluation or appreciation in the value of the Renminbi or restrictions on convertibility of the Renminbi could adversely affect our business and operating results.

The value of the Renminbi is subject to changes in China's governmental policies and to international economic and political developments. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the People's Bank of China, or the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the

world financial markets. The Renminbi to U.S. dollar exchange rate experienced significant volatility prior to 1994, including periods of sharp devaluation. On 21 July 2005, the PBOC announced an adjustment of the exchange rate of the U.S. dollar to Renminbi from 1:8.27 to 1:8.11 and modified the system by which the exchange rates are determined. The central parity rate of the U.S. Dollar to Renminbi was set at 6.9370 on 31 December 2016 compared with 6.4936 on 31 December 2015 by the PBOC. The cumulative depreciation of the Renminbi against the U.S. dollar in 2016 was approximately 6.83%. There still remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant fluctuation of the Renminbi against the U.S. dollar. As a result, the exchange rate may become volatile and could have an adverse effect on our business and operating results.

In the past, financial markets in many Asian countries have experienced severe volatility and, as a result, some Asian currencies have experienced significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive and therefore place pressure on China's government to devalue the Renminbi. An appreciation in the value of the Renminbi could have a similar effect. Any devaluation of the Renminbi could result in an increase in volatility of Asian currency and capital markets. Future volatility of Asian financial markets could have an adverse impact on our ability to expand our product sales into Asian markets outside of China.

We receive a portion of our sales in Renminbi, which is currently not a freely convertible currency. For the year ended 31 December 2016, approximately 30.7% of our sales were denominated in Renminbi. While we have used these proceeds for the payment of our Renminbi expenses, we may in the future need to convert these sales into foreign currencies to allow us to purchase imported materials and equipment, particularly as we expect the proportion of our sales to China-based companies to increase in the future. Under China's existing foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade may be made in foreign currencies without government approval, except for certain procedural requirements. The Chinese government may, however, at its discretion, restrict access in the future to foreign currencies for current account transactions and prohibit us from converting our Renminbi sales into foreign currencies. If this were to occur, we may not be able to meet our foreign currency payment obligations.

China's legal system embodies uncertainties that could adversely affect our business and operating results.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in China. Despite this activity to develop a legal system, China's system of laws has not been fully implemented. Even where adequate laws exist, enforcement of existing laws or contracts based on such laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment of another jurisdiction. The relative inexperience of China's judiciary system in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be effected by government policies reflecting domestic political changes.

Our activities in China will be subject to administrative review and approval by various national and local Chinese government agencies. Because of the changes occurring in China's legal and regulatory structure, we may not be able to timely secure the requisite governmental approval for our activities, which would adversely affect our business and operating results.

Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our Chinese operating subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one Chinese subsidiary to another in a timely manner.

We are a Cayman Islands holding company. Except for the majority-owned subsidiary in Italy in which we acquired its 70% ownership interest on 29 July 2016, most of our operations are conducted through our Chinese operating subsidiaries, SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMIC Shenzhen, SMIC Advanced Technology Research & Development (Shanghai) Corporation, SMNC and SJ Jiangyin. The ability of these Chinese subsidiaries to distribute dividends and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under Chinese law, these operating subsidiaries may only pay dividends after 10% of their net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of their respective registered capital. In addition, the profit available for distribution from our Chinese operating subsidiaries is determined in accordance with generally accepted accounting principles in China. This calculation may differ from the one performed in accordance with IFRS. As a result, we may not have sufficient distributions from our Chinese subsidiaries to enable necessary profit distributions to us or any distributions to our shareholders in the future.

Distributions by our Chinese subsidiaries to us may be subject to governmental approval and taxation. Any transfer of funds from us to our Chinese subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of Chinese governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. In addition, it is not permitted under Chinese law for our Chinese subsidiaries to directly lend money to one another. Therefore, it is difficult to change our capital expenditures plans once the relevant funds have been remitted from us to our Chinese subsidiaries. These limitations on the free flow of funds between us and our Chinese subsidiaries could restrict our ability to act in response to changing market conditions and reallocate funds from one Chinese subsidiary to another in a timely manner.

Risks Relating to the PRC

Certain facts and statistics in this Offering Circular relating to the PRC economy and the semiconductor industry in the PRC derived from published information may contain inaccuracies.

Some of the facts and statistics in this Offering Circular relating to the PRC, the global and PRC economy and semiconductor industry and related industry sectors are derived from various publications and obtained in communications with various agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of certain source materials. Such facts and statistics have not been independently verified by us or the Managers, and, therefore, neither we nor the Managers make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Offering Circular relating to the PRC economy and the semiconductor industry and related industry sectors may contain inaccuracies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

Changes in the economic and political policies of the PRC government could have an adverse effect on overall economic growth in China, which may adversely affect the business of the Group.

The Group conducts most of its business operations in the PRC. Accordingly, its financial condition, results of operations and prospects depend to a significant extent on economic developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-orientated economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that prospective changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's existing or future business, results of operations or financial condition.

Lower domestic demand in the PRC could adversely affect the financial condition of the Group.

The Group relies primarily on domestic demand to achieve growth in its revenue. Such demand is materially affected by industrial development, the growth of private consumption and the overall economic growth in China as well as policy support for its target industries and for its financial services. Any deterioration of these industries in China resulting from a global economic downturn or the Chinese government's macroeconomic measures affecting these industries may have a material adverse impact on its financial performance and prospects. Furthermore, any deterioration in the financial condition of its customers in these industries or any industry-specific difficulties encountered by these customers could affect its business, thereby materially and adversely affecting its business, financial condition, results of operations and prospects.

Furthermore, the global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. While the rate of deterioration of the global economy slowed in the second half of 2009, with some signs of stabilisation and improvement in 2010 and the first half of 2011, macroeconomic events in 2011 such as the tightening of monetary policy by the PRC and other governments and the sovereign debt crisis in Europe may have an adverse effect on the global and the PRC economies resulting in continuing uncertainty for the overall prospects for the global economies in 2012 and beyond. Any slowdown or recession in the Chinese economy may affect the Group's ability to secure new leases and contracts and its ability to obtain sufficient financing, which may in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

Changes to the PRC tax regime could increase the tax liability of the Group.

Our PRC subsidiaries, jointly controlled entities and associates are entitled to certain exemption and reliefs from PRC income tax for a number of years. No assurance can be given that the tax benefits provided to these joint ventures, subsidiaries, jointly owned entities and associates will remain effective or will not change. If the tax advantages offered are abolished or materially reduced, the tax liability of the Group in the PRC would be increased accordingly.

On 6 December 2007, the State Council adopted the Implementing Rules of PRC EIT Law, effective as of 1 January 2008, which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control of the business operations, employees, accounts and assets of enterprises". Under the PRC EIT Law, an enterprise outside of the PRC whose "de facto management bodies" are located in the PRC is considered a "resident enterprise" and will be subject to a uniform 25% enterprise income tax rate on its global income. In April 2009, the State Administration of Taxation further specified criteria for the determination of the "de facto management bodies" for foreign enterprises, which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its "de facto management bodies" located in the PRC and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC, and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC.

We are not currently treated as a PRC resident enterprise by the relevant tax authorities. There is no assurance that it will not be considered a "resident enterprise" under the PRC EIT Law and not be subject to the enterprise income tax rate of 25% on its global income in the future.

Loans and direct investments in PRC Subsidiaries.

Under PRC law, any capital contributions and loans made by us (as a foreign shareholder) to our PRC-incorporated subsidiaries are subject to the relevant PRC regulatory regime. In terms of a foreign shareholder's loan, the loan made by us to our PRC subsidiaries must be registered with SAFE or any government bureau or agency to which it has delegated this authority. Otherwise, the loans cannot be remitted into the PRC and (if required) converted into Renminbi. In respect of capital contributions made by us to our PRC subsidiaries, we must submit applications to and obtain approvals from the competent foreign investment authority (e.g. MOFCOM or its relevant local branch). Due to the discretionary nature of the approvals and sometimes unpredictable nature of the outcome, the Group cannot assure that it will be able to register the loans or obtain the approvals in a timely fashion, or at all. If the Group fails to complete such registration or obtain such approvals, its ability to finance the operations of its PRC subsidiaries and expansion projects may be adversely affected, which in turn could harm the Group's business, results of operations and financial condition.

The Group's prospects, financial condition and results of operations may be affected by events which are outside its control.

Certain areas in the PRC, including the areas in which the Group operates, may be prone to infectious diseases such as SARS. Outbreaks of infectious diseases in the past have damaged the regional and national economies in the PRC. Over the past few decades, the PRC has suffered health epidemics related to the outbreak of avian influenza, H1N1 virus and SARS. Any prolonged recurrence of avian influenza, SARS or other adverse public health developments in the PRC could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product growth of the PRC. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations.

Natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the Group or its customers. For example, in May 2008, Sichuan Province experienced a strong earthquake, measuring approximately 8.0 on the Richter scale, which caused widespread damage and casualties. In March 2011, an earthquake measuring approximately 9.0 on the Richter scale occurred in Japan causing widespread damage such as radiation leakage from the damaged Fukushima nuclear plant. The risk of radiation exposure has affected Japan and certain parts of the region including the PRC. These natural disasters and consequential damages caused by such events could cause a material economic downturn in the region and may have an adverse effect on the Group's business prospects, financial condition and results of operations.

Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension may have an adverse effect. In addition, the Group may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, the Group's continuity of operation may be adversely affected and the Group's reputation seriously harmed.

Interpretation and enforcement of laws in the PRC may involve uncertainties.

The Group's core business is conducted in the PRC and therefore substantially all of its operations are located in the PRC. Its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, including regulations such as the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the "**NDRC Notice**"). Unlike the common law systems, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Such laws and regulations are still evolving in view of the limited number and non-binding nature of published cases and the relatively new nature of certain of such laws and regulations, such as the NDRC Notice. As such, the interpretation of PRC laws may be subject to political and policy changes. Since 1979, the PRC Government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group.

PRC Labour Contract Law may result in increased labour costs.

On 29 June 2007, the PRC Government enacted the New Labour Contract Law, which became effective on 1 January 2008 and was amended on 28 December 2012. The New Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the New Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts. The employer must also pay compensation to employees if the employer terminates an labour contract without any justified reason. Unless an employee refuses to extend an expired labour contract with fixed term, compensation is also required when the labour contract expires and the employer does not extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees, which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. The Group cannot give assurance that any disputes, work stoppages or strikes will not arise in the future.

PRC Anti-Monopoly Law may involve uncertainties and result in fines and penalties.

The PRC Anti-Monopoly Law, which attempts to prevent monopolistic activities and protect fair competition in the PRC, became effective on 1 August 2008. It prohibits business entities (including us and the Group) from engaging in monopolistic behaviour, entering into monopolistic agreements, abusing a dominant market position or pursuing consolidations, which exclude, restrict or potentially inhibits competition. The PRC Anti-Monopoly Law does not prohibit any business entity from increasing its market share to achieve or maintain a dominant market position through fair competition, nor does it set limits on the market share that any one entity can achieve or maintain in the PRC.

Under the PRC Anti-Monopoly Law, an entity that enters into monopolistic agreements or abuses its dominant market position may be subject to penalties, including confiscation of illegal gains and fines ranging from 1% to 10% of its revenue for the preceding year. If an entity pursues an illegal consolidation, it may be forced to terminate the consolidation, divest its shares and assets or businesses within a limited period or otherwise unwind the consolidation. The operating flexibility of the Group's PRC subsidiaries and the Group's business expansion through a merger with or acquisition of other competitors may be subject to strict examination and approval by MOFCOM, which is the main authority in charge of reviewing anti-monopoly issues related to business combinations. In the event of non-compliance with the PRC Anti-Monopoly Law, the Group may be subject to substantial fines and other penalties. In the event of these circumstances, its business model and revenues may be adversely affected.

Risks Relating to the Securities

The Securities are unsecured and subordinated obligations.

The Securities constitute direct, unsecured and subordinated obligations of the Issuer. Subject to the insolvency laws of the Cayman Islands and other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Securities (other than in relation to the Conversion Right (as defined in the Terms and Conditions of the Securities) will rank senior only to persons whose claims are in respect of any Junior Securities of the Issuer and *pari passu* with the holders of Parity Securities of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer.

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Securities.

The Securities are perpetual securities and investors have no right to require redemption, except in limited circumstances.

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities (except in limited circumstances) at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Furthermore, for so long as Securityholders remain Holders of the Securities, such Securityholders would be subject to a fixed Distribution Rate on the Securities (save for any increase in Distribution Rate provided for in the Terms and Conditions).

The Securities may be redeemed at the Issuer's option on the occurrence of certain events.

At any time following the occurrence of a Triggering Event (as defined in the Terms and Conditions), the Issuer may redeem the Securities, in whole but not in part, at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)). In addition, the Issuer has the right to redeem the Securities at the redemption prices set out in the Terms and Conditions (i) if it has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 November 2017; (ii) if the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer; (iii) upon a Rating Disqualification Event (as defined in the Terms and Conditions); (iv) on or at any time after the Third Anniversary (as defined in the Terms and Conditions), if the closing price of the Shares for any 20 Trading Days (as defined in the Terms and Conditions) out of 30 consecutive Trading Days immediately prior to the date upon which such notice of redemption is given (translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions)) was at least 130 per cent. of the applicable Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)); or (v) if Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 15 of the Terms and Conditions).

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for non-payment under the Securities.

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to Securityholders for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Securities. The right to institute Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Securities is limited to circumstances provided by applicable law.

Changes in accounting standards may impact the Issuer's financial condition or the characterisation of the Securities.

There can be no assurance that the adoption of new accounting policies or new IFRS will not have a significant impact on the Issuer's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to any interpretation of, IFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Issuer, and will give the Issuer the right to redeem the Securities. See "*The Securities may be redeemed at the Issuer's option on the occurrence of certain events*".

The insolvency laws of the Cayman Islands may differ from those of other jurisdictions with which the Holders of the Securities are familiar.

The Issuer is incorporated under the laws of the Cayman Islands, and any insolvency proceeding relating to the Issuer would likely involve Cayman insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of insolvency laws of jurisdictions with which the Securityholders are familiar. The Issuer cannot give any assurance that any deferred Distributions would constitute a claim under applicable insolvency laws of the Cayman Islands with the same ranking as would be afforded to such deferred Distributions in other jurisdictions.

Holders of the Securities are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares.

Holders of the Securities are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Securityholders convert the Securities for Shares and are themselves registered as holders thereof. However, such Securityholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Issuer's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Securities for such Shares and (as applicable) the date of registration by the relevant Securityholder as the holder thereof, that Securityholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

Short selling of the Shares by purchasers of the Securities could materially and adversely affect the market price of the Shares.

The issuance of the Securities may result in downward pressure on the market price of the Shares. Many investors in convertible securities seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Securities.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any further issuance of the Issuer's equity securities after this Offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Issuer may issue equity securities in the future for a number of reasons,

including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt to equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible securities or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair the Issuer's ability to raise capital through the sale of additional equity securities. There is no restriction on the Issuer's ability to issue securities or the ability of any of the Issuer's shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that the Issuer will not issue securities or that the Issuer's shareholders will not dispose of, encumber or pledge the Shares. The Issuer cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Securities as a more attractive means of obtaining equity participation in the Issuer and by hedging or engaging in arbitrage trading activity involving the Securities.

The Issuer may raise other capital which affects the price of the Securities.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders of Securities on a Winding-Up of the Issuer, and may increase the likelihood of a deferral of Distribution or Arrears of Distribution under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments.

Subject to Condition 4(C) of the Terms and Conditions, the Securities confer a right to receive Distribution from the Issue Date, and Distribution shall be payable on the Securities semi-annually in arrear in equal instalments on 14 June and 14 December of each year, with the first Distribution Payment Date falling on 14 June 2018. The Issuer may, at its sole discretion, elect to defer any scheduled Distributions or Arrears of Distribution on the Securities for any period of time, and is not subject to any limits as to the number of times Distributions or Arrears of Distribution can be deferred, unless there has been a breach of the provisions set out under Condition 4(C)(v) of the Terms and Conditions. Although Arrears of Distributions following a deferral are cumulative, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral election notices to Holders of the Securities. Any such deferral will not constitute a default for any purpose.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of debt securities on which original issue discount, interest or distribution accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Securityholders will bear the risk of fluctuations in the price of the Shares.

The market price of the Securities at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Securities. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Securities.

The Issuer's results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares and the Securities.

The trading price and volume of the Shares and the Securities will be influenced by the Issuer's operational results (which in turn are subject to the various risks to which its businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Issuer operates and capital markets in general. Any such developments may result in large and sudden changes to the price of the Shares or Securities. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Securities.

Conversion of the Securities would dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares.

The conversion of some or all of the Securities would dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Securities might encourage short selling of the Shares by market participants.

Securityholders have limited anti-dilution protection.

The Conversion Price (as defined in Terms and Conditions) will be adjusted in the event that there is a subdivision, consolidation or reclassification of Shares, rights issue, capital distribution, capitalisation of profits or reserves or other events. See "*Terms and Conditions of the Securities — Conversion*". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Securities

The Securities may have limited liquidity and the transfer of the Securities may be restricted.

No public market exists for the Securities. There is no current intention to list the Securities other than on the SGX-ST. If any of the Securities are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar Securities and other factors, including general economic conditions and the financial condition, performance and prospects of the Issuer. No assurance can be given as to the future price level of the Securities after their initial issue.

The Issuer has not registered the Securities or the ordinary shares issuable upon conversion of the Securities under the Securities Act or other securities laws. Unless and until the Securities have been registered, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Securities and the Shares issuable upon conversion thereof will not be freely tradable absent registration or an exemption from registration.

The Securities contain provisions regarding modification, waivers and substitution, which could affect the rights of Securityholders.

The Trust Deed contains provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Securities, including holders of Securities who did not attend and vote at the relevant meeting and holders of Securities who voted in a manner contrary to the majority. In addition, a written resolution signed by or on behalf of the holders of not less than 90% of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Securityholders, subject as provided in the Terms and Conditions of the Securities and the Trust Deed, agree to effect any modification to, any waiver or authorisation of any breach or proposed breach of the Trust Deed, the Agency Agreement or the Terms and Conditions of the Securities, if to do so is not in the opinion of the Trustee materially prejudicial to the interests of the Securityholders, or agree to any modification of any of the provisions of the Trust Deed, the Agency Agreement or the Terms and Conditions if it is in the opinion of the Trustee of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorisation or waiver shall be binding on the Securityholders.

The Securities may not be a suitable investment for all investors.

The Securities are complex investment securities. Sophisticated institutional investors generally purchase complex investment securities as a way to reduce risk or enhance yield. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities and the merits and risks of investing in the Securities and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

- understand thoroughly the terms of the Securities; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Exchange Rate Risks.

The value of the US dollar against other foreign currencies fluctuates and is affected by changes in the international political and economic conditions and by many other factors. The Issuer will make all payments of interest and principal with respect to the Securities in US dollar. As a result, the value of these US dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the US dollar depreciates against other foreign currencies, the value of a Securityholder's investment in US dollar or other applicable foreign currency terms will decline.

The Trustee may request Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation instituting proceedings for the Winding-Up (as defined in Terms and Conditions) of the Issuer and/or proving in the Winding-Up of the Issuer and/or claiming in the liquidation of the Issuer for such payment pursuant to Condition 9(B) of the Terms and Conditions and/or taking steps and/or actions and/or instituting proceedings against the Issuer to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed) pursuant to Condition 9(C) of the Terms and Conditions), the Trustee may (at its sole discretion) request Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Securityholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed and the Conditions and applicable laws and regulations, it will be for the Securityholders to take such actions directly.

Lack of a public market for the Securities.

The Securities are a new issue of securities for which there is currently no established trading market when issued, and one may never develop. Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. However, there can be no assurance that the Issuer will be able to maintain such a listing or that, if listed, a trading market will develop for the Securities on the SGX-ST. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Securities.

If an active trading market were to develop, the Securities could trade at a price that may be lower than the initial offering price of the Securities. Whether or not the Securities will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the Issuer's financial condition, financial performance and future prospects;
- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Issuer; and
- changes in the industry and competition affecting the Issuer.

The risks described above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

The investment referred to in this Offering Circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment advisor before making a decision to subscribe for the Securities.

USE OF PROCEEDS

The Company estimates that the net proceeds (net of fees, commissions and expenses) from the sale of the Securities will be approximately US$64,350,000.

The Company intends to use the net proceeds (net of fees, commissions and expenses) from the issue of the Securities for the Company's capital expenditure for capacity expansion and other general corporate purposes.

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange since 18 March 2004. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing share price[1]			Daily average trading volume of shares
	High (HK$)	Low (HK$)	Average (HK$)	
2016				
First Quarter	7.80	6.40	6.87	16,103,138
Second Quarter	7.00	5.90	6.46	11,385,322
Third Quarter	9.00	6.20	7.60	23,783,662
Fourth Quarter	12.18	8.80	10.15	38,296,316
2017				
First Quarter	11.62	9.62	10.62	24,377,560
Second Quarter	9.86	7.74	8.79	25,234,384
Third Quarter	9.31	7.03	8.22	31,358,414

Note:

(1) The closing share prices for the first quarter to fourth quarter of 2016 and for the first quarter to third quarter of 2017 have been adjusted for the share consolidation of the Company which took effect on 7 December 2016, whereby every 10 existing Shares of US$0.0004 each was consolidated into 1 share of US$0.004 (the "**Share Consolidation**").

CAPITALISATION

The following table sets forth the Issuer's consolidated capitalisation as at 30 September 2017 and as adjusted to give effect to the (i) principal amount of the Securities before deducting the issue discount and Manager's commissions and other estimated expenses payable by the issuer in connection with this offering and (ii) the issuance of equity shares on 29 November 2017 after deducting related issuance cost. This table should be read in conjunction with the Issuer's consolidated financial statements and the accompanying notes, which are incorporated by reference in this Offering Circular.

	As at 30 September 2017	
	Actual	As adjusted
	US$'000	US$'000
Borrowings — current	437,375	437,375
Convertible Bonds	406,357	406,357
Long term borrowings		
Borrowings — non-current	1,573,150	1,573,150
Total	2,416,882	2,416,882
Equity		
Ordinary shares	18,606	18,606
Ordinary shares issued on 29 November 2017	—	966
Share Premium	4,475,807	4,475,807
Share Premium issued on 29 November 2017	—	325,799
Reserves	113,900	113,900
Securities to be issued[(1)]	—	65,000
Retained earnings	131,961	131,961
Non-controlling interests	1,250,264	1,250,264
Total equity	5,990,538	6,382,303
Total capitalisation[(2)]	7,563,688	7,955,453

Notes:

(1) In accordance with International Accounting Standard 32 "Financial instrument: Financial liabilities and equity", the Securities shall be recognised as an equity instrument.

(2) Total capitalisation is defined to be the sum of Total equity and Long term borrowings.

Save as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 30 September 2017.

The PRC

The PBOC, the central bank of the PRC, sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for the periods prior to 24 November 2017:

	Noon Buying Rate			
	Low	Average[(1)]	High	Period end
	(CNY per US$1.00)			
Period				
2011	6.294	6.462	6.636	6.294
2012	6.222	6.309	6.388	6.230
2013	6.060	6.148	6.245	6.062
2014	6.040	6.259	6.162	6.205
2015	6.187	6.490	6.283	6.478
2016	6.448	6.640	6.958	6.943
2017				
January	6.836	6.891	6.958	6.877
February	6.852	6.869	6.882	6.863
March	6.869	6.894	6.913	6.883
April	6.878	6.888	6.899	6.890
May	6.810	6.884	6.906	6.810
June	6.729	6.807	6.838	6.779
July	6.724	6.769	6.804	6.724
August	6.589	6.667	6.727	6.589
September	6.477	6.569	6.659	6.653
October	6.571	6.625	6.653	6.633
November (up to 24 November)	6.600	6.624	6.639	6.600

Note:

(1) Determined by averaging the daily rates during that period.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the US dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the US dollar at the rate of HK$7.80 to US$1.00. The Basic Law of Hong Kong (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong. The market exchange rate of the Hong Kong dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market within a boundary. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK$7.80 per US dollar to a rate range of HK$7.75 to HK$7.85 per US dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the US dollar. However, no assurance can be given that the Hong Kong dollar will continue to be linked to the US dollar or at all.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for the periods prior to 24 November 2017:

	Noon Buying Rate			
	Low	Average[1]	High	Period end
	(CNY per US$1.00)			
Period				
2011	7.763	7.784	7.807	7.766
2012	7.749	7.757	7.770	7.751
2013	7.751	7.756	7.766	7.754
2014	7.750	7.767	7.754	7.753
2015	7.750	7.769	7.752	7.751
2016	7.751	7.762	7.827	7.753
2017				
January	7.754	7.756	7.758	7.758
February	7.758	7.760	7.763	7.763
March	7.761	7.766	7.771	7.771
April	7.769	7.774	7.781	7.778
May	7.778	7.786	7.793	7.793
June	7.791	7.798	7.806	7.806
July	7.803	7.809	7.813	7.810
August	7.812	7.822	7.827	7.827
September	7.800	7.813	7.826	7.811
October	7.800	7.805	7.811	7.802
November (up to 24 November)	7.796	7.805	7.812	7.807

Note:

(1) Determined by averaging the daily rates during that period.

Our Subsidiaries

We operate primarily through four wholly-owned subsidiaries (SMIC Shanghai, SMIC Beijing, SMIC Tianjin and SMIC Shenzhen) and three majority-owned subsidiaries (SMNC, ATD and SJ Jiangyin) in the PRC. The table below sets forth our group structure, as at the date of this Offering Circular.

Name of company	Place of establishment and operation	Class of Shares held	Paid up registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company	Principal activities
Better Way Enterprises Limited	Samoa	Ordinary	US$1,000,000	Directly	100%	100%	Provision of marketing related activities
Semiconductor Manufacturing International (Shanghai) Corporation#	People's Republic of China (the "**PRC**")	Ordinary	US$1,740,000,000	Directly	100%	100%	Manufacturing and trading of semiconductor products
SMIC, Americas	United States of America	Ordinary	US$500,000	Directly	100%	100%	Provision of marketing related activities
Semiconductor Manufacturing International (Beijing) Corporation#	PRC	Ordinary	US$1,000,000,000	Directly	100%	100%	Manufacturing and trading of semiconductor products
SMIC Japan	Japan	Ordinary	JPY10,000,000	Directly	100%	100%	Provision of marketing related activities
SMIC Europe S.R.L.	Italy	Ordinary	Euros100,000	Directly	100%	100%	Provision of marketing related activities
Semiconductor Manufacturing International (Solar Cell) Corporation	Cayman Islands	Ordinary	US$11,000	Directly	100%	100%	Investment holding
SMIC Commercial (Shanghai) Limited Company (formerly SMIC Consulting Corporation)#	PRC	Ordinary	US$800,000	Directly	100%	100%	Provision of marketing related activities
Semiconductor Manufacturing International (Tianjin) Corporation#	PRC	Ordinary	US$690,000,000	Directly	100%	100%	Manufacturing and trading of semiconductor products
SMIC Development (Chengdu) Corporation#	PRC	Ordinary	US$5,000,000	Directly	100%	100%	Construction, operation, and management of living quarters, schools, and supermarket
Semiconductor Manufacturing International (BVI) Corporation	British Virgin Islands	Ordinary	US$10	Directly	100%	100%	Provision of marketing related activities
Admiral Investment Holdings Limited	British Virgin Islands	Ordinary	US$10	Directly	100%	100%	Investment holding
SMIC Shanghai (Cayman) Corporation	Cayman Islands	Ordinary	US$50,000	Directly	100%	100%	Investment holding
SMIC Beijing (Cayman) Corporation	Cayman Islands	Ordinary	US$50,000	Directly	100%	100%	Investment holding
SMIC Tianjin (Cayman) Corporation	Cayman Islands	Ordinary	US$50,000	Directly	100%	100%	Investment holding
SilTech Semiconductor Corporation	Cayman Islands	Ordinary	US$10,000	Directly	100%	100%	Investment holding
SMIC Shenzhen (Cayman) Corporation	Cayman Islands	Ordinary	US$50,000	Directly	100%	100%	Investment holding
SMIC Advanced Technology Research & Development (Shanghai) Corporation#	PRC	Ordinary	US$199,000,000	Directly and Indirectly	97.450%	97.450%	Manufacturing and trading of semiconductor products
SMIC Holdings Corporation#	PRC	Ordinary	US$50,000,000	Directly	100%	100%	Investment holding
SJ Semiconductor Corporation	Cayman Islands	Ordinary and preferred	US$5,668	Directly	56.045%	56.045%	Investment holding
SMIC Energy Technology (Shanghai) Corporation#	PRC	Ordinary	US$10,400,000	Indirectly	100%	100%	Manufacturing and trading of solar cell related semiconductor products
Magnificent Tower Limited	British Virgin Islands	Ordinary	US$50,000	Indirectly	100%	100%	Investment holding
SMIC Hong Kong International Company Limited	Hong Kong	Ordinary	HK$1	Indirectly	100%	100%	Investment holding
SMIC Beijing (HK) Company Limited	Hong Kong	Ordinary	HK$1	Indirectly	100%	100%	Investment holding

Name of company	Place of establishment and operation	Class of Shares held	Paid up registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company	Principal activities
SMIC Tianjin (HK) Company Limited	Hong Kong	Ordinary	HK$1	Indirectly	100%	100%	Investment holding
SMIC Solar Cell (HK) Company Limited	Hong Kong	Ordinary	HK$1	Indirectly	100%	100%	Investment holding
SMIC ShenZhen (HK) Company Limited	Hong Kong	Ordinary	HK$1	Indirectly	100%	100%	Investment holding
SilTech Semiconductor (Hong Kong) Corporation Limited	Hong Kong	Ordinary	HK$1,000	Indirectly	100%	100%	Investment holding
Semiconductor Manufacturing International (Shenzhen) Corporation#	PRC	Ordinary	US$127,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
SilTech Semiconductor Shanghai Corporation Limited#	PRC	Ordinary	US$12,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing North China (Beijing) Corporation#	PRC	Ordinary	US$2,400,000,000	Directly and Indirectly	51%	51%	Manufacturing and trading of semiconductor product
China IC Capital Co., Ltd#	PRC	Ordinary	RMB777,000,000	Indirectly	100%	100%	Investment holding
Shanghai Hexin Investment Management Limited Partnership#	PRC	Ordinary	RMB50,000,000	Indirectly	99%	99%	Investment holding
Shanghai Rongxin Investment Management Limited Partnership	PRC	Ordinary	—	Indirectly	99%	99%	Investment holding
SJ Semiconductor (HK) Limited	Hong Kong	Ordinary	HK$1,000	Indirectly	56.045%	56.045%	Investment holding
SJ Semiconductor (Jiangyin) Corporation#	PRC	Ordinary	US$259,500,000	Indirectly	56.045%	56.045%	Bumping and circuit probe testing activities
L Foundry S.r.l#	Italy	Ordinary	EUR2,000,000	Indirectly	70%	70%	Manufacturing and trading of semiconductor products
Ningbo Semiconductor International Corporation#	PRC	Ordinary	RMB255,000,000	Indirectly	66.76%	66.76%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing South China Corporation#	PRC	Ordinary	USD200,475,708	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
SJ Semiconductor USA Co.	United States of America	Ordinary and Preferred	USD500,000	Indirectly	58.045%	58.045%	Provision of marketing related activities
SMIC Sofia#	Bulgaria	Ordinary	BGN1,800,000	Indirectly	100%	100%	Design service
SMIC Innovation Design Service Centre (Ningbo) Corporation#	PRC	Ordinary	—	Indirectly	100%	100%	Research, design and trading of semiconductor products, consulting and training service

Note:

For identification purposes only

Business Overview

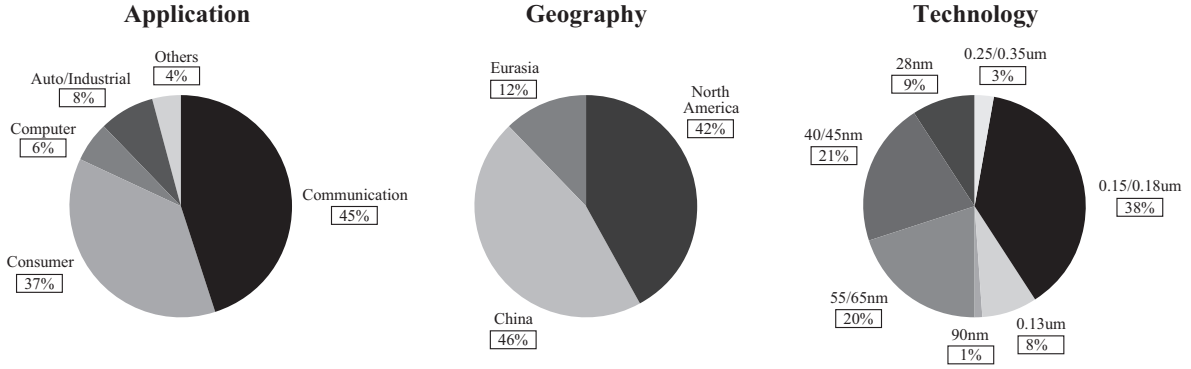
We are one of the leading semiconductor foundries in the world and the largest foundry in the PRC by revenue and capacity. We are also the most technologically advanced foundry in the PRC, providing integrated circuit ("**IC**") foundry and technology services from 0.35-micron (m) down to 28-nanometer (nm).

We are a pure-play IC foundry that provides wafer fabrication of 8-inch and 12-inch wafers. In addition to our top-of-the-line manufacturing capabilities, we provide customers with complete foundry solutions with a seamless flow of services that include mask services, IP development services, back-end design services and turnkey services. With complete foundry solutions, our goal is to help customers to shorten time-to-market in the most cost-effective way. Our services are used by integrated device manufacturers ("**IDMs**") and fabless and system companies to produce integrated circuits for semiconductor chips used in a broad range of fast growing electronic application markets.

We were established in 2000 and are headquartered in Shanghai, the PRC. In 2004, we were listed on the Hong Kong Stock Exchange and the New York Stock Exchange ("**NYSE**"). Our current substantial shareholders include PRC state-owned enterprises ("**SOEs**") such as Datang Telecom Technology & Industry Holdings Co., Ltd. ("**Datang Holdings**") and China Integrated Circuit Industry Investment Fund Co., Ltd. ("**China IC Fund**"). We have received equity investment and strategic support from our SOE shareholders, being major players in their respective fields.

Our market capitalisation as of 30 September 2017 was approximately US$5.3 billion. We have market leading manufacturing capacity in the PRC and operate 12-inch and 8-inch wafer fabrication facilities (fabs) in Shanghai, Beijing, Tianjin, Shenzhen, and Avezzano, Italy. We also have a majority-owned joint venture in Jiangyin for 12-inch fab bumping and related testing. We plan to continue to advance our technology and carefully expand both our mature and advanced capacities via close cooperation with our customers in order to capture available opportunities for growth and notable prospects. We have a network of customer services and marketing offices in the United States, Europe, Japan and Taiwan, and a representative office in Hong Kong.

The following charts set forth our unaudited sales breakdown by application, geography and technology for the nine months ended 30 September 2017:



Note: China — Includes the PRC and Hong Kong
Eurasia — Includes Europe and Asia, excluding the PRC and Hong Kong

We have a global and diversified customer base that includes some of the world's leading IDMs and fabless semiconductor and system companies. We have established long-term relationships with our international and domestic customers, and we have been repeatedly recognised by our customers for the quality of our services, strategic support and technological contributions.

Given our position as the largest and the most technologically advanced foundry in the PRC, we are uniquely positioned to take advantage of the long-term growth of the global and domestic semiconductor markets.

Our Key Strengths

We are the largest and the most technologically advanced foundry in the PRC, and we are ranked in the top four pure-play foundries by revenue globally.

As the first pure-play foundry in the PRC to enter into mass production with 28nm wafer process technology, we are at the forefront of the PRC's foundry business and a beneficiary to the growth of the PRC's semiconductor industry.

We have expanded steadily since our incorporation and established ourselves as one of the leading foundries in the global arena. In each of 2014, 2015, and 2016, we were one of the top four pure-play foundries by revenue globally. Our technology, scale and location in China, together with our capable team, enable us to serve our customers to meet their diverse specifications.

We have established long term relationships and benefited from strong strategic and funding support from the PRC SOE shareholders.

We have a history of strategic and funding support from our PRC SOE shareholders. Datang Holdings became our shareholder in 2008 when it agreed to subscribe for ordinary shares of US$172 million in the Company through its subsidiary, Datang HK, and further strengthened its commitment to us by subscribing for further ordinary shares of US$102 million in 2010. In September 2011, Datang HK subscribed for US$58.9 million in convertible preferred shares (the "**Datang Further Subscription**"). In May 2014, Datang HK subscribed for pre-emptive bonds of US$54.6 million. In February 2016, China IC Fund subscribed for 4,700,000,000 ordinary shares through its wholly-owned subsidiary at the subscription price of HK$0.6593 per share, and the net proceeds of the subscription amounted to approximately US$399.5 million. As of 30 September 2017, our two substantial SOE shareholders hold a combined 33.07% of our shares.

We are uniquely positioned to leverage our research and development ("R&D") leadership in the PRC to benefit from government support of the semiconductor industry.

We were one of the few semiconductor companies included in the PRC central government's 12th 5-Year Plan and 13th 5-Year Plan, which among others, proclaims increasing support of and favourable industrial policies for the domestic semiconductor industry. As such, the government recognises our cornerstone role in the development of the domestic semiconductor eco-system and establishing the PRC standard in the domestic semiconductor industry.

In order to encourage development of the semiconductor industry, the PRC central, provincial and local governments have extended various incentives to domestic companies in the industry, including reduced tax rates. In addition, as the market leader in the PRC, we have been able to enjoy continued government support in the form of funding of R&D

contracts. We have received government funding of US$181.1 million, US$40.2 million and US$57.3 million and recognized US$52.5 million, US$34.3 million and US$37.4 million as reductions of certain R&D expenses in 2016, 2015 and 2014 respectively for several specific R&D projects.

Apart from receiving the aforementioned government support, we have established a joint venture (the "**Beijing Joint Venture**") with China IC Fund, Beijing Semiconductor Manufacturing and Equipment Equity Investment Center (Limited Partnership), Beijing Industrial Development Investment Management Co. Ltd. ("**IDIMC**"), which is wholly owned by the PRC central government, and Zhongguancun Development Group ("**ZDG**"), which was established by the Beijing municipal government to develop the science park. The Beijing Joint Venture is expected to establish and build up significant manufacturing capacity with a focus on 45-nanometer and finer technologies and aims to reach a manufacturing capacity of 35,000 wafers per month. The total investment is estimated to be US$3.59 billion. We will contribute 51.0% of the registered capital, China IC Fund will contribute 26.5% of the registered capital, and Beijing Semi Fund, IDIMC and ZDG will contribute in aggregate 22.5% of the registered capital.

Furthermore, Dr. Liang Mong Song, who was recently appointed as our Co-Chief Executive Officer and Executive Director in October 2017, has a wealth of experience in the R&D arena, in particular in memories and advanced logic process technology developments. We expect Dr. Liang's appointment to further drive our R&D capabilities.

We have strong relationships with high quality, fast-growing domestic and top-tier international customers.

We have a global and diversified customer base that includes some of the leading international and fast growing domestic semiconductor IDMs and fabless and system companies. We have formed partnerships with international global clients and fast growth companies in the PRC which have become our key customers and contribute to an increasing share of our revenues.

Our clients have consistently recognised us as a partner of choice and repeatedly rewarded us for the quality of our services, strategic support and technology contributions. We have received various awards recognising our high level of performance and service as well as technological improvements. Several of these awards came from our top ten customers. Through a formation of global alliances with our top tier international customers and the incubation of local clients, we aim to continue to be the preferred foundry source partner in the PRC for international and domestic IDMs and fabless customers. We are gaining momentum in engaging with our key customers on both differentiated and advanced technologies.

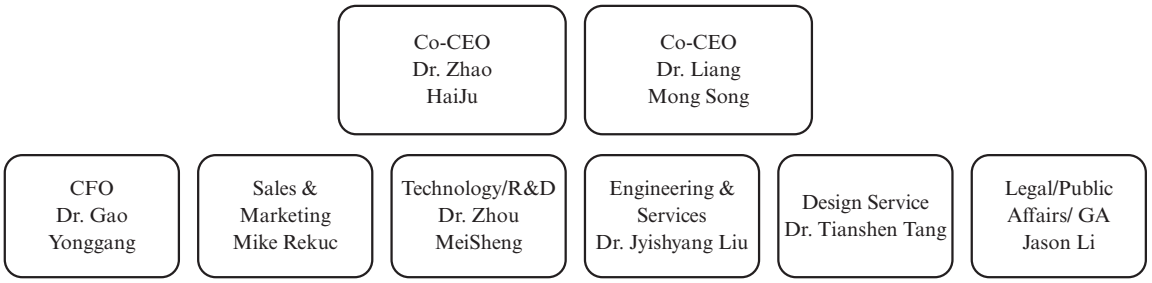
Our long-term relationships with domestic customers continue to be strengthened with our unique combination of scale, advanced technological capabilities, locality and proximity to domestic clients. Our fabs are strategically located in major cities in the PRC with strong high-tech industries and semiconductor bases, such as Beijing, Shanghai, Tianjin and Shenzhen. As a result, we are able to directly access our customers in the same or nearby cities and provide high-level localised services to address our customers' demands.

We are a transparent and compliant foundry in the PRC possessing export licences to manufacture the most advanced IC.

We have received the necessary export licences to provide the most advanced IC manufacturing services in the PRC, which includes manufacturing technology down to 20nm and conducting R&D down to 14nm. We were one of the first batch of companies in the PRC to be selected by the United States government as a validated end-user ("**VEU**"), which permits us to receive United States controlled items without an export licence, including high-tech equipment and spare parts that are restricted to certain countries such as the PRC. We were also the first PRC foundry among the VEU-qualified companies in the PRC to have been granted the right to purchase controlled export items from the United States without having to apply for permits on a case-by-case basis.

These export licensing approvals allow us to provide superior manufacturing services for customers in both domestic and international markets. As the first PRC foundry recognised by the United States government as a VEU, we have established ourselves as a transparent and compliant foundry in the PRC with the most competitive global platform.

We have a highly-experienced management team.



We have a highly-experienced management team. Our senior management team, consisting of eight individuals, is recognised as a group of highly respected industry veterans. Our Co-Chief Executive Officers, Dr. Haijun Zhao and Dr. Liang Mong Song, are semiconductor industry veterans with combined experience of more than 50 years in technology development and operations.

Dr. Zhao, age 54, was appointed as the Executive Director with effect from 16 October 2017 and Chief Executive Officer (now known as Co-Chief Executive Officer) of the Company since 10 May 2017. Dr. Zhao joined the Company in October 2010 and was appointed as Chief Operating Officer and Executive Vice President in April 2013. In July 2013, Dr. Zhao was appointed as General Manager of Semiconductor Manufacturing North China (Beijing) Corporation, a joint venture company established in Beijing and a subsidiary of the Company. Dr. Zhao received his degree in bachelor of science and doctor of philosophy in electronic engineering from Tsinghua University (Beijing) and master degree in business administration from the University of Chicago. He has 25 years of experience in semiconductor operations and technology development. Dr. Zhao has also served as an independent director on the board of directors of Zhejiang Juhua Co., Ltd. (Stock Code: 600160), a company which is listed on the Shanghai Stock Exchange, since November 2016.

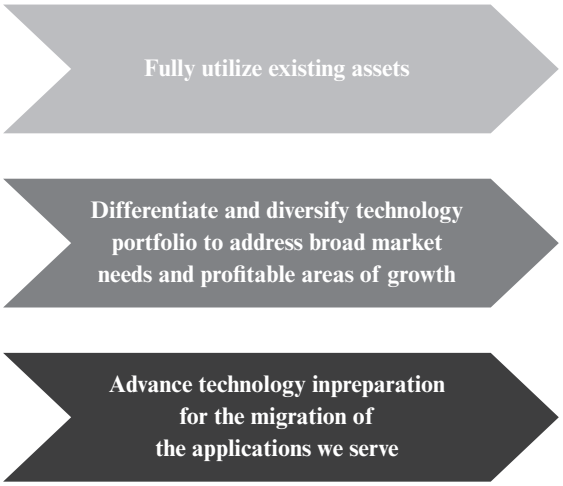
Dr. Liang Mong Song, age 65, was appointed as Co-Chief Executive Officer and the Executive Director of the company since 16 October 2017. Dr. Liang graduated with a doctor of philosophy degree in electrical engineering from the Department of Electrical Engineering and Computer Sciences at University of California, Berkeley. Dr. Liang has

been engaged in the semiconductor industry for over 33 years. Dr. Liang was mainly involved in the memory and advanced logic process technology development. Dr. Liang owns over 450 patents and has published over 350 technical papers. He is a Fellow of the Institute of Electrical and Electronic Engineers (IEEE).

Our management team has extensive experience in operations and technology development. We expect to capitalise on the rich experience and execution capabilities of the management team for the continued growth and development of the Company.

Our Development Strategies

Our long-term business model and strategy continues to focus on generating value for the benefit of all stakeholders. Our strategy to generate sustainable profitability and growth is three-fold. Firstly, we aim for optimal efficiency by fully utilizing existing assets through methods including enhancing customer relationships, quality, and service. Secondly, taking advantage of our position in China, we aim to differentiate and diversify our technology offering by providing customers with added value and innovation that not only allow us to seize market opportunities in China, but also give global customers footing in the fast-growing market. Thirdly, with long-term profitability and growth being our priority, we invest in advancing our technology to capture the needs of our customers. We constantly evaluate the potential value addition of all opportunities in our decision-making processes. Our management team is committed to the goal of building value in the long-term for the benefit of our shareholders, employees and customers.



Fully utilize existing assets

Methodology: capitalise on our location and leading market position in the PRC, optimize product mix, and enhance customer relationships by delivering service and intellectual property support that are of high quality and increased efficiency.

Situated in one of the largest and fastest growing semiconductor markets in the world, we leverage our leading capacity and technology as well as locality and flexibility to win business from fast-growing domestic fabless companies, as well as international customers that are seeking to increase their presence in the PRC.

Through systematic analysis and planning, we selectively expand some of our capacity with minimal investment by adding bottleneck equipment, adjusting product mix and increasing efficiency. We continue to further optimize our product mix to capture demand to maximize utilization of existing and future capacity.

Customer relationships are also a crucial component of utilizing our capacity. As a manufacturing service provider, quality is of utmost importance to our customers. We position ourselves as the preferred foundry partner in the PRC, driven not only by capability and capacity, but also by customer service and quality.

Providing intellectual property ("**IP**") is another critical element of building our customer relationships. We continue to increase and accelerate IP investment and R&D, to further facilitate collaboration with and enhance the level of support provided to our customers. A strengthened IP portfolio will continue to enable us to help fast growing fabless customers to migrate to more advanced technologies, and allow them to satisfy market demand in a timely manner.

Differentiate and diversify our technology offering

Methodology: provide customers with added value and innovation, seize market opportunities in China, pursue leadership in selected differentiated high-margin technology applications and capture first-source opportunities.

Our differentiation strategy is to lead in selected specialty technologies, which have large end-market demand, especially strong growth in China, and attractive margins. In 2016, revenues from 0.11mm to 0.35mm technology increased by 24.6% year-on-year, of which the annual growth rate for sensor-related technology was over 40%. We also continued to apply value-added wafer manufacturing process technologies for specialty applications, such as power management IC, CMOS image sensors ("**CIS**"), eEEPROM, eFlash, embedded microprocessor ("**MCU**"), ultralow-power technologies ("**ULP**"), radio frequencies IC ("**RF**") and wireless connectivity, and fingerprint sensors. These applications are the essential building blocks for both mobile computing market and the growing internet-of-things ("**IoT**") market in the near future. We are well positioned in China to serve both domestic and worldwide customers.

As we focus on differentiating our technology offerings, we invest resources to develop technology that will allow us to seize large market opportunities especially those with strong growth in China. By focusing on differentiation, we aim to be the first source on an increasing number of products. By being a first-source supplier, we will be less affected by market volatility considering our relatively small size. We have begun to see customers using us as their first-source supplier. Going forward, we hope to secure more first-source products.

Advancing our technology

Methodology: invest in R&D, prepare for the migration of the applications we serve, seizes market opportunities for the future, leverage our position in China and strengthen our intellectual property portfolios.

Profitability is our priority. We continue to invest in advancing our technology through research and development on advanced nodes and on mature nodes for our differentiated technology. By continuing to invest in R&D, we aim to secure the future and prepare the baseline for which our differentiated technologies will migrate to in the future. We seek to accelerate our R&D activities and work on precise execution to best serve our customers and capture the opportunities stemming from our position in China.

We leverage our on our location in the PRC to advance our technology by working closely with domestic customers and international customers with design centers in the PRC.

We continue to increase and accelerate IP investment and R&D, to further enhance our technologies and facilitate collaboration with and enhance the level of support provided to our customers. A strengthened IP portfolio will continue to enable us to help fast-growing fabless customers to migrate to more advanced technologies, and allow them to satisfy market demand in a timely manner.

Our Corporate History

We were established as an exempted company under the laws of the Cayman Islands on 3 April 2000. Our principal place of business is 18 Zhangjiang Road, Pudong New Area, Shanghai, China, 201203. Our registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Since 18 March 2004, we have been listed on the New York Stock Exchange under the symbol of "SMI" and the Hong Kong Stock Exchange under the stock code of "00981". CT Corporation System is our agent in the United States of America and its address is 818, West 7 street, 2 Floor, Los Angeles, CA 90017, U.S.A.

We are now the largest and most advanced semiconductor foundry in mainland China. We operate wafer fabrication facilities in China, including facilities at Beijing, Shanghai, Tianjin and Shenzhen, with an aggregate capacity of up to 302,625 8-inch wafer equivalents per month by the end of the first quarter in 2016.

SMIC Shenzhen, which is principally engaged in, among others, the testing, development, design, manufacturing, packaging and sale of integrated circuits, commenced mass production since the third quarter of 2015.

SMNC, our majority-owned subsidiary in Beijing, which is principally engaged in, among others, the testing, development, design, manufacturing, packaging and sale of integrated circuits, commenced mass production since the fourth quarter of 2015.

On 22 December 2014, (i) Siltech Semiconductor (Shanghai) Corporation Limited ("**SilTech Shanghai**"), one of our indirectly wholly-owned subsidiaries; (ii) Jiangsu Changjiang Electronics Technology Co., Ltd. ("**JCET**"); and (iii) China IC Fund entered into a co-investment agreement to form an investment consortium in connection with the proposed acquisition of STATS ChipPAC, a leading provider of advanced semiconductor packaging and test services in the world and which is a company incorporated in Singapore, with its shares listed on the Singapore Exchange Securities Trading Limited before the acquisition. On 18 June 2015, pursuant to the co-investment agreement, we invested US$102 million as capital contribution for a 19.6% ownership interest in Changjiang Xinke, a company incorporated in Jiangsu province, China, which is accounted as an associate of the Group.

On 27 April 2016, SilTech Shanghai and JCET entered into a disposal agreement, pursuant to which SilTech Shanghai agreed to sell its 19.61% ownership interest in Changjiang Xinke to JCET for a consideration of RMB664 million, which will be satisfied by JCET's issue of 43,229,166 shares of JCET to SilTech Shanghai at RMB15.36 per share. On the same day, SilTech Shanghai and JCET entered into a subscription agreement, pursuant to which SilTech Shanghai agreed to subscribe for and JCET agreed to issue 150,681,044 shares of JCET in consideration of an aggregate subscription price of

RMB2,655 million in cash. As of the date of this Offering Circular, the China Securities Regulatory Commission ("**CSRC**") has granted conditional approval for this transaction but the relevant conditions have not been satisfied.

On 23 June 2015, Huawei, Qualcomm Global Trading Pte. Ltd. ("**Qualcomm**"), IMEC International ("**IMEC**") and us jointly issued a press release in relation to the formation of SMIC Advanced Technology Research & Development (Shanghai) Corporation, an equity joint venture company which will focus on R&D relating to the next generation CMOS logic technology and is designed to build China's most advanced integrated circuit development R&D platform. Majority of the shares of SMIC Advanced Technology Research & Development (Shanghai) Corporation is owned by SMIC, with Huawei, IMEC, and Qualcomm being minority shareholders. The current focus of the joint venture company is on developing 14nm logic technology.

On 24 June 2016, we entered into a sale and purchase agreement with LFoundry Europe GmbH ("**LFoundry Europe**") and Marsica Innovation S.p.A ("**Marsica**") pursuant to which LFoundry Europe and Marsica agreed to sell and we agreed to purchase 70% of the corporate capital of LFoundry S.r.l. for an aggregate cash consideration of EUR49 million, subject to adjustment. The acquisition was completed on 29 July 2016.

On 14 October 2016, Ningbo Semiconductor International Corporation ("**NSI**") was jointly established by China IC Capital (the wholly-owned investment fund of SMIC), Ningbo Senson Electronics Technology Co., Ltd, and Beijing Integrated Circuit Design and Testing Fund with a registered capital of RMB355 million, which is equivalent to approximately US$52.8 million. SMIC holds 66.76% of the ownership interest of NSI. NSI will develop analog and specialty semiconductor process technology platforms in the areas of high-voltage analog, radio frequency, and optoelectronics. These developments will support customers in IC design and product development for applications in smart home, industrial and automotive electronics, new generations of radio communications, augmented reality, virtual reality, mixed reality, and other specialty systems.

On 1 December 2016, Semiconductor Manufacturing South China Corporation was established by SMIC Holdings Corporation and SMIC Shanghai. On 7 December 2016, the share consolidation was effective on the basis that every ten issued and unissued ordinary shares and preferred shares of US$0.0004 each in the existing share capital of the Company are consolidated into one ordinary share and preferred share of US$0.004 each.

According to the joint venture agreements entered into by the Group and the non-controlling interest shareholders of SMNC, additional capital injection into SMNC was completed in 2014, 2015 and 2016. The additional capital injection from non-controlling interest shareholders amounted to US$252 million in 2014, US$61.9 million in 2015 and US$754.1 million in 2016, respectively.

According to the joint venture agreements entered into by the Company and the non-controlling interest shareholders of SJ Semiconductor Corporation, additional capital injection into SJ Semiconductor Corporation was completed in 2014, 2015 and 2016. The additional capital injection from non-controlling interest shareholders amounted to US$24.5 million in 2014, US$60.0 million in 2015 and US$60.0 million in 2016, respectively.

We spent approximately US$1,014 million, US$1,573 million and US$2,695 million to construct, equip and ramp up our fabs in 2014, 2015 and 2016, respectively. Currently, our planned capital expenditures in 2017 for foundry operations are approximately US$2.3 billion.

Our Products and Services

Manufacturing of Wafers and Our Manufacturing Capacity

We currently manufacture silicon wafers based on proprietary designs provided by our customers or third party designers.

The following table sets forth the historical capacity and utilization rate of our wafer fabrication and facilities (all output and capacity data is provided as 8-inch wafer equivalents per month at the end of each month) for the years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017.

	For year ended 31 December		For the nine months ended 30 September
Fab	**2015**	**2016**	**2017**
Wafer fabrication capacity[(1)]			
Shanghai 200mm Fab	100,000	108,000	114,000
Shanghai 300mm Fab	31,500	45,000	40,500
Beijing 300mm Fab	83,250	96,750	112,500
Tianjin 200mm Fab.	43,000	45,000	47,000
Shenzhen 200mm Fab	13,000	31,000	32,075
Majority-Owned Beijing 300mm Fab.	13,500	40,500	61,875
Majority-Owned Avezzano 200mm Fab.	—	40,000	40,000
Total monthly wafer fabrication capacity as of year-end	284,250	406,250	447,950

Notes:

(1) Conversion of 12-inch wafers to 8-inch wafer equivalents is achieved by multiplying the number of 12-inch wafers by 2.25.

Our factories manufacture the following types of semiconductors:

- Logic, (including basebands, Application Processor, System on Chip, Microcontroller Unit ("**MCU**"), Display Driver IC, Application Specific Integrated Circuit/Application Specific Standard Parts, Flash Controller, Interface Controller and Timing Controller);
- Mixed-Signal and Radio Frequency ("**RF**") (including RF Combo, WiFi, Bluetooth, Radio Frequency Identification, Global Positioning System ("**GPS**"), Radio Frequency Power Amplifier, Radio Frequency Front End Module, Radio Frequency Transceiver, Fingerprint Sensor, Demodulator and Tuner IC);
- Power IC (including Power Management, LED Driver and High Voltage IC);
- Micro Processor (including MCU64/32/16/8bits, Touch Controller IC, and Digital Signal Processor);
- Memory related (including Static Random Access Memory, Electrically Erasable Programmable Read-Only Memory ("**EEPROM**"), NAND Flash, NOR Flash, embedded EEPROM and embedded Flash);

- Optoelectronics (including Front-Side Illumination and Back-Side Illumination CMOS Image Sensor);

- Other Sensors (including Micro-Electro-Mechanical Systems Microphone, Accelerometer, Gyroscope, Smart Sensors, Inertial Measurement Unit, etc.); and

- Others (including TSV, IPD, 3DIC and Bumping).

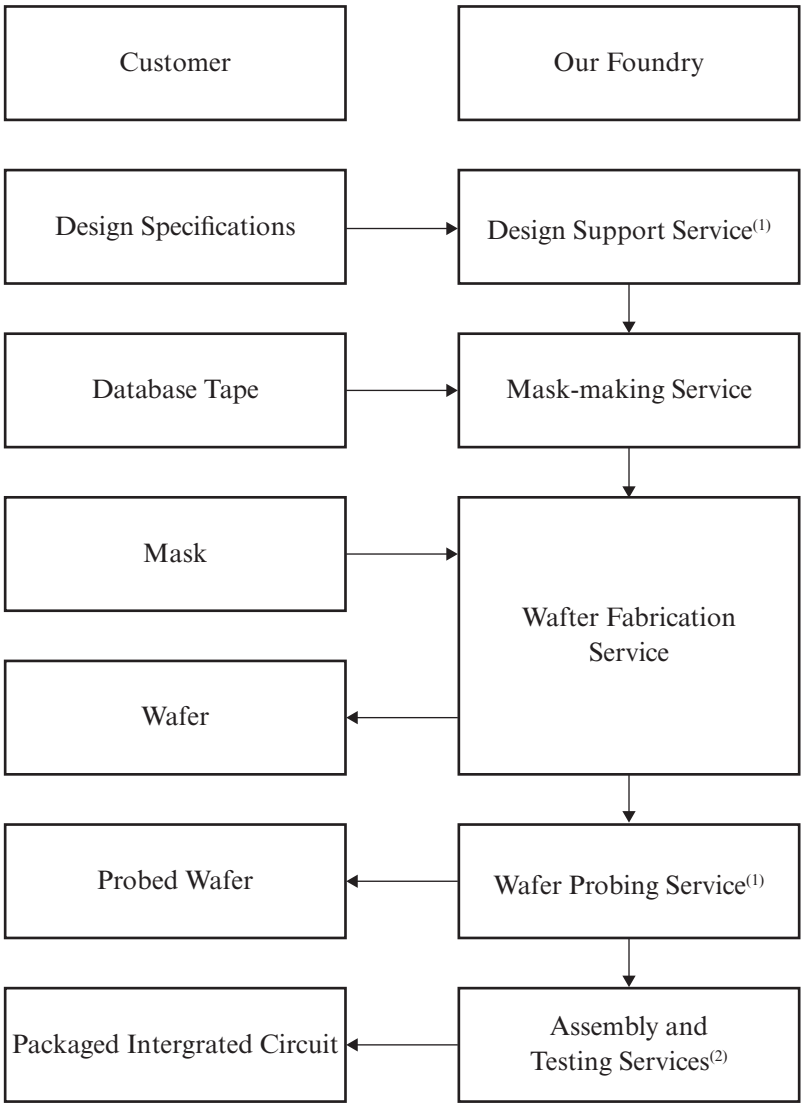
The following table sets forth a percentage breakdown of wafer sales by process technology (nodes) for the years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017:

Process Technologies	For the year ended 31 December 2015	2016	For the nine months ended 30 September 2017
	(based on sales in US$)		
0.028 micron	0.13%	1.59%	6.80%
0.045 micron	15.84%	22.38%	19.90%
0.065 micron	24.31%	20.60%	21.90%
0.09 micron	4.13%	2.28%	1.40%
0.13 micron	10.51%	12.04%	13.50%
0.15 micron	0.61%	0.29%	2.30%
0.18 micron	41.09%	37.82%	31.40%
0.25 micron	0.23%	0.21%	0.20%
0.35 micron	3.15%	2.74%	2.60%
1.5 micron	—	—	—
5 micron	—	0.05%	—
Total	100.00%	100.00%	100.00%

Our Integrated Solutions

In addition to wafer fabrication, we provide our customers with a range of complementary services, from circuit design support and mask-making to wafer level probing and testing. This range of services is supported by our network of partners that assist in providing design, probing, final testing, packaging, assembly and distribution services.

The diagram below sets forth our service model and our key points of interaction with our customers:



Notes:

(1) A portion of this work is outsourced to our service partners.

(2) A portion of these services are outsourced to our service partners.

Our Design Support Services

Our design support services provide our customers with access to the fundamental technology files and libraries that facilitate customers' own integrated circuit design. We also offer design reference flows and access to our design center alliance, as well as layout services to our customers. In addition, we collaborate with industry leaders in electronic design automation, library and IP services to create a worldwide network of expertise, resources and services that are available to our customers.

Our Libraries and Intellectual Property

As part of the fundamental building blocks for our customers' integrated circuit designs, we have a dedicated team of engineers who work with our research and development department to develop, license or acquire selected key libraries and intellectual property from third parties so that our customers can quickly design sophisticated integrated circuits that utilize our new process technologies. These include standard cell, I/O, memory compilers, embedded memory, high-speed interface, peripheral controllers, and embedded processors, among others, using 0.35 micron down to 14 nanometer process technologies. They have been developed primarily through our third-party alliances, as well as by our internal research and development team, to facilitate easy design and fast integration into the overall design system. Our library partners include ARM Ltd. ("**ARM**"), Synopsys, Inc. ("**Synopsys**"), VeriSilicon Holdings Co., Ltd ("**VeriSilicon**") and M31.

Our Mask-making Services

While most of our mask-making services are for customers who use our wafer fabrication services, we also produce masks for other domestic and overseas fabrication facilities as a separate revenue-generating service.

Our mask-making facility, which is located in Shanghai, includes a 4,400 square meters clean room with up to class I specifications. At present, our mask shop offers both five-inch by five-inch, six-inch by six-inch and seven-inch circular reticles. Our facility is capable of producing binary masks, optical proximity correction masks and phase shift masks. Our mask facility also offers mask repair services.

Our Wafer Probing, Bumping, Assembly and Testing Services

We have our own probing facility in Shanghai that provides test program development, probe card fabrication, wafer probing, failure analysis and failure testing. We also outsource these services to our partners. Our probing facility in Shanghai occupies a clean room space of 3,000 square meters, which is rated at Class 1000 cleanliness and equipped with advanced testers, probers and laser repair machines. We have experienced engineers to provide test solution development, probe card fabrication, wafer probing, characterization and failure analysis services for most of eMemory, Logics, SoC, Mix-Signal, CIS and MEMS applications.

We also have a probing facility in Avezzano, Italy, which occupies a clean room space of about 200 square meters rated at Class 100 cleanliness and equipped with advanced testers and probers to provide test solution development, probe card design, wafer probing, characterization and failure analysis services for most of eMemory, Logics, SoC, Mix-Signal and CIS applications.

In addition, we have a majority-owned 300mm bumping factory in Jiangyin, which commenced mass production of high-end bumping and circuit probing in 2016.

We have established a network of partners that provide additional probing and bumping services, as well as assembly and testing services, to serve our customers. These partners, including worldwide and leading domestic assembly and testing companies, have helped to enhance the range of services that we are able to offer our customers.

Our Customers and Markets

We categorize our sales geographically based on the headquarters of customer operations and not the shipment destination. The following table sets forth the geographical distribution of our sales and percentage of sales for the years ended 31 December 2015, and 2016 and for the nine months ended 30 September 2017:

	For the year ended 31 December				For the nine months ended 30 September	
	2015		2016		2017	
Region	Sales	Percentage	Sales	Percentage	Sales	Percentage
	(in US$ thousands, except percentages)					
United States	776,223	34.70%	858,858	29.47%	940,775	40.70%
Mainland China and Hong Kong	1,066,558	47.70%	1,447,427	49.67%	1,062,013	45.90%
Eurasia*	393,634	17.60%	607,895	20.86%	311,213	13.40%
Total	2,236,415	100.00%	2,914,180	100.00%	2,314,001	100.00%

* Excluding Mainland China and Hong Kong

We have a global and diversified customer base that includes IDMs and fabless semiconductor companies and systems companies. A significant portion of our sales is attributable to a relatively small number of our customers. For the year ended 31 December 2016, our five largest customers accounted for 54.6% of our total sales.

The following table sets forth a breakdown of our sales by application type for the years ended 31 December 2015, and 2016 and for the nine months ended 30 September 2017:

	For the year ended 31 December				For the nine months ended 30 September (unaudited)	
	2015		2016		2017	
Region	Sales	Percentage	Sales	Percentage	Sales	Percentage
	(in US$ thousands, except percentages)					
Computing[(1)]	100,958	4.52%	122,451	4.20%	140,309	6.10%
Communications[(2)]	1,152,509	51.53%	1,390,716	47.72%	1,038,969	44.90%
Consumer[(3)]	806,862	36.08%	1,112,821	38.19%	862,650	37.30%
Others	176,086	7.87%	288,192	9.89%	272,072	11.80%
Total	2,236,415	100.00%	2,914,180	100.00%	2,314,001	100.00%

Notes:

(1) "Computing" consists of integrated circuits such as hard disk drive controllers, DVD-ROM/CD-ROM driver, USB and other components that are commonly used in desktop and notebook computers and peripherals.

(2) "Communications" consists of integrated circuits used in both wired and wireless data communications and telecommunications applications.

(3) "Consumer" consists of integrated circuits used for stand-alone DVD players, TV, set top box, game consoles, digital cameras, smart cards and toys.

Our Research and Development

Our research and development activities are principally directed towards the development and implementation of new process technology. We spent US$189.7 million, US$237.2 million and US$318.2 million in 2014, 2015 and 2016 respectively on research and development expenses, which represented 9.6%,10.6% and 10.9% of our sales in the respective years. Our research and development costs were partially offset by related government funding of US$37.4 million, US$34.3 million and US$52.5 million in 2014, 2015 and 2016 respectively, and included the costs associated with the ramp-up of a new wafer facility. We plan to continue to invest significant amounts in research and development in 2017.

The R&D efforts were primarily focused on both advanced logic platform and value-added specialty technologies, from 0.35m to 14nm, with significant results in 2016.

In 2016 our 14nm technology development, process-flow with all intended process features and yield learning vehicles were established with device demonstration close to the given performance targets and SRAM bit cell functionality demonstrated.

We continuously invest in various new specialty technologies with ultra-low power for future areas of Internet of Things (IoT), Cloud Computing, and Smart devices; e.g. 55nm embedded flash memory, back-side illuminated (BSI) CMOS image sensors, 95nm ultra-low power SPOCULL (SMIC-Poly-Contact-Ultra-Low-Leakage) technology, CMOS integrated MEMS devices, and TSV-based wafer level packaging technologies.

We continuously enhance our R&D organization, and in 2016, we improved our organizational structure, capability, efficiency, and resource allocation for achieving faster development on advanced platform technologies as well as new specialty technologies.

As of 31 December 2016, we have been granted 6,447 patents worldwide, of which 69 were in Taiwan, 735 were in the U.S., 5,619 were in China, and 24 were in other jurisdictions.

Our Competition and Marketing Channels

We compete internationally and domestically in the PRC with dedicated foundry service providers, as well as with semiconductor companies that allocate a portion of their fabrication capacity to foundry operations. While different players in the wafer foundry market may compete on factors such as technical competence, production speed and cycle time, time-to-market, research and development quality, available capacity, yields, customer service and price, we seek to compete on the basis of process technology capabilities, performance, quality, service and price. The level of competition differs depending on the process technology involved.

Our competitors are other pure-play foundries such as TSMC, UMC and Global Foundries. Another group of potential competitors consists of IDMs that have established their own foundry capabilities including Fujitsu Limited and Samsung Electronics Co., Ltd..

We have customer service and marketing offices located in the United States, Europe, Japan, Mainland China and Taiwan and a representative office in Hong Kong. Our mainland China offices serve mainland China, Hong Kong and other non-Japan, non-

Taiwan Asian markets, our U.S. office serves the North American market and our Taiwan, Europe and Japan offices serve the Taiwanese, European and Japanese markets, respectively. We also sell some products through sales agents in selected markets.

Some of our competitors have established operations in mainland China in order to compete for the growing domestic market in China. TSMC has its own fab in Shanghai and currently builds a wholly-owned 12-inch wafer manufacturing facility and a design service center in Nanjing. UMC has its majority-owned 8-inch fab in Suzhou and has a 12-inch joint venture fab in Xiamen. In these cases, we understand that the ability of these fabs to manufacture wafers using more advanced technologies is subject to restrictions by the respective home jurisdiction of TSMC and UMC; however, such restrictions could be reduced or lifted at any time, which may lead to increased competition in China with such competitors and adversely affect our business and operating results.

Our Equipment

The quality and level of technology of the equipment used in the semiconductor fabrication process are important because they dictate the limits of the process technology that we use. Advances in process technology cannot be achieved without corresponding advances in equipment technology. The principal equipment used by us to fabricate semiconductors are scanners, cleaners and track equipment, inspection equipment, etchers, furnaces, wet stations, strippers, implanters, sputterers, CVD equipment, testers and probers. We obtain substantially all of our equipment from vendors located in the United States, Europe and Japan.

In implementing our capacity expansion and technology advancement plans, we expect to make significant purchases of equipment required for semiconductor fabrication. Some of the equipment is available from a limited number of vendors and/or is manufactured in relatively limited quantities, and in some cases has only recently become commercially available. Our ability to obtain certain kinds of equipment from outside of China may be subject to restrictions. See "*Risk Factors — Risks Related to Conducting Operations in China-Limits placed on exports into China could substantially harm our business and operating results*."

We maintain our equipment through a combination of in-house maintenance and external contracting with our equipment vendors. We decide whether to maintain ourselves, or sub-contract the maintenance of, a particular piece of equipment based on a variety of factors, including cost, complexity and regularity of the required periodic maintenance and the availability of maintenance personnel in China. Most of our equipment vendors offer maintenance services through technicians based in China.

Our Raw Materials

Our fabrication processes uses many raw materials, primarily silicon wafers, chemicals, gases, and various types of precious and other metals. Raw material costs constituted 24%, 28% and 30% of our manufacturing costs in 2014, 2015 and 2016, respectively.

The three largest components of raw material costs, being raw wafers, chemicals and gases, accounted for approximately 36%, 27% and 9% respectively, of our raw material costs in 2014, approximately 34%, 27% and 9% respectively, of our raw material costs in 2015, and approximately 31%, 30% and 10% respectively, of our raw material costs in

2016. Although most of our raw materials are generally available from several suppliers, substantially all of our principal materials requirements must currently be sourced from outside China.

The most important raw material used in our production is silicon in the form of raw wafers. In 2016, we purchased approximately 73.6% of our overall raw wafer requirements from our three major raw wafer suppliers. The prices of our principal raw material are not considered to be volatile.

For 2016, our largest and five largest raw material suppliers accounted for approximately 12.4% and 38.3% respectively, of our overall raw material purchases. For 2015, our largest and five largest raw material suppliers accounted for approximately 10.4% and 39.0% respectively, of our overall raw material purchases. For 2014, our largest and five largest raw material suppliers accounted for approximately 11.4% and 42.0% respectively, of our overall raw material purchases. Our largest three raw material suppliers remain the same in past three years. Most of our materials are imported free of value-added tax and import duties due to concessions granted to our industry in China.

Our Environmental Matters

The semiconductor production process generates gaseous chemical wastes, liquid waste, waste water, and other industrial wastes in various stages of the fabrication process. We have installed various types of pollution control equipment for the treatment of gaseous chemical waste and liquid waste and equipment for the recycling of treated water in our fabs. Our operations are subject to regulation and periodic monitoring by the PRC's State Environmental Protection Bureau, as well as local environmental protection authorities, including those under the Shanghai Pudong Municipal Government, the Beijing Municipal Government, the Tianjin Municipal Government, the Shenzhen Municipal Government and the Jiangyin Municipal Government which may in some cases, establish stricter standards than those imposed by the State Environmental Protection Bureau. The Chinese national and local environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of fines for serious violations, and authorize the Chinese national and local governments to suspend any facility that fails to comply with orders requiring it to cease or remedy operations causing environmental damage. No such penalties have been imposed on us or any of our subsidiaries for violations of environmental protection.

We believe our pollution control measures are effective and comply with all material requirements applicable to the semiconductor industry in China and are comparable to other countries. Waste generated from our operations, including acid waste, alkaline waste, flammable waste, toxic waste, oxidizing waste and self-igniting waste, are collected and sorted for proper disposal. Furthermore, we have in many cases implemented waste reduction steps beyond the scope of current regulatory requirements. In addition, we continuously investigate methods to lower our energy consumption, including making existing processes more efficient and reclaiming waste heat.

SMIC first received ISO 14001 certification in August 2002. The ISO 14001 standard is a voluntary standard and part of a comprehensive series of standards for environmental management published by the International Standards Organization. The ISO 14001 standard covers environmental management principles, systems and supporting techniques.

In addition, all fabs, save for SJ Jiangyin and LFoundry, that are in operation have been QC080000 certified to be compliant with the hazardous substances management directives, such as the "Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment" which bans the use of various chemicals determined to be harmful to humans and the environment. The Jiangyin site obtained ISO 14001 and plans to apply for OHSAS18001 in 2018 and QC08000 in 2019. Our majority-owned subsidiary in Italy, LFoundry, obtained QC080000 certification in 2017.

We are also proactively protecting the environment by implementing energy saving measures to reduce greenhouse gas emissions. In order to calculate our greenhouse gas output and to reach a reduction goal, SMIC Shanghai and SMIC Tianjin have each obtained ISO 14064 certification since 2010, and SMIC Beijing obtained external certification from a third party since 2014 according to Beijing's local regulation on carbon trading. ISO 14064 is an international standard against which greenhouse gas emissions reports are voluntarily verified. SMIC Shenzhen and SMNC commenced mass production in 2015 and they plan to apply for the ISO 14064 certification in 2017. The Jiangyin site commenced mass production in 2016 and will apply for the ISO 14064 certification in the future.

Our Employees

The following table sets forth, as of the dates indicated, the number of our employees serving in the capacities indicated:

	As of 31 December	
Function	**2015**	**2016**
Managers	962	1,210
Professionals[(1)]	6,112	7,978
Technicians	6,170	8,100
Clerical staff	229	679
Total	13,473	17,967

Note:

(1) Professionals include engineers, lawyers, accountants and other personnel with specialised qualifications, excluding managers.

Our Property

The following table sets forth the location, size and primary use of our real properties and whether such real properties are owned or leased.

Location	Size (Land/Building) (in square meters)	Primary Use	Owned[1] or Leased (Land/ Building)
Zhangjiang High-Tech Park, Pudong New Area, Shanghai. .	45,840/26,870	Headquarter	owned/owned
Zhangjiang High-Tech Park, Pudong New Area, Shanghai. .	361,805/201,772	Wafer fabrication	owned/owned
Beijing Economic and Technological Development Area[2]	240,140/428,958	Wafer fabrication	owned/owned
Xiqing Economic Development Area, Tianjin.	215,733/70,578	Wafer fabrication	owned/owned
Shenzhen Export Processing Zone, Shenzhen Pingshan New Area, Guangdong	200,060/na	Wafer fabrication	owned/na
Jiangyin National High-Tech, Industrial Development Zone, Jiangsu Province	182,082/14,194	Bumping and circuit probe testing	owned/leased
Japan	na/103	Marketing activities	na/leased
USA	na/2,092	Marketing activities	na/leased
Milan, Italy	na/309	Marketing activities	na/owned
Avezzano (AQ), Italy	240,009/53,583	Wafer fabrication	owned/owned
Sofia, Bulgaria	na/224	Research and Development	na/leased
Taiwan	na/500	Marketing activities	na/leased
Hong Kong[3].	na/300	Representative Office	na/owned

Notes:

(1) With respect to land located in China, "ownership" refers to holding a valid land use right certificate. All land within municipal zones in China is owned by the Chinese government. Limited liability companies, joint stock companies, foreign-invested enterprises, privately held companies and individual natural persons must pay fees to be granted right to use land within municipal zones. Legal use of land is evidenced and sanctioned by land use certificates issued by the local municipal administration of land resources. Land use rights granted for industrial purposes are limited to a term of no more than 50 years.

(2) As at the date of this Offering Circular, the land use right certificate for Beijing Economic and Technological Development Area has not been obtained.

(3) In February 2006, we purchased approximately 300 square meters of property in Hong Kong through our indirect wholly-owned subsidiary, Magnificent Tower Limited, a company incorporated in the British Virgin Islands.

Our right to continued use of the land is subject to our continued compliance with the land use agreement that each of our Chinese subsidiaries has executed. The Chinese government has reserved the right to revoke our land use rights for special eminent domain purposes, in which case the government will compensate us.

Our Capacity Expansion Plans

We have expanded our production capacity in the past years, and plan to continue to expand through organic growth, joint ventures and acquisitions. An increase in capacity may have a significant effect on our results of operations, both by allowing us to produce and sell more wafers and achieve higher sales, and by functioning as a cost component in the form of acquisition costs and depreciation expenses. In 2017, we expect that most of our expansion will be in Beijing 300mm fab and majority-owned Beijing 300mm fab. Our target, subject to market conditions, is to reach 113,000 8-inch wafers per month installed capacity in our Shanghai 200mm fab, 36,000 8-inch wafers per month installed capacity in our Shenzhen 200mm fab, 48,000 12-inch wafers per month installed capacity in our Beijing 300mm fab and 30,000 12-inch wafers per month installed capacity in our majority-owned Beijing 300mm fab by 31 December 2017.

THE BOARD OF DIRECTORS

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

As at the Latest Practicable Date, the Board consisted of 15 Directors. Our Board comprises:

Name of Director	Age	Position	Class	Directorship Appointment Commencement Date
Zhou Zixue	61	Chairman and Executive Director	I	6 March 2015
Zhao Haijun	54	Co-Chief Executive Officer and Executive Director	II	16 October 2017
Liang Mong Song	65	Co-Chief Executive Officer and Executive Director	III	16 October 2017
Gao Yonggang	52	Chief Financial Officer, Executive Vice President and Strategic Planning and Executive Director	I	23 June 2009
William Tudor Brown	59	Independent Non-Executive Director	I	8 August 2013
Lip-Bu Tan	58	Independent Non-Executive Director	II	3 November 2001
Carmen I-Hua Chang	69	Independent Non-Executive Director	II	1 September 2014
Shang-yi Chiang	71	Independent Non-Executive Director	III	20 December 2016
Jason Jingsheng Cong	54	Independent Non-Executive Director	III	14 February 2017
Chiu Tzu-Yin	61	Vice Chairman and Non-Executive Director	I	11 May 2017
Chen Shanzhi	48	Non-Executive Director	II	23 June 2009
Zhou Jie	49	Non-Executive Director	III	23 January 2009
Ren Kai	45	Non-Executive Director	III	11 August 2015
Lu Jun	49	Non-Executive Director	II	18 February 2016
Tong Guohua	60	Non-Executive Director	I	14 February 2017

Directors

Zhou Zixue
Chairman of the Board, Executive Director

Dr. Zhou Zixue joined SMIC in 2015 and is currently the Chairman of the Board. Dr. Zhou received a master degree in management engineering from The University of Electronic Science and Technology of China and a Ph.D in Economic History from Central China Normal University. Prior to joining the Company, Dr. Zhou had served as Chief Economist in the Ministry of Industry and Information Technology of China ("**MIIT**") since April 2009. He was the Director General in the Department of Finance of MIIT from 2008 to 2009. Dr. Zhou had worked as Director General and Deputy Director General in the Ministry of Information Industry of China and Deputy Director General of the Ministry of Electronics Industry ("**MEI**") and had served in other different divisions of the MEI and the Ministry of Machinery and Electronics Industry. Dr. Zhou had previously worked in Beijing State Owned Dongguangdian Factory, one of the then largest semiconductor enterprises in China, responsible for accounting and marketing. Dr. Zhou is also the secretary general of the China Information Technology Industry Federation, chairman of the board of directors of the China Semiconductor Industry Association, the executive deputy director of the Standing Committee of Electronic Science and Technology Commission of China, a member of the National Informatization Expert Advisory Committee, a director of Chinese Accounting Association, the executive director and vice chairman of the board of directors of the China Institute of Electronics, the vice president of China Electronic Chamber of Commerce, the executive director of China Association of Chief Financial Officers and the president of its electronic branch and an Adjunct Professor of each of Beihang University, Beijing Institute of Technology, Renmin University of China, Nanjing University of Science and Technology, Zhejiang University, University of Electronic Science and Technology. Dr. Zhou is also the director of Hisense Electric Company Limited listed on the Shanghai Stock Exchange, the chairman of the board of directors of SMIC Holdings Corporation and SJ Semiconductor (Jiangyin) Corporation.

Zhao Haijun
Co-Chief Executive Officer, Executive Director

Dr. Zhao Haijun became the Executive Director of the Company on 16 October 2017 and has been the Chief Executive Officer (now known as Co-Chief Executive Officer) of the Company since 10 May 2017. Dr. Zhao joined the Company in October 2010 and was appointed as Chief Operating Officer and Executive Vice President in April 2013. In July 2013, Dr. Zhao was appointed as General Manager of Semiconductor Manufacturing North China (Beijing) Corporation, a joint venture company established in Beijing and a subsidiary of the Company. Dr. Zhao received his degree in bachelor of science and doctor of philosophy in electronic engineering from Tsinghua University (Beijing) and master degree in business administration from the University of Chicago. He has 25 years of experience in semiconductor operations and technology development. Dr. Zhao has also served as an independent director on the board of directors of Zhejiang Juhua Co., Ltd. (Stock Code: 600160), a company which is listed on the Shanghai Stock Exchange, since November 2016.

Liang Mong Song
Co-Chief Executive Officer, Executive Director

Dr. Liang Mong Song became the Executive Director and Co-Chief Executive Officer of the Company on 16 October 2017. Dr. Liang graduated with a doctor of philosophy degree in electrical engineering from the Department of Electrical Engineering and Computer Sciences at University of California, Berkeley. Dr. Liang has been engaged in the semiconductor industry for over 33 years. Dr. Liang was involved in the memories and advanced logic process technology developments. Dr. Liang owns over 450 patents and has published over 350 technical papers. He is a Fellow of Institute of Electrical and Electronics Engineers (IEEE).

Gao Yonggang
Chief Financial Officer, Executive Vice President, Strategic Planning & Executive Director

Dr. Gao Yonggang, a non-executive Director since 2009, has been appointed as Executive Vice President, Strategic Planning of the Company and has been re-designated as an executive Director since 17 June 2013. He has been appointed as the Chief Financial Officer of the Company since 17 February 2014. Dr. Gao is a director of six subsidiaries of the Company, namely Semiconductor Manufacturing International (Shanghai) Corporation, Semiconductor Manufacturing International (Beijing) Corporation, Semiconductor Manufacturing International (Tianjin) Corporation, Semiconductor Manufacturing North China (Beijing) Corporation, Semiconductor Manufacturing International (Shenzhen) Corporation and SMIC Holdings Corporation. He is also chairman of the board of China FortuneTech Capital Co., Ltd, the Company's joint venture with independent third parties. Dr. Gao has more than 30 years of experience in the area of financial management and has worked as Chief Financial Officer or person in charge of finance in various industries, including commercial, industrial, and municipal utilities, and in various types of organizations, including state-owned enterprises, private companies, joint ventures, and government agencies. Dr. Gao was the Chief Financial Officer of the China Academy of Telecommunications Technology (Datang Telecom Technology & Industry Group), the chairman of Datang Capital (Beijing) Co., Ltd. and Datang Telecom Group Finance Co., Ltd., and an executive director of Datang HiTech Venture Capital Investment Co., Ltd. He was also a director and the Senior Vice President of Datang Telecom Technology & Industry Holdings Co., Ltd.. Dr. Gao is a standing committee member of Accounting Society of China, standing director of Enterprise Financial Management Association of China, independent director of GRINM Semiconductor Materials Co., Ltd. Dr. Gao graduated from Nankai University with a Ph.D. in management. He has conducted studies in the field of financial investment, and has been involved in a number of key research projects and publications in this area. Dr. Gao is also a Fellow of the Institute of Chartered Accountants in Australia. Founding Member, director of The Hong Kong Independent Non-Executive Director Association.

Tzu-Yin Chiu
Vice Chairman and Non-Executive Director

Dr. Tzu-Yin Chiu has over 30 years' experience in the semiconductor industry and a track record of managing successful semiconductor manufacturing companies at the executive level. Dr. Chiu's expertise spans technology research, business development, operations and corporate management. Dr. Chiu earned his bachelor's degree in electrical and systems engineering at Rensselaer Polytechnic Institute in New York, and his doctorate in electrical engineering and computer science at the University of California, Berkeley. He has also earned an executive MBA degree from Columbia University in New York. Dr.

Chiu returned to SMIC in August 2011 as CEO and Executive Director. Dr. Chiu was Vice Council Chairman of China Semiconductor Industry Association (CSIA) and a board member of Global Semiconductor Alliance (GSA). In 2015, Dr. Chiu was awarded the Shanghai Magnolia Award by the Shanghai Municipal Government. In May 2017, Dr. Chiu resigned from the role of SMIC's CEO, and now serves as SMIC's Vice Chairman and Non-Executive Director. Dr. Chiu is also one of the global experts of "the Thousand Talents Plan" initiated by China, and a member of the Engineering Advisory Board of University of California, Berkeley.

Chen Shanzhi
Non-executive Director

Dr. Chen Shanzhi has been a non-executive Director since 2009. Dr. Chen is currently the SVP and CIO of the China Academy of Telecommunications Technology (Datang Telecom Technology & Industry Group). He is also the SVP of Datang Telecom Technology & Industry Holdings Co., Ltd., where he is responsible for strategy development, technology and standards development, corporate IT, strategic alliances and cooperation, investment budget management, and external Industrial Investment. Dr. Chen received his bachelor's degree from Xidian University, his master's degree from the China Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications, and his Ph.D. from Beijing University of Posts and Telecommunications. Dr. Chen has 20 years of experience in the field of information and communication technology, during which he has been involved in research and development, technology and strategy management. Dr. Chen has made important contributions to the industrialization of TDSCDMA 3G and the development of TD-LTE-Advanced 4G international standards. Dr. Chen is currently an Expert Advisory Group member of National Science and Technology Platform, the chairman of Chinese high-tech Industrialization Association for Information Technology Committee, a director of The Chinese Institute of Electronics, an executive director of China Institute of Communications, a director of China Communications Standards Association (CCSA) and a senior member of IEEE. Dr. Chen was a member of the IT Experts Panel of the National 863 Program and a member of the Programming Group of the major project of "The New generation Broadband Wireless Mobile Communications Network". Dr. Chen has four publications, one of which was published by the Springer in English. He has more than 150 papers in domestic and foreign academic conferences and publications, of which more than 70 were published by SCI and EI. Many of his papers have received awards. At present, he has applied for more than 20 national invention patents. Dr. Chen received the Grand Prize for National Science and Technology Progress Award China in 2016, the second prize for the State Award for Technological Invention China in 2015, the first prize for the 2012 National Science and Technology Progress Award, the second prize for the 2001 National Science and Technology Progress Award, the Ninth Guanghua Engineering Science and Technology Award, the first prize for the 2012 China Institute of Communications Science and Technology Award and the first prize for the 2009 National Enterprise Management Modernization Innovation Achievement Award and other honors.

Zhou Jie
Non-Executive Director

Mr. Zhou Jie has been a Director since 2009. Mr. Zhou is the secretary of CPC committee and the chairman of the board of Haitong Securities Co., Ltd. (listed on the Shanghai Stock Exchange under the code of 600837 and listed on the Hong Kong Stock Exchange under the stock code of 6837) since July 2016. From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai International

Securities Company. From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of the investment department, the vice general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Management Co., Ltd.. From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited. From January 2002 to July 2016, he acted, successively, as the executive director and the vice executive officer, the executive director and the executive vice president, the vice chairman and chief executive officer of Shanghai Industrial Holdings Limited (listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he was the chief planning officer, the executive director and vice president, the executive director and executive vice president, and the president and secretary of the CPC committee of SIIC Shanghai (Holding) Co., Ltd. From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 601607 and listed on the Hong Kong Stock Exchange under the stock code of 2607), of which he was the chairman of the board of directors and the secretary of the CPC committee from June 2012 to June 2013 and from May 2016 to July 2016. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He has over 20 years of experience in corporate management, investment banking and capital markets operation.

Ren Kai
Non-Executive Director

Mr. Ren Kai has been a director since 2015. Mr. Ren currently also serves as a director of SJ Semiconductor (Jiangyin) Corporation since April 2016. Since September 2014, Mr. Ren has been serving as the Executive Vice President of Sino IC Capital. From October 2007 to August 2014, he had served as the Director of the Review Board 4 of the Review Bureau 2 of China Development Bank. From October 2004 to December 2007, Mr. Ren served as a Deputy Director of each of the Review Board 3 and the Review Board 4 of the Review Bureau 2 of China Development Bank. From July 1995 to October 2004, Mr. Ren had worked in the Electromechanical Textile Credit Bureau, Chengdu representative office, the Review Bureau 4, the Review Bureau 3 and the Review Bureau 2 of China Development Bank. Mr. Ren received a bachelor degree in industry and international trade from Harbin Engineering University. Mr. Ren has been engaged in loan review programs and investment operations in the fields of equipment and electronics he is familiar with industrial policies and has in-depth understanding in integrated circuit and related industries. Mr. Ren had gained extensive experience in investment management while he was working in the Review Board 2 of China Development Bank as he led the team to complete the review of hundreds of major projects with annual review commitments of over RMB100 billion and accumulative review commitments of over RMB30 billion in the field of integrated circuit.

Lu Jun
Non-Executive Director

Mr. Lu Jun has been a Non-Executive Director since 18 February 2016. Since August 2014, in addition to serving as President of Sino IC Capital Co., Ltd, he is also the Chairman of Sino IC Leasing Co., Ltd. Since May 2010, Mr. Lu has been serving as Executive Vice President of China Development Bank Capital Co., Ltd (which is a wholly owned subsidiary of China Development Bank Co., Ltd, and has so far been the only large scale agency in China's banking industry for RMB equity investment, and has formed an integrated platform for strategic investments domestically and internationally). Previously, Mr. Lu worked for China Development Bank for more than 20 years and accumulated a wealth of experience in credit, industry investment and fund investment. As Mr. Lu has

been engaged in loan review programs and investment operations in the fields of equipment and electronics, he is familiar with industrial policies and has in-depth understanding of integrated circuit and related industries. From July 2007 to May 2010, Mr. Lu had served as the Deputy Director of China Development Bank Shanghai Branch. From April 2006 to July 2007, Mr. Lu served as the Director of industrial integration innovation of Investment business bureau of China Development Bank. From April 2003 to April 2006, Mr. Lu served as the Director of each of the Review Board of China Development Bank Jiangsu Branch and Nanjing Branch. From September 2002 to April 2003, Mr. Lu served as the Director of the Review Board of China Development Bank Nanjing Branch. From March 1994 to September 2002, Mr. Lu had worked in the Traffic credit bureau, East China credit bureau, finance department of Nanjing Branch, and the Review Bureau 2 of Nanjing Branch of China Development Bank. Mr. Lu obtained a Master of Business Administration from Nanjing University and holds a bachelor degree in Shipping and Marine engineering from Hohai University.

Lip-Bu Tan
Independent Non-Executive Director

Mr. Lip-Bu Tan has been a Director since 2001 and is also a director of a subsidiary of the Company. Mr. Tan is the Founder and Chairman of Walden International, a leading venture capital firm managing over US$2.0 billion in committed capital. He concurrently serves as President and Chief Executive Officer of Cadence Design Systems, Inc., and has been a member of the Cadence Board of Directors since 2004. He also serves on the boards of Ambarella Corp., Hewlett Packard Enterprise, the Global Semiconductor Alliance and several other private companies. Mr. Tan received his B.S. from Nanyang University in Singapore, his MBA from the University of San Francisco, and his M.S. in Nuclear Engineering from the Massachusetts Institute of Technology.

William Tudor Brown
Independent Non-Executive Director

Mr. William Tudor Brown has been a Director since 2013. He is a Chartered Engineer, a Fellow of the Institution of Engineering and Technology and a Fellow of the Royal Academy of Engineering. He holds a MA (Cantab) Degree in Electrical Sciences from Cambridge University. Mr. Brown was one of the founders of ARM Holdings plc, a British multinational semiconductor and software design company listed on London Stock Exchange and NASDAQ. In ARM Holdings plc, he served as President during the period from July 2008 to May 2012. His previous roles include Engineering Director and Chief Technology Officer, EVP Global Development and Chief Operating Officer. He had responsibility for developing high-level relationships with industry partners and governmental agencies and for regional development. Before joining ARM Holdings plc, Mr. Brown was Principal Engineer at Acorn Computers and worked exclusively on the ARM R&D programme since 1984. Mr. Brown served as a director at ARM Holdings plc from October 2001 to May 2012. He was also a director of ARM Ltd. From May 2005 to February 2013, he was a director of ANT Software PLC (a company listed on AIM of London Stock Exchange). Mr. Brown served on the UK Government Asia Task Force until May 2012. He sat on the advisory board of Annapurna Labs until the sale of the company in 2015. Currently Mr. Brown is a director and a member of the compensation committee and chair the nominations committee at Tessera Technologies, Inc. (a company listed on NASDAQ). He is also an independent non-executive director and a member of each of the Audit Committee and the Compensation Committee of Lenovo Group Limited (a company

listed on Main Board of The Stock Exchange of Hong Kong Limited) and an independent non-executive director and a member of the Compensation Committee of Marvell Technology Group (a company listed on NASDAQ).

Carmen I-Hua Chang
Independent Non-Executive Director

Ms. Carmen I-Hua Chang has been an Independent Non-Executive Director since September 2014. Ms. Chang has been involved in seminal cross border transactions between China and the US including the earliest investments by Goldman Sachs in China Netcom and the key transactions of companies such as Lenovo, Foxconn, Google, Tencent, Netease, CEC, China Mobile, Spreadtrum and SMIC. In 2012, Ms. Chang joined New Enterprise Associates (NEA), a venture fund with over US$14 billion dollars under management, where she serves as Partner and Managing Director, Asia (ExIndia). Prior to joining NEA, she was a partner at a Silicon Valley law firm, where she headed up its China practice. She is an affiliate of the Center for International Security and Cooperation at Stanford University — Stanford University's main research organization on international issues — as well as a fellow at the Stanford Business School and Stanford Law School's Rock Center for Corporate Governance. Ms. Chang also serves as an Independent Non-Executive Director of AAC Technologies Holdings Inc. (SEHK: 2018). Ms. Chang is also on the board of directors for Ruizhang Technologies, Airtake and Availink. Ms. Chang received a graduate degree in modern Chinese history from Stanford University and a Juris Doctor degree from Stanford Law School.

Shang-yi Chiang
Independent Non-Executive Director

Dr. Shang-yi Chiang became the Independent Non-Executive Director on 20 December 2016. During Dr. Chiang's 40-year career in the semiconductor industry, he has contributed to the research and development of CMOS, NMOS, Bipolar, DMOS, SOS, SOI, GaAs lasers, LED, E-Beam lithography and silicon solar cells. At Taiwan Semiconductor Manufacturing Company Ltd. ("**TSMC**"), Dr. Chiang led its R&D team to set milestones in the semiconductor technology in the 0.25um, 0.18um, 0.15um, 0.13um, 90nm, 65nm, 40nm, 28nm, 20nm and 16nm FinFET generations, and transformed TSMC from a technology follower to a technology leader. He worked at Texas Instruments and Hewlett-Packard after completing his education. Then, he returned to Taiwan in 1997 to serve as TSMC's Vice President of Research and Development. He was Co-Chief Operating Officer when he retired at the end of 2013. After that, Dr. Chiang served two more years as the Adviser to Chairman at TSMC. Dr. Chiang earned his Bachelor of Science degree from National Taiwan University in 1968, his Master of Science degree from Princeton University in 1970 and his Doctorate from Stanford University in 1974, all in Electrical Engineering. Dr. Chiang's achievements include many awards and honours. In 2001, he was chosen as one of the 50 "Stars of Asia" by Businessweek Magazine. This award recognises the outstanding performance of TSMC's R&D team under his leadership, vision and determination. He was made a Life Fellow of the Institute of Electrical and Electronics Engineers (IEEE) in 2002. He received ERSO Award and was honoured as National Taiwan University Distinguished Alumni in 2013. He won IEEE Ernst Weber Managerial Leadership Award and was elected ITRI (Industrial Technology Research Institute) Laureate by the Taiwan Government in 2015.

Jason Jingsheng Cong
Independent Non-Executive Director

Dr. Jason Jingsheng Cong became a Director on 14 February 2017. He is currently also serving as a Chancellor's Professor at the Computer Science Department of University of California, Los Angeles, the Director of Center for Domain-Specific Computing, and the Director of VLSI Architecture, Synthesis and Technology (VAST) Laboratory. He served as the chair of the UCLA Computer Science Department from 2005 to 2008. He has served as an Associate Vice Provost for Internationalization and a co-director of the Peking University-UCLA Joint Research Institute since 2009. On 8 February 2017, Dr. Cong was elected as a member of the US National Academy of Engineering. Dr. Cong is the Co-founder and Chief Scientific Advisor of Falcon Computing Solutions Inc., and is currently serving as its Chairman of the Board of Directors. He is currently also a director of Inspirit, Inc. In addition, he is a distinguished visiting professor at Peking University and the Director of PKU Center for Energy-Efficient Computing and Applications (CECA). Dr. Cong's research interests include electronic design automation and energy-efficient computing. He has published over 400 research papers in these areas. He received 10 Best Paper Awards and three 10-Year Retrospective Most Influential Paper Awards. He also received the 2011 ACM/IEEE A. Richard Newton Technical Impact Award in Electric Design Automation "for pioneering work on technology mapping for FPGA that has made significant impact on the FPGA research community and industry". He was elected IEEE Fellow in 2000 and ACM Fellow in 2008. He received the 2010 IEEE Circuits and System (CAS) Society Technical Achievement Award and the 2016 IEEE Computer Society Technical Achievement Award. He is the only scientist who has received a Technical Achievement Award from both the IEEE CAS Society and the Computer Society. Dr. Cong was elected as a member of the US National Academy of Engineering in 2017. Dr. Cong received his B.S. degree in computer science from Peking University in 1985, his M.S. and Ph. D. degrees in computer science from the University of Illinois at Urbana-Champaign in 1987 and 1990, respectively.

Tong Guohua
Non-Executive Director

Dr. Tong Guohua became a Non-Executive Director on 14 February 2017. Dr. Tong is also a professorate senior engineer and doctoral tutor of the School of Public Administration of Huazhong University of Science and Technology. Dr. Tong became President and Secretary of Party of China Academy of Telecommunications Technology as well as President and Executive Director of Datang Telecom Technology & Industry Holdings Co., Ltd. in July 2016. He began working in August 1974 and was President and Secretary of Party of Wuhan Institute of Posts and Telecommunications from November 2004. Dr. Tong has been elected as a "National Model Worker" and he was the representative of the eleventh and twelfth National People's Congress. Dr. Tong was awarded the title "Young Experts with Outstanding Contributions of Hubei Province" in 2004. In 2006, he was awarded as one of the "Top Ten Outstanding Entrepreneurs in the Brand Building of China", "Outstanding Employee Representative of Hubei Province" and "Entrepreneur with Outstanding Contribution of Wuhan City". In 2007, Dr. Tong was named "China's Information Industry Person of the Year" and awarded as a "Person with Outstanding Contribution in Brand Building of Wuhan Region". In 2008, he was awarded "Innovative Economic Contribution Prize of Hubei Province" and he was named one of the "Top 10 Most Important People in the 30 Years' Reform and Development of State-owned Enterprises of Hubei Province". In 2009, he was named as an "Outstanding Entrepreneur of Wuhan City." Dr. Tong graduated from Wuhan University in 1982 with a bachelor's degree

in chemistry. He received a master's degree in science and technology management from Fudan University in 1990. In 2002, he received his doctoral degree in management from Huazhong University of Science and Technology.

Board Committees

Compensation Committee

As of the date of this Offering Circular, the members of our Compensation Committee ("**Compensation Committee**") are Mr. William Tudor Brown (Chairman of the Compensation Committee), Mr. Zhou Jie, Mr. Tong Guohua, Mr. Lip-Bu Tan and Mr. Shang-yi Chiang. None of these members has been an executive officer or employee of the Group.

The Compensation Committee reports its work, findings and recommendations to the Board periodically but not less than four times per year.

The responsibilities of the compensation committee include, among other things:

- approving and overseeing the total compensation package for the Company's executive officers and any other officer, evaluating the performance of and determining and approving the compensation to be paid to the Company's Co-Chief Executive Officers and reviewing the results of each Co-Chief Executive Officer's evaluation of the performance of the Company's other executive officers;

- determining the compensation packages of executive Directors and making recommendations to the Board with respect to non-executive Director compensation, including equity-based compensation;

- administering and periodically reviewing and making recommendations to the Board regarding the long-term incentive compensation or equity plans made available to the Directors, employees and consultants;

- reviewing and making recommendations to the Board regarding executive compensation philosophy, strategy and principles and reviewing new and existing employment, consulting, retirement and severance agreements proposed for the Company's executive officers; and

- ensuring appropriate oversight of the Company's human resources policies and reviewing strategies established to fulfill the Company's ethical, legal, and human resources responsibilities.

The Compensation Committee has the delegated authority to determine the remuneration packages of individual executive Directors and the Company's executive officers/senior management, and make recommendations to the Board on the remuneration of non-executive Directors.

The Compensation Committee meets in person on a quarterly basis and on such other occasions as may be required to discuss and vote upon significant issues affecting our compensation policy.

Audit Committee

As of the date of this Offering Circular, our Audit Committee ("**Audit Committee**") consists of three members, namely Mr. Lip-Bu Tan (Chairman of the Audit Committee), Mr. Zhou Jie and Mr. William Tudor Brown. None of these members has been an executive officer or employee of the Group. In addition to acting as one of our Audit Committee members, Mr. Tan also currently serves on the audit committee of another publicly traded company. In general and in accordance with Section 303A.07(a) of the Listed Company Manual of the New York Stock Exchange, the Board considered and determined that such simultaneous service would not impair the ability of Mr. Tan to effectively serve on our Audit Committee.

The responsibilities of the audit committee include, among other things:

- making recommendations to the Board concerning the appointment, reappointment, retention, evaluation, oversight and termination of the work of the Company's independent auditor;

- reviewing the experience, qualifications and performance of the senior members of the independent auditor team;

- pre-approving all non-audit services to be provided by the Company's independent auditor;

- approving the remuneration and terms of engagement of the Company's independent auditor;

- reviewing reports from the Company's independent auditor regarding the independent auditor's internal quality-control procedures; and any material issues raised in the most recent internal or peer review of such procedures, or in any inquiry, review or investigation by governmental, professional or other regulatory authority, respecting independent audits conducted by the independent auditor, and any steps taken to deal with these issues; and (to assess the independent auditor's independence) all relationships between the Company and the independent auditor;

- pre-approving the hiring of any employee or former employee of the Company's independent auditor who was a member of the audit team during the preceding three years and the hiring of any employee or former employee of the independent auditor for senior positions regardless of whether that person was a member of the Company's audit team;

- reviewing the Company's annual, interim and quarterly financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of the Company's disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;

- reviewing the scope, planning and staffing of internal audits, the organization, responsibilities, plans, results, budget and staffing of the Company's internal audit department, the quality, adequacy and effectiveness of the Company's

internal controls (including financial, operational and compliance controls) and any significant deficiencies or material weaknesses in the design or operation of internal controls;

- considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- reviewing the Company's risk assessment and management policies;

- reviewing any legal matters that may have a material impact and the adequacy and effectiveness of the Company's legal and regulatory compliance procedures;

- establishing procedures for the treatment of complaints received by the Company regarding financial reporting, internal control or possible improprieties in other matters; and

- obtaining and reviewing reports from management, the Company's internal auditor and the Company's independent auditor regarding compliance with applicable legal and regulatory requirements.

The Audit Committee reports its work, findings and recommendations to the Board regularly. In addition, the Audit Committee meets in person with the Company's external auditor at least twice a year.

The Audit Committee meets in person at least four times a year on a quarterly basis and on such other occasions as may be required to discuss and vote upon significant issues.

Nomination Committee

As of the date of this Offering Circular, our Nomination Committee ("**Nomination Committee**") comprises Dr. Zhou Zixue (Chairman of Nomination Committee), Mr. Lu Jun, Mr. William Tudor Brown, Mr. Lip-Bu Tan and Ms. Carmen I-Hua Chang.

According to the Nomination Committee Charter, as amended and adopted by the Board on 8 August 2013, the responsibilities of the Nomination Committee include:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- monitor the implementation of Board Diversity Policy (including any measurable objectives and the progress in achieving those objectives), and ensure that appropriate disclosures are made regarding board diversity in the Corporate Governance Report set out in the Company's annual report;

- identifying individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the independent non-executive directors; and

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

The Nomination Committee meets in person at least once a year and on such other occasions as may be required to discuss and vote upon significant issues relating to Board composition.

Strategic Advisory Committee

As of the date of this Offering Circular, our Strategic Advisory Committee ("**Strategic Committee**") comprises Dr. Chen Shanzhi (Chairman of the Strategic Committee), Dr. Tzu-Yin Chiu, Mr. Ren Kai, Mr. William Tudor Brown and Mr. Lip-Bu Tan.

The responsibilities of the Strategic Committee are to assist the Board and our management to evaluate and consider various strategic alternatives. The Board shall re-evaluate at an appropriate time any changes in scope and authority of the Strategic Committee.

The Strategic Committee shall consist of members of the Board who will be appointed by, and will serve at the discretion of, the Board. The Strategic Committee shall consist of such number of members as is determined by the Board. The Board may designate one member of the Strategic Committee as its chairperson.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Securities which will appear on the reverse of each of the definitive certificates evidencing the Securities:

The issue of the US$65,000,000 aggregate principal amount of 2.00 per cent. perpetual subordinated convertible securities (the "**Securities**", which term shall include, unless the context requires otherwise, any further securities issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Semiconductor Manufacturing International Corporation (the "**Issuer**") and the right of conversion into Shares (as defined in Condition 5(A)(iv)) was authorised by the Board of Directors of the Issuer on 14 November 2017. The Securities are constituted by the trust deed (as amended or supplemented from time to time, the "**Trust Deed**") to be dated on or about 14 December 2017 (the "**Issue Date**") between the Issuer and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Securities. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Securities. The Securityholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement dated on or about 14 December 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") relating to the Securities between the Issuer, the Trustee, The Bank of New York Mellon, London Branch, as principal paying agent and principal conversion agent (collectively, the "**Principal Agent**"), The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**") and the other paying agents, conversion agents and transfer agents appointed under it (each a "**Paying Agent**", a "**Conversion Agent**", a "**Transfer Agent**" and, together with the Registrar, the Transfer Agent and the Principal Agent, the "**Agents**". References to the "**Principal Agent**", the "**Registrar**", the "**Transfer Agent**" and "**Agents**" below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Securities.

Copies of the Trust Deed and of the Agency Agreement are available for inspection by Securityholders upon prior written request and on proof of holding at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m.) at the principal office for the time being of the Trustee (being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) and at the specified office for the time being of the Principal Agent.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, "**Securityholder**" and (in relation to a Security) "**holder**" mean the person in whose name a Security is registered.

1 Form, Denomination and Title

(A) Form and Denomination

The Securities are in registered form in the denomination of US$250,000 (an "**Authorised Denomination**") and integral multiples thereof. A certificate (each a "**Certificate**") will be issued to each Securityholder in respect of its registered holding of

Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

Upon issue, the Securities will be represented by a Global Certificate registered in the name of a nominee of, and deposited with a common depositary for Euroclear Bank S.A./N.V. and Clearstream Banking S.A.. The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate".

Except in the limited circumstances described in the Global Certificate, owners of interests in Securities represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Securities. The Securities are not issuable in bearer form.

(B) Title

Title to the Securities will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Security will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

2 Status

(A) Status of the Securities

The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Securities of the Issuer. The rights and claims of the Securityholders in respect of the Securities are subordinated as provided in this Condition 2.

(B) Ranking of claims

In the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Securities (other than in relation to the Conversion Right) shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer, other than the claims of holders of Parity Securities of the Issuer.

(C) Set-off

Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Securityholder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator

of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

3 Transfers of Securities; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and Hong Kong and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Securities and the particulars of the Securities held by them and of all transfers, redemptions and conversions of the Securities. Each Securityholder shall be entitled to receive only one Certificate in respect of its entire holding of Securities.

(B) Transfer

Securities may, subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents, together with such evidence as the Registrar or such Transfer Agent may require to prove the title of the transfer and the authority of the individuals who have executed the form of transfer. In the case of a transfer of part only of a holding of Securities (being that of one or more Securities) represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a holder of Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of a Security will be valid unless and until entered on the Register. A Security may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems. No transfer of title to a Security will be valid unless and until entered on the Register.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Securities will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Securities (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Securities (being that of one or more Securities) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Securities not so transferred, converted, redeemed or repurchased will, within five business days of delivery of the original Certificate to the Registrar or, as the case may be, any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Securities not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 5, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the relevant Transfer Agent, with whom a Certificate is deposited in connection with a transfer or conversion, is located.

(D) Formalities Free of Charge

Subject to Conditions 3(E) and 3(F), registration of a transfer of Securities and issuance of new Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require).

(E) Restricted Transfer Periods

No Securityholder may require the transfer of a Security to be registered (a) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (b) after a Conversion Notice (as defined in Condition 5(B)(i)) has been delivered with respect to a Security; (c) after a Relevant Event Put Exercise Notice (as defined in Condition 7(H)) has been deposited in respect of such Security pursuant to Condition 7(H); or (d) during the period of seven days ending on (and including) any Distribution Record Date (as defined in Condition 6(A)). Each such period is a "**Restricted Transfer Period**".

(F) Regulations

All transfers of Securities and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by (i) the Issuer, with the prior written approval of the Registrar and the Trustee or (ii) the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Securityholder upon prior written request and satisfactory proof of holding.

4 Distributions

(A) Accrual of Distribution

Subject to Condition 4(C), the Securities confer a right to receive distribution (each a "**Distribution**") from the Issue Date at the Distribution Rate in accordance with this Condition 4. Subject to Condition 4(C), Distribution shall be payable on the Securities semi-annually in arrear on 14 June and 14 December of each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 14 June 2018.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution (1) where the Conversion Right attached to it shall have been exercised, from and including the Distribution Payment Date immediately preceding its Conversion Date or, if none, the Issue Date (without prejudice to the provision under Condition 4(B)(v)) subject to conversion of the relevant Security in accordance with the provisions of Condition 4 or (2) where such Security is redeemed, from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Securityholder and (b) the day which is seven days after the Trustee or the Principal Agent has notified the Securityholders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Securityholders under these Conditions).

Distribution in respect of any Security shall be calculated per US$250,000 in principal amount of the Securities (the "**Calculation Amount**"). The amount of Distribution payable per Calculation Amount for any period shall be equal to the product of the Distribution Rate, the Calculation Amount and the relevant day-count fraction for the relevant period (determined on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Distribution payable under this Condition will be paid in accordance with Condition 7.

(B) Rate of Distribution

Subject to any increase pursuant to Condition 4(D), the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be 2.00 per cent. per annum.

(C) Distribution Deferral

(i) **Optional Deferral**: The Issuer may, at its sole discretion, elect to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Securityholders (in accordance with Condition 10) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date if, during the twelve months ending on the day before that scheduled Distribution Payment Date no discretionary dividend, distribution or other discretionary payment has been paid or declared by the Issuer on or in respect of its Junior Securities or its Parity Securities (an "**Optional Deferral Event**").

(ii) **No obligation to pay**: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(C) and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities.

(iii) **Requirements as to Notice**: Each Optional Deferral Notice shall be accompanied by a certificate in the form scheduled to the Agency Agreement signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming that an Optional Deferral Event has occurred and is continuing.

(iv) **Cumulative Deferral**: Any Distribution deferred pursuant to this Condition 4(C) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(C) except that Condition 4(C)(v) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall bear Distribution as if it constituted the principal of the Securities at the Distribution Rate and the amount of such Distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) **Restrictions in the case of Deferral or following a Credit Event**: If (a) on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of this Condition 4(C) or (b) a Credit Event (as defined below) has occurred and is continuing, the Issuer shall not:

(A) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Securities or its Parity Securities; or

(B) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Securities or its Parity Securities, provided that such restriction shall not apply to an exchange of any Parity Securities in whole for Junior Securities,

unless and until (i) the Issuer has satisfied in full all outstanding Arrears of Distribution; or (ii) permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

For the purposes of these Conditions:

A "**Credit Event**" occurs when:

(i) *Breach of Obligations*: the Issuer does not perform or comply with any one or more of its obligations in the Securities or the Trust Deed which default in the opinion of the Trustee is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(ii) *Failure to deliver Shares*: any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Securities; or

(iii) *Cross-Default*: (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries (excluding any Excluded Listed Subsidiary) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its Subsidiaries (excluding any Excluded Listed Subsidiary) fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(A)(iii) have occurred equals or exceeds US$50,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or

(iv) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days; or

(v) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries on material property or assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days, except where any such event will not have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Securities; or

(vi) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Subsidiary), or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a)

on terms approved by the Trustee in its discretion acting on the instructions of the Securityholders by Extraordinary Resolution, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries, or (c) where such event will not have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Securities; or

(vii) *Insolvency*: the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; an administrator or liquidator of the Issuer or any of its Principal Subsidiaries of the whole or any material part of the assets and turnover of the Issuer or any of its Principal Subsidiaries is appointed (or application for any such appointment is made), except where any such events will not have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Securities; or

(viii) *Nationalisation*: any step is taken by a competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries, except where any such events will not have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Securities; or

(ix) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Securities and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Securities and the Trust Deed admissible in evidence in the courts of the Cayman Islands or Hong Kong is not taken, fulfilled or done; or

(x) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Securities or the Trust Deed, except where such event will not have a material effect on the ability of the Issuer to fulfil its obligations under the Securities; or

(xi) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of (i) to (x) above (both inclusive).

"**Excluded Listed Subsidiary**" means a Subsidiary (a) which is listed on any stock exchange, and (b) in which the Issuer or any of its Subsidiaries holds less than 50 per cent. of the issued share capital of such entity; and

"**Principal Subsidiary**" means any Subsidiary of the Issuer (excluding any Excluded Listed Subsidiary):

(a) whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to the Issuer, as shown by its latest audited profit and loss account are at least 10 per cent. of the consolidated gross revenues as shown by the latest published audited profit and loss account of the Issuer and its consolidated Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of revenues of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(b) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests;

provided that, in relation to paragraphs (a) and (b) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross revenue or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross revenue or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or

(c) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (A) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (B) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of the sub-paragraphs above.

A certificate prepared by a director or an authorised representative of the Issuer, stating that in his or her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties; and

a "**Subsidiary**" of any person means either (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

(vi) **Satisfaction of Arrears of Distribution by payment**: Subject to Condition 4(C)(vii), Distributions are cumulative. The Issuer:

(A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Condition 10) and to the Trustee and the Principal Agent in writing not more than 30 nor less than 15 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice);

(B) in any event must satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earlier of (1) the date of redemption of the Securities in accordance with Condition 6; (2) the next Distribution Payment Date on the occurrence of a breach of Condition 4(C)(v) and (3) the date such amount becomes due under Condition 9; and

(C) in any event must satisfy any outstanding Arrears of Distribution in respect of a Security, upon delivery by the Issuer of the Shares issuable by it in accordance with Condition 5 following the exercise of the relevant Securityholder's Conversion Right of such Security, provided, however, that this Condition 4(C)(vi) shall only apply where the exercise of the relevant Securityholder's Conversion Right takes place following the Issuer giving notice requiring the redemption of any Securities pursuant to Condition 7 (a "**Subsequent Conversion**").

In the case of Conditions 4(C)(vi)(A) and 4(C)(vi)(B), any partial payment of outstanding Arrears of Distribution by the Issuer shall be shared by the Securityholders of all outstanding Securities on a pro-rata basis.

(vii) **Extinction of Arrears of Distribution upon exercise of Conversion Right**: Except where a Subsequent Conversion has taken place (in which case the provisions of Condition 4(C)(vi)(C) shall apply), any Arrears of Distribution due in respect of a Security shall be extinguished by the Issuer in full through the delivery by the Issuer of the Shares issuable by it in accordance with Condition 5 upon the exercise of the Securityholder's Conversion Right of such Security. Upon compliance in full of the requirements under Condition 5, the Issuer shall have no liability to pay the Arrears of Distribution due in respect of the converted Security and, no converting Securityholder shall have any claim in respect of such Arrears of Distribution.

(viii) **No default**: Notwithstanding any other provision in these Conditions, the deferral of any Distribution payment in accordance with this Condition 4(C) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Issuer.

(D) Increase in Distribution Rate following occurrence of certain events

(i) **Increase in Distribution Rate**: Upon the occurrence of:

(A) a Change of Control Event; or

(B) a Suspension (together with a Change of Control Event, the "**Triggering Events**, and each, a "**Triggering Event**"),

unless (x) an irrevocable notice to redeem the Securities has been given to Securityholders by the Issuer pursuant to Condition 7 by the 30th day following the occurrence of the relevant Triggering Event or (y) in the case the relevant Triggering Event is remedied by the 30th day following the occurrence of such Triggering Event, the Distribution Rate will increase by 3 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which the Triggering Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate pursuant to this Condition 4(D)(i)

shall be 3 per cent. per annum. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 4(D)(i) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 4(B).

Any increase in the Distribution Rate pursuant to this Condition 4(D) shall be notified by the Issuer to the Securityholders (in accordance with Condition 10) and to the Trustee and the Agents in writing no later than the 14th day following (i) the occurrence of the Change of Control Event or (ii) the occurrence of the Suspension.

Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Triggering Event has occurred or to monitor the occurrence of any Triggering Event, and shall not be liable to the Securityholders or any other person for not doing so.

(ii) **Decrease in Distribution Rate**: If following an increase in the Distribution Rate after a Triggering Event pursuant to Condition 4(D)(i), the relevant Triggering Event is cured or remedied, upon written notice of such facts being given to the Securityholders, the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives evidence to its satisfaction of the cure of such Triggering Event, provided that the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 4(D) shall be 3 per cent. per annum.

For the purposes of these Conditions:

a "**Change of Control**" occurs when:

(i) any person or persons acting together acquires Control of the Issuer provided that such person or persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the assets of the Issuer to any other person or persons acting together unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Issuer or successor entity;

For the avoidance of doubt, any person Controlled by the State-Owned Assets Supervision and Administration Commission ("**SASAC**"), the State Council of the PRC and/or the PRC Government shall not be deemed to be acting together with any other person so Controlled by virtue of that fact alone (and absent any other factors which may result in such persons being treated as acting together under this definition);

"**Control**" means (a) the beneficial ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of the Issuer, or (b) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

"**Junior Security**" means, in relation to the Issuer, any class of its share capital qualifying as equity under IFRS (other than preference shares);

"**Optional Deferral Event**" has the meaning ascribed to it under Condition 4(C)(i);

"**Optional Deferral Notice**" means the notice given by the Issuer, at its sole discretion, to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date;

"**Parity Security**" means, in relation to the Issuer, any instrument or security (including preference shares) issued, entered into or guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (ii) for the purposes of Condition 4(C)(i) and Condition 4(C)(v) only, the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer;

"**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect Subsidiaries;

"**PRC**" means the People's Republic of China;

"**PRC Government**" means the government of the PRC, including all governmental subdivisions and its organs or, as the context requires, any of them;

"**Swap Rate**" means the rate notified by the Issuer to the Trustee, the Agents and the Securityholders (in accordance with Condition 10) in per cent. per annum which appears on Bloomberg page Bloomberg: USSWAP3Curncy as of 11:00 a.m., New York City time on the New York Business Day preceding the relevant Calculation Date under Condition 7;

"**Third Anniversary**" means 14 December 2020;

"**Winding-Up**" means a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership or similar proceedings in respect of the Issuer; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer (including, at the time, stock of any other class or classes which shall have, or might have, voting power by reason of the happening of any contingency).

5 CONVERSION

(A) Conversion Right

(i) **Conversion Period**: Subject as provided in these Conditions, each Security shall entitle the holder to convert such Security into Shares (as defined in Condition 5(A)(iv)) credited as fully paid at any time during the Conversion Period referred to below (the "**Conversion Right**").

Subject to and upon compliance with the Conditions, the Conversion Right in respect of a Security may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after 23 January 2018 up to the close of business (at the place where the Certificate evidencing such Security is deposited for conversion) on the date falling seven days prior to the date fixed for redemption of the relevant Security (both days inclusive) (but, except as provided in Condition 5(A)(iii), in no event thereafter) or if notice requiring

redemption has been given by the holder of such Security pursuant to Condition 7(H) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the "**Conversion Period**").

The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$12.78 per Share, but will be subject to adjustment in the manner described in Condition 5(C).

The number of Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Securities to be converted (translated into Hong Kong dollars at the fixed rate of HKD7.8034 = US$1.00) (the "**Fixed Exchange Rate**") by the Conversion Price in effect on the relevant Conversion Date (as defined in Condition 5 (B)(i)). A Conversion Right may only be exercised in respect of one or more Securities. If more than one Security held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Securities to be converted.

(ii) **Fractions of Shares**: Fractions of Shares will not be issued on conversion and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Security is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Securities being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 28 November 2017 which reduces the number of Shares outstanding, the Issuer will upon conversion of Securities pay in cash (in US dollars) a sum equal to such portion of the principal amount of the Security or Securities evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 5(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US$10. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 5(B)(i)) after the relevant Conversion Date by a US dollar denominated cheque drawn on, or by transfer to a US dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Securityholder in the Conversion Notice.

(iii) **Revival and/or survival after Default**: Notwithstanding the provisions of Condition 5(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Security which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Security has become due and payable by reason of the occurrence of any of the events under Condition 9; or (c) any Security is not redeemed on the date fixed for redemption thereof in accordance with Condition 7, the Conversion Right attaching to such Security will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Security is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Security has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Securityholders in accordance with Condition 10 and notwithstanding the provisions of Condition 5(A)(i), any Security in respect of which the Certificate and Conversion Notice (as defined in Condition 5(B)(i)) are

deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 5(B)(i)) notwithstanding that the full amount of the moneys payable in respect of such Security shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(iv) **Meaning of "Shares"**: As used in these Conditions, the expression "**Shares**" means ordinary shares of par value US$0.004 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure

(i) **Conversion Notice**: To exercise the Conversion Right attaching to any Security, the holder thereof must complete, execute and deposit at his own expense during the Conversion Period at the specified office of any Conversion Agent during its usual business hours (being between 9.00 a.m. and 3.00 p.m.) a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from the specified office of each Conversion Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Securityholder under Condition 5(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such deposit is made after the end of normal business hours (being after 3:00 p.m.) or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such business day. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Securityholder.

Conversion Rights may only be exercised in respect of an Authorised Denomination.

The conversion date in respect of a Security (the "**Conversion Date**") shall be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Security and delivery of such Conversion Notice to the Conversion Agent and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right.

"**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which Relevant Stock Exchange (as defined in Condition 5(F) below), as the case may be, is open for the business of dealing in securities.

(ii) **Stamp Duty etc.**: A Securityholder exercising Conversion Rights must pay directly to the relevant authorities any taxes or capital, stamp, issue and registration and transfer taxes and duties ("**Duties**") arising on such exercise (other than any Duties payable in Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Relevant Stock Exchange on conversion (the "**Taxes**")). The Issuer will pay all other expenses arising on the issue of Shares on conversion of Securities. The Securityholder (and, if different, the person to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Taxes payable pursuant to this Condition 5(B)(ii) have been paid.

If the Issuer shall fail to pay any Duties and/or Taxes payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Securityholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Securityholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Security or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible to Securityholders or any other person or paying any Duties, Taxes, expenses or other amounts referred to in this Condition 5(B)(ii) or for determining whether such Duties are payable or the amount thereof, and neither the Trustee nor any of the Agents shall be responsible or liable for any failure by the Issuer or any Securityholder to pay such Duties, Taxes, expenses or other amounts.

(iii) **Registration**: Upon exercise by a Securityholder of its Conversion Right and compliance with Conditions 5(B)(i) and 5(B)(ii), the Issuer will, as soon as practicable, and in any event not later than five Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register in Hong Kong and will, if the Securityholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("**CCASS**") effective from time to time, take all necessary action to procure that Shares are delivered through CCASS for so long as the Shares are listed on the HKSE; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) notified to Securityholders in accordance with Condition 10 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Securities and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share

certificate will be issued in respect of all Shares issued on conversion of Securities subject to the same Conversion Notice and which are to be registered in the same name.

The crediting of the Shares to the relevant securities account of the converting Securityholder will be deemed to satisfy the Issuer's obligation to pay the principal on such converted Securities.

If the Conversion Date in relation to the conversion of any Security shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 5(C), but before the relevant adjustment becomes effective under the relevant Condition (a "**Retroactive Adjustment**"), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Securityholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as is, together with Shares to be issued on conversion of the Security(s), equal to the number of Shares which would have been required to be issued on conversion of such Security if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Shares references in this Condition 5(B)(iii) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period).

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**").

The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Security, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 5(B)(iii) prior to the time such Retroactive Adjustment shall have become effective), the Issuer will calculate and pay to the converting Securityholder or his designee an amount in US dollars (the "**Equivalent Amount**") converted at the Prevailing Rate (as defined below) equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by a US dollar denominated cheque drawn on, or by transfer to a US

dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Securityholder in the Conversion Notice.

(iv) **No Issue of Shares if in breach of the rules of a Relevant Stock Exchange or applicable laws and regulations**: The Issuer is not obliged to issue Shares in satisfaction of the Conversion Right if by doing so it will be in breach of its obligations under any rules of a Relevant Stock Exchange or applicable laws and regulations.

(v) **Distribution Accrual**: If a notice requiring the redemption of any Securities is given pursuant to Condition 7, during the period beginning on the fifteenth day prior to the record date in respect of any dividend or distribution payable in respect of the Shares and ending on the Distribution Payment Date next following such record date, where such notice specifies a date for redemption falling on or prior to the date which is 14 days after such next following Distribution Payment Date, Distribution shall (subject as hereinafter provided) accrue on the Securities as follows: where Certificates have been delivered for conversion and in respect of which the Conversion Date falls after such record date and on or prior to the Distribution Payment Date next following such record date; Distribution shall accrue on the Securities from the preceding Distribution Payment Date (or, if the relevant Conversion Date falls on or before the first Distribution Payment Date, from, and including, the Issue Date) to, but excluding, the relevant Conversion Date; provided that no such Distribution shall accrue on any Security in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or in the event the Security carries an entitlement to receive an Equivalent Amount. Such Distribution shall be paid not later than 14 days after the relevant Conversion Date by a U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York, in accordance with instructions given by the relevant Securityholder in the relevant Conversion Notice.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment as follows:

(1) Consolidation, Reclassification or Subdivision:

Adjustment: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share in issue immediately before such alteration.

Effective Date of Adjustment: Such adjustment shall become effective on the date the alteration takes effect.

(2) Capitalisation of Profits or Reserves:

(i) **Adjustment**: If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalisation of profits or reserves (including, Shares paid up out of distributable profits or reserves and/or share premium account) (except any Scrip Dividend) and which would not have constituted a Distribution (as defined in Condition 5(F)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares, or if a record date is fixed therefor, immediately after such record date.

(ii) **Adjustment**: In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined in Condition 5(F)) on the date of announcement of the terms of the issue of such Shares multiplied by the number of such Shares issued exceeds the amount of the Relevant Cash Dividend (as defined in Condition 5(F)) or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the aggregate number of Shares in issue immediately before such Scrip Dividend;

B is the aggregate number of Shares which the Relevant Cash Dividend would purchase at the Current Market Price on the date of the first public announcement of the terms of the issue of such Shares; and

C is the aggregate number of Shares issued pursuant to such Scrip Dividend;

or by making such other adjustment to the Conversion Price to give effect to the foregoing as an Independent Investment Bank shall certify to the Securityholders is fair and reasonable.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(3) Distributions:

Adjustment: If and whenever the Issuer shall pay or make any Distribution to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution in Hong Kong dollars attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date that such Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

(4) Rights Issues of Shares or Options over Shares:

Adjustment: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Shares (or shall grant any such rights in respect of existing securities so issued), in each case at less than 90 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights (and notwithstanding that the relevant issue may be or be expressed to be subject to Shareholder or other approvals or consents or other contingency or event occurring or not occurring), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof would purchase at the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights; and

C is the aggregate number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be on the Relevant Stock Exchange.

(5) Rights Issues of Other Securities:

Adjustment: If and whenever the Issuer shall issue securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such securities; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of the securities, or issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Relevant Stock Exchange.

(6) Issues at less than Current Market Price:

Adjustment: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 5(C)(4)) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, or purchase of Shares) or issue or grant (otherwise than as mentioned in Condition 5(C)(4)) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares (other than the Securities), in each case at less than 90 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at the Current Market Price per Share on the date of the first public announcement of the terms of such issue or grant; and

C is the number of Shares to be issued pursuant to such issue of Shares or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

(7) Other Issues at less than Current Market Price:

Adjustment: If and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 5(C)(4), 5(C)(5) or 5(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries), any other company, person or entity shall issue wholly for cash or for no consideration any securities (other than the Securities, which term shall for this purpose exclude any further securities issued pursuant to Condition 15) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares (or shall grant any such rights in respect of

existing securities so issued) or securities which by their terms might be re-designated as Shares, and the consideration per Share receivable upon conversion, exchange, subscription or re-designation is less than 90 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue or grant;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or up on exercise of the right of subscription attached to such securities or, as the case may be, for the Shares to be issued or to arise from any such re-designation would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued or otherwise made available on conversion or exchange of such securities up or on the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Shares which may be issued or arise from any such re-designation.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

(8) Modification of Rights of Conversion etc.:

Adjustment: If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Securities) as are mentioned in Condition 5(C)(7) (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Current Market Price per Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the aggregate number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of,

Shares which have been issued, purchased or acquired by the Issuer or any of its Subsidiaries (or at the direction or request or pursuant to any arrangements with the Issuer or any of its Subsidiaries) for the purposes of or in connection with such Securities, less the number of such Shares so issued, purchased or acquired);

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and

C is the maximum number of Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Investment Bank shall consider appropriate (if at all) for any previous adjustment under this Condition 5(C)(8) or Condition 5(C)(7).

Effective Date of Adjustment: Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

(9) Other Offers to Shareholders:

Adjustment: If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall offer any securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 5(C)(2), 5(C)(3), 5(C)(4), 5(C)(5), 5(C)(6) or 5(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(10) Other Events:

Adjustment: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to in this Condition 5(C) (even if the relevant circumstance is specifically excluded from the operation of Conditions 5(C)(1) to 5(C)(9) (both inclusive)), the Issuer shall, at its own expense and acting reasonably, request an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 5(C)(10) if such Independent Investment Bank is so requested to make such a determination.

(11) Exclusion:

No adjustment shall be made to the Conversion Price if (a) any Securities are offered, issued or granted to Datang Telecom Technology & Industry Holdings Co., Ltd., Xinxin (Hongkong) Capital Co., Ltd. (China Integrated Circuit Industry Investment Fund Co., Ltd.), Country Hill Limited, Shanghai Industrial Investment (Holdings) Corporation or any of their respective affiliates or any other connected persons (as defined in under the Rules Governing the Listing of Securities of the HKSE) of the Issuer and (b) such offer, issue or grant is made on substantially the same terms and conditions as the issue of the Securities.

(D) Undertakings

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Security remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders or with the approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of Securityholders to give such approval:

(i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the HKSE, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Securities on the HKSE, and (c) if the Issuer is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine (and notify in writing to the Trustee) and will forthwith give notice to the Securityholders in accordance with Condition 10 of the listing or delisting of the Shares (as a class) by any of such stock exchange;

(ii) it will use its best endeavours to maintain the listing of the Securities on the SGX-ST and if the Issuer is unable to maintain such listing or such listing is unduly onerous, to use its best endeavours to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine (and notify in writing to the Trustee) and will forthwith give notice to the Securityholders in accordance with Condition 10 of the listing or delisting of the Securities by any such stock exchange;

(iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Securities (save for any Taxes specified in Condition 5(B)(ii));

(iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof except:

(a) in the event of a reduction in the share premium account, capital redemption reserve fund or any other part of its share capital for the purposes of offsetting any accumulated loss or any deficit in retained earnings, where such reduction is permitted by applicable law so long as there is no change to the number of Shares in issue as a result of such reduction; or

(b) in all other capital reductions, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made.

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Security remains outstanding:

(i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Securities from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Securities will be duly and validly issued as fully-paid; and

(ii) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(E) Provisions Relating to Changes in Conversion Price

(i) **Minor adjustments**: On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Securityholders in accordance with Condition 10 and to the Trustee in writing promptly after the determination thereof.

(ii) **Decision of an Independent Investment Bank**: If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the

Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Securityholders and the Trustee, save in the case of manifest error.

(iii) **Minimum Conversion Price**: Notwithstanding the provisions of this Condition 5 the Conversion Price shall not in any event be reduced to below the nominal or par value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Securities may be converted at such reduced Conversion Price into legally issued, fully paid and non assessable Shares.

(iv) **Reference to "fixed"**: Any references herein to the date on which a consideration is "**fixed**" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

(v) **Share Option Schemes**: No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any employee share scheme or plan (and which employee share scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange).

(vi) **Upward/downward adjustment**: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or reclassification of the Shares as referred to in Condition 5(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee in writing and to the Securityholders in accordance with Condition 10, reduce the Conversion Price, subject to Condition 5(E)(iii).

(vii) **Trustee not obliged to Monitor**: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Securityholders for any loss arising from any failure by it to do so or for any delay by the Issuer in making a determination or any erroneous determination in connection with the Conversion Price, without prejudice to its duties owed to the Issuer.

(viii) **Notice of Change in Conversion Price**: The Issuer shall give notice to the Securityholders in accordance with Condition 10 and, for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall also give notice to the SGX-ST of any change in the Conversion Price. Any such

notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

(F) Definitions

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the HKSE, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

"**Closing Price**" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the HKSE or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

"**Current Market Price**" means, in respect of a Share on a particular date, the average of the daily Closing Prices of one Share on each of the 10 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Date), such date of announcement; provided that if at any time during such 10 Trading Day period the Shares shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Shares shall have been quoted cum-dividend (or cum- any other entitlement) then:

(a) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share; or

(b) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the Closing Price on the dates on which the Shares shall have been based on a price ex dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Share;

and provided that:

(i) if on each of the said 10 Trading Days the Shares have been quoted a price cum-dividend (or cum- any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share in any such case determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

(ii) if the Closing Price of a Share is not available on one or more of the said 10 Trading Days (disregarding for this purpose the proviso to the definition of Closing Price), then the average of such Closing Prices which are available in

that 10 Trading Day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Closing Price is available in the relevant period the Current Market Price shall be determined by an Independent Investment Bank; and

(iii) in making any calculation or determination of Current Market Price in relation to an issue of Shares, other securities or options, rights or warrants for shares or other securities which are issued offered, allotted, appropriated, modified or granted in connection (partly or fully) with any merger or acquisition, each reference above to 10 consecutive Trading Days shall be to 30 consecutive Trading Days.

In making any calculation or determination of Current Market Price, such adjustments (if any) shall be made as an Independent Investment Bank considers appropriate to reflect any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event.

"**Determination Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, in London and in New York City.

"**Determination Date**" means the day which is two Determination Business Days before the relevant date of announcement of dividends or other distribution by the Issuer.

"**Distribution**" means (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under Condition 5(C)(2)(ii)); and (ii) any cash dividend or distribution (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) translated into Hong Kong dollars at the Prevailing Rate as at the date such distribution under (i) and/or (ii) of this definition is announced. In making any such calculation, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the Fair Market Value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend (in which case no determination by an Independent Investment Bank would be required); (ii) the Fair Market Value of any other cash amount shall be equal to such cash amount (in which case no determination by an Independent Investment Bank would be required); and (iii) where Securities are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the Fair Market Value of such Securities shall equal the arithmetic mean of the daily Closing Prices of such Securities during the period of ten Trading Days commencing on the first such Trading Day (or, if later, the first such Trading Day such Securities are publicly traded) or such shorter period as such Securities are publicly traded.

"**HKSE**" means The Stock Exchange of Hong Kong Limited.

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected and appointed by the Issuer and notified in writing to the Trustee.

"**Prevailing Rate**" means, in respect of any currency on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined.

"**Relevant Cash Dividend**" means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend (which, for the avoidance of doubt, shall exclude a purchase or redemption of Shares, but include the Relevant Cash Dividend component of a Scrip Dividend).

"**Relevant Currency**" means Hong Kong dollars or, if at the relevant time or for the purposes of the relevant calculation or determination, Hong Kong dollars is not the Relevant Currency of the Relevant Stock Exchange, the currency in which the Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

"**Relevant Page**" means the relevant page on Bloomberg or, if there is no such page, on Reuters or such other information service provider that displays the relevant information.

"**Relevant Stock Exchange**" means at any time, in respect of the Shares, the HKSE or the Alternative Stock Exchange.

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 5(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof) but without prejudice to any adjustment required in such circumstances to be made under Condition 5(C)(2)(ii).

"**SGX-ST**" means the Singapore Exchange Securities Trading Limited.

"**Trading Day**" means a day on which the Relevant Stock Exchange is open for business and on which Shares or other securities may be dealt in (other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time).

References to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

6 Payments

(A) Method of Payment

Payment of principal, premium and Distributions (including Arrears of Distribution and any Additional Distribution Amount) due other than on a Distribution Payment Date will be made by transfer to the registered account of the Securityholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Subject to Condition 6(B), Distribution on Securities due on an Distribution Payment Date will be paid on the due date for the payment of such Distribution to the Securityholder shown on the Register at the close of business on the seventh day before the due date for the payment of Distribution (the "**Distribution Record Date**"). Payments of Distribution on each Security will be made by transfer to the registered account of the Securityholder.

If an amount which is due on the Securities is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, such payments will be made to the holder appearing in the register of holders of the Securities maintained by the Registrar at the close of the business day (being for this purpose a day on which Euroclear Bank S.A./N.V. and Clearstream Banking S.A. are open for business) before the relevant due date.

(B) Registered Accounts

For the purposes of this Condition 6, a Securityholder's registered account means the US dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the fifth business day (as defined below in Condition 6(F)) before the due date for payment, and a Securityholder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Securityholders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below in Condition 6(F)), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay In Payment

Securityholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Securityholder is late in surrendering its Certificate (if required to do so).

(F) Business Day

In this Condition 6, "**business day**" means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong, New York City and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that they will maintain (i) a Principal Agent, (ii) an Agent having a specified office in Singapore where the Securities may be presented or surrendered for payment or redemption, so long as the Securities are listed on the SGX-ST and the rules of that exchange so require (and such agent in Singapore shall be a Paying, Transfer and Conversion Agent and shall be referred to in these terms and conditions as the "**Singapore Agent**") and (iii) a Registrar with a specified office outside Hong Kong and the United Kingdom. Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Securityholders.

So long as the Securities are listed on the SGX-ST and the rules of that exchange so require, in the event that the Global Certificate is exchanged for definitive Certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

7 Redemption, Purchase and Cancellation

(A) Maturity

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 and without prejudice to Condition 9) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 7.

(B) Redemption for Taxation Reasons

(i) The Issuer may redeem all and not some only of the Securities, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Securityholders in accordance with Condition 10 (which notice shall be irrevocable) and to the Trustee and the Principal Agent in writing, on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (a) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general

application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 November 2017, and (b) such obligation cannot be avoided by the Issuer taking commercially reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Securities then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 7(B), the Issuer shall deliver to the Trustee (x) a certificate signed by two directors of the Issuer, each of whom is also an Authorised Signatory of the Issuer, stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking reasonable measures available to it and (y) an opinion of independent legal or tax advisers of recognised international standing to the effect that the Issuer has or will become obligated to pay such additional amounts as a result of such change or amendment or any such change in the application or official interpretation, and the Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (b) above of this Condition 7(B)(i), in which event it shall be conclusive and binding on the Securityholders.

On the Tax Redemption Date, the Issuer (subject to Condition 7(B)(ii)) shall redeem the Securities at their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 7(B)(i), each Securityholder will have the right to elect that his Security(s) shall not be redeemed and that the provisions of Condition 8 shall not apply in respect of any payment of principal, premium or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) to be made in respect of such Security(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 8 and payment of all amounts by the Issuer to such holder in respect of such Security(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 7(B)(ii), the holder of the relevant Security must complete, sign and deposit at the specified office of any Paying Agent during its usual business hours (being between 9.00 a.m. and 3.00 p.m.) a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the relevant Security(s) on or before the day falling 10 days prior to the Tax Redemption Date.

(C) Redemption for Accounting Reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 10 (which notice shall be irrevocable) and to the Trustee and the Principal Agent in writing (i) at the Early Redemption Amount, at any time before the Third Anniversary or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the Third Anniversary, if an Equity Disqualification Event has occurred.

An "**Equity Disqualification Event**" is deemed to have occurred if, as a result of any changes or amendments to International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 7(C), the Issuer shall deliver or procure that there is delivered to the Principal Agent:

(i) a certificate, signed by two directors of the Issuer, each of whom is also an Authorised Signatory of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(ii) an opinion of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect, provided that the Principal Agent may accept such certificate or opinion without further investigation or enquiry, and

provided, however that no notice of redemption may be given under this Condition 7(C) earlier than 90 days prior to the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect in relation to the Issuer.

Upon the expiry of any such notice as is referred to in this Condition 7(C), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(C) provided that such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an Equity Disqualification Event or any event which could lead to an Equity Disqualification Event has occurred or may occur.

(D) Redemption for Rating Event

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 10 (which notice shall be irrevocable) and to the Trustee and the Principal Agent in writing at (i) the Early Redemption Amount, at any time before the Third Anniversary or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the Third Anniversary if, immediately before giving such notice, a Rating Disqualification Event has occurred.

A "**Rating Disqualification Event**" is deemed to have occurred if an amendment, clarification or change has occurred in the equity credit methodology of Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") or S&P Global Ratings Inc. ("**S&P**") and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date or, if equity credit is not assigned on the Issue Date, at the date when equity credit is assigned for the first time.

Prior to the publication of any notice of redemption pursuant to this Condition 7(D), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer, each of whom is also an Authorised Signatory of the Issuer, stating that the circumstances referred to above in this Condition 7(D) prevail and setting out the details of such circumstances.

Upon the expiry of any such notice as is referred to in this Condition 7(D), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(D), **provided that** such date for redemption shall be no earlier than the last day before the date on which the Securities be assigned a lower category of equity credit.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Rating Disqualification Event or any event which could lead to a Rating Disqualification Event has occurred or may occur.

(E) Redemption at the Option of the Issuer on a Step-Up

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Agent in writing and to the Securityholders in accordance with Condition 10 at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) at any time following the occurrence of a Triggering Event.

On expiry of such notice as is referred to in this Condition 7(E), the Issuer shall be bound to redeem the Securities on the relevant Call Date or the date fixed for redemption in accordance with Condition 7(E) at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(F) Redemption at the Option of the Issuer on Increased Share Price

On or at any time after the Third Anniversary, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee and the Principal Agent in writing and to the Securityholders in accordance with Condition 10 (the "**Optional Redemption Notice**"), redeem the Securities in whole, but not in part, at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)), provided that no such redemption may be made unless the Closing Price of the Shares for any 20 Trading Days out of 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given (translated into U.S. Dollars at the Prevailing Rate), was at least 130 per cent. of the applicable Conversion Price then in effect (translated into U.S. Dollars at the Fixed Exchange Rate).

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 Trading Day period as mentioned in Condition 7(F) above, appropriate adjustments for the relevant days shall be made, as determined by an Independent Investment Bank, for the purpose of calculating the Closing Price for such days.

The Optional Redemption Notice shall specify the date for redemption (the "**Optional Redemption Date**") and once delivered, shall be irrevocable.

Any Optional Redemption Notice shall specify (i) the Optional Redemption Date, which shall be a business day and (ii) the last day on which Conversion Rights may be exercised by a Holder.

(G) Redemption on Minimum Outstanding Amounts

On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Securityholders in accordance with Condition 10, the Issuer shall redeem all and not some only of the Securities on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at (i) the Early Redemption Amount, at any time before the Third Anniversary or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the Third Anniversary if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Securities originally issued (which shall for this purpose include any further Securities issued pursuant to Condition 15).

(H) Redemption for Relevant Event

Following the occurrence of a Relevant Event (as defined below), the holder of each Security will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Securities on the Relevant Event Put Date at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). To exercise such right, the holder of the relevant Security must deposit at the specified office of any Paying Agent during its usual business hours (being between 9.00 a.m. and 3.00 p.m.) a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Securities to be redeemed by not later than 30 days following a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Securityholders by the Issuer in accordance with Condition 10. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Securities the subject of the Relevant Event Put Exercise Notices (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Within 14 days after it becomes aware of the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee in writing and to the Securityholders in accordance with Condition 10. The notice regarding the Relevant Event shall contain a statement informing Securityholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Securities pursuant to this Condition 7(H). Such Notice shall also specify: (a) the date of such Relevant Event and, all information material to Securityholders concerning the Relevant Event; (b) the Relevant Event Put Date; (c) the last date by which a Relevant Event Put Exercise Notice must be given; (d) the procedures that Securityholders

must follow and the requirements that Securityholders must satisfy in order to exercise the Relevant Event Put Right or Conversion Right; and (e) the information required by Condition 7(L).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur.

For the purposes of this Condition 7(H):

a "**Delisting**" occurs when the Shares cease to be listed or admitted to trading on the HKSE (or if applicable, the Alternative Stock Exchange);

"**Relevant Event**" means the occurrence of any Delisting or Suspension arising from or as a result of an application to the relevant stock exchange having been initiated or made by the Issuer or such Delisting or Suspension having been effected or imposed through any other means controlled by the Issuer or otherwise resulting from any action of the Issuer or any default or non-compliance by the Issuer of any of its obligations that are within its control (whether or not imposed by law or the Listing Rules); and

a "**Suspension**" occurs if there is a suspension or material limitation in trading of the Shares on the HKSE (or if applicable, the Alternative Stock Exchange) and such suspension or material limitation continues for a period of 45 consecutive Trading Days.

(I) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Securities at any price in the open market or otherwise. The Securities so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Securityholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Securityholders or for the purposes of Conditions 9 or 13(A).

(J) Cancellation

All Securities which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Securities cancelled will be forwarded to or to the order of the Registrar and such Securities may not be reissued or resold.

(K) Calculation of Early Redemption Amount

In respect of Conditions 7(C), 7(D) and 7(G), the Calculation Agent will, on the second business day prior to the relevant redemption date (each a "**Calculation Date**"), calculate the applicable Early Redemption Amount payable in respect of each Security. The Calculation Agent will cause the applicable Early Redemption Amount determined by it to be notified in writing to the Issuer, the Agents and the Trustee as soon as practicable. Notice thereof shall also promptly be given by the Issuer to the Securityholders. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7(K) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Agents, the

Trustee and the Securityholders and no liability to any such person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

In these Conditions:

"**Calculation Agent**" means an independent bank of international repute acting as a calculation agent as selected by the Issuer (at the expense of the Issuer) and notified in writing to the Trustee;

"**Early Redemption Amount**" means the greater of:

(i) the principal amount of the Securities, together with any Distribution accrued to date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount); and

(ii) the Make Whole Amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount); and

"**Make Whole Amount**" means with respect to any redemption date pursuant to a redemption in accordance with Condition 7, the amount, as determined by the Calculation Agent, equal to the sum of (a) the present value of the principal amount of the Securities to be redeemed discounted from the Third Anniversary, and (b) the present value of all Distributions payable (or but for any deferral, would be payable) after such redemption date (exclusive of Distributions accrued to the redemption date) to, and including, the Third Anniversary, discounted to the redemption date on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Swap Rate plus 1 per cent. per annum.

(L) Redemption Notices

All notices to Securityholders given by or on behalf of the Issuer pursuant to this Condition 7 will be irrevocable and will be given in accordance with Condition 10 specifying: (a) the Conversion Price as at the date of the relevant notice; (b) the last day on which Conversion Rights may be exercised; (c) the Closing Price of the Shares on the latest practicable date prior to the publication of the notice; (d) the date for redemption; (e) the manner in which redemption will be effected; (f) the aggregate principal amount of the Securities outstanding as at the latest practicable date prior to the publication of the notice; and (g) such other information as the Trustee may require.

No notice of redemption given under Condition 7 shall be effective if it specifies a date for redemption which falls during a Restricted Transfer Period or within 15 days following the last day of a Restricted Transfer Period.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Securityholder pursuant to this Condition 7(L)), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

8 Taxation

All payments made by or on behalf of the Issuer in respect of the Securities shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental

charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law.

In such event, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in the receipt by the Securityholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Security:

(i) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the Cayman Islands or Hong Kong, other than the mere holding of the Security or by the receipt of amounts in respect of the Security; or

(ii) **Presentation more than 30 days after the relevant date**: (in the case of a payment of principal) if the Certificate in respect of such Security is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

"**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Securityholders and cheques despatched or payment made.

References in these Conditions to principal, premium and Distribution (including any Arrears of Distribution and Additional Distribution Amount) shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Non-payment

(A) Non-payment when due

Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to, or is required to, defer that Distribution in accordance with Condition 4(C).

(B) Proceedings for Winding-Up

If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (ii) the Issuer shall not make payment in respect of the Securities, for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 9(C), institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

(C) Enforcement

Without prejudice to Condition 9(B) but subject to the provisions of Condition 9(D), the Trustee may (but is not obliged to) at its discretion and without notice to the Issuer take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the taking or such steps or actions and/or the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(D) Entitlement of Trustee

The Trustee shall not, and shall not be obliged to, take any of the actions referred to in Condition 9(B) or Condition 9(C) above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (a) it shall have been so directed by an Extraordinary Resolution of the Securityholders or requested in writing by the Securityholders of at least 25 per cent. in principal amount of the Securities then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(E) Right of Securityholders

No Securityholders shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up of the Issuer or claim in the liquidation of the Issuer to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9, provided, however, that this Condition 9 shall not affect the rights of the Securityholders to institute proceedings against the Issuer in connection with the Conversion Right.

(F) Extent of Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Trust Deed, provided, however, that this Condition 9 shall not affect the rights of the Securityholders to institute proceedings against the Issuer in connection with the Conversion Right.

10 Notices

All notices to Securityholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading newspaper having general circulation in Hong Kong or, if such publication is not practicable, in an English language newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and so long as the Securities are listed on SGX-ST and if the rules of the SGX-ST so require, published in a leading newspaper having general circulation in Singapore (which is

expected to be *The Business Times*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Securityholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

11 Prescription

Claims in respect of amounts due in respect of the Securities shall be prescribed and become void unless made as required by Condition 7 within 10 years (in the case of principal) and five years (in the case of Distributions) from the appropriate Relevant Date.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security as the Issuer and the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Meetings of Securityholders, Modification, Waiver and Substitution

(A) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if it receives a written request from Securityholders holding not less than 10 per cent in principal amount of the Securities for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Securities for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (a) to modify the Optional Redemption Date, (b) to modify the circumstances in which the Issuer or Securityholders are entitled to redeem the Securities pursuant to Condition 7(C) to reduce or cancel the principal amount, any premium payable, any Distribution payable or Equivalent Amount payable in respect of the Securities or changing the method of calculation of interest, (d) to change the currency of denomination or payment of the Securities, (e) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (f) to modify the provisions concerning the quorum required at any meeting of the Securityholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of

the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the principal amount of Securities for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

(B) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Securityholders, to (a) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Securities or these Conditions (together the "**Documentation**") which in the Trustee's opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or is made to comply with mandatory provisions of law, and (b) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and, unless the Trustee agrees otherwise, such modification, authorisation or waiver shall be notified by the Issuer to the Securityholders promptly in accordance with Condition 10.

(C) Substitution

The Trustee may (but shall not be obliged to), without the consent of the Securityholders, agree to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition 13(C)) as the principal debtor under the Securities and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Securities being unconditionally and irrevocably guaranteed by the Issuer, and (b) the Securities continuing to be convertible or exchangeable into Shares as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate subject to in any such case, (x) the Trustee being satisfied that the interests of the Securityholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may (but shall not be obliged to) agree, without the consent of the Securityholders, to a change of the law governing the Securities and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders. Any such substitution shall be binding on the Securityholders and shall be notified by the Issuer to the Securityholders promptly in accordance with Condition 10.

(D) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 13(D)) the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim from the Issuer, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Securityholders.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A), a modification, waiver or authorisation in accordance with Condition 13(B) or a substitution in accordance with Condition 13(C), the Issuer will procure that the Securityholders be notified in accordance with Condition 10.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings unless indemnified and/or secured and/or pre-funded of its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Securities of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Securityholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Securityholders. The Trustee shall be entitled to rely on any instructions, direction, request or resolution of Securityholders given by holders of the requisite principal amount of Securities outstanding or passed at a meeting of Securityholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Securityholders by way of an Extraordinary Resolution, and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages expenses (including but not limited to legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions or certifications are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Securityholders on any report, confirmation or certificate or any opinion or advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Trustee and the Securityholders.

15 Further Issues

The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects and so that such further issue shall be consolidated and form a single series with the Securities. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Securities. Any further securities forming a single series with the Securities constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law and Submission to Jurisdiction

(A) Governing Law

The Securities, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 2 shall be governed by, and construed in accordance with the laws of the Cayman Islands.

(B) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Securities and accordingly any legal action or proceedings arising out of or in connection with the Securities ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(C) Agent for Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Securities.

THE GLOBAL CERTIFICATE

References in this section to the "Global Certificate" shall be deemed to be references to the Global Certificate as defined above in this Offering Circular.

The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. Terms defined in the Terms and Conditions of the Securities have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common depositary for Euroclear and Clearstream (the "**Common Depositary**") and may be delivered on or prior to the original issue date of the Securities.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream will credit each subscriber with a nominal amount of Securities equal to the nominal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Euroclear, Clearstream or any Alternative Clearing System (as defined below) as the holder of a Security represented by the Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Securities for so long as the Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

Owners of interests in the Securities in respect of which the Global Certificate is issued will be entitled to have title to the Securities registered in their names and to receive individual definitive Certificates ("**Definitive Certificates**") if either Euroclear or Clearstream (or any other clearing system (an "**Alternative Clearing System**") as shall have been selected by the Issuer and approved in writing by the Trustee and the Principal Agent and, as applicable, the Registrar on behalf of which the Securities evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The Global Certificate contains provisions that apply to the Securities that it represents, some of which modify the effect of the terms and conditions of the Securities set out in this Offering Circular. The following is a summary of certain of those provisions:

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Securityholders and, at any such meeting, as having one vote in respect of each US$250,000 in principal amount of Securities for which the Global Certificate is issued. The Trustee may (but is not obliged to) allow a

person with an interest in the Securities in respect of which the Global Certificate has been issued to attend and speak at a meeting of Securityholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Securities by the Issuer following its redemption or purchase will be effected by a reduction in the principal amount of the Securities in the register of Securityholders.

Trustee's Powers

In considering the interests of Securityholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Securities represented by the Global Certificate.

Payments

Payments of principal and interest in respect of the Securities represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Securities, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose.

Each payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Calculation of Distribution

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of such Securities from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Securities represented by such Global Certificate.

Notices

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Securityholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Redemption at the option of the Issuer

The options of the Issuer provided for in Conditions 7(B), 7(C), 7(D), 7(E), 7(F) and 7(G) shall be exercised by the Issuer giving notice to the Securityholders within the time limits set out in and containing the information required by Conditions 7(B), 7(C), 7(D), 7(E), 7(F) and 7(G).

Redemption at the option of the Securityholder

The Securityholder's redemption option in condition 7(H) may be exercised by the Securityholder depositing at the specified office of the Paying Agent the Relevant Event Put Exercise Notice, together with the certificate evidencing the Securities to be redeemed within the time limits specified in the Terms and Conditions.

Registration of Title

Certificates in definitive form for individual holdings of Securities will not be issued in exchange for interests in Securities in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any alternative clearing system on behalf of which the Securities evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Securities with respect to which the Global Certificate is issued shall be made in accordance with the Agency Agreement.

Transfers of interests in the Securities will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Enforcement

The Global Certificate shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

The Global Certificate and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, English law.

Directors' Interests in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests or short positions of our Directors in our ordinary Shares, underlying shares and debentures (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to us and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they are taken or deemed to have under such provision of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers) were as follows:

Interests in our shares and underlying shares

Board member	Long/Short Position	Nature of Interests	Number of Ordinary Shares Held	Derivatives			Percentage of Aggregate Interests to Total Issued Share Capital
				Share Options	Other	Aggregate Interest	
Executive Director							
Zhou Zixue	Long Position	Beneficial Owner	—	2,521,163	1,080,498	3,601,661	0.073%
Zhao Haijun	Long Position	Beneficial Owner	49,311	1,875,733	1,687,500	3,612,544	0.074%
Liang Mong Song	—	—	—	—	—	—	—
Gao Yonggang	Long Position	Beneficial Owner	—	1,964,003	85,505	2,049,508	0.042%
Non-Executive Director							
Chen Shanzhi	Long Position	Beneficial Owner	—	477,187	162,656	639,843	0.013%
Tzu-Yin Chiu	Long Position	Beneficial Owner	3,519,361	11,103,588	3,351,477	17,974,426	0.366%
Zhou Jie	—	—	—	—	—	—	—
Ren Kai	—	—	—	—	—	—	—
Lu Jun	—	—	—	—	—	—	—
Tong Guohua	Long Position	Beneficial Owner	—	187,500	187,500	375,000	0.008%
Independent Non-Executive Director							
William Tudor Brown	Long Position	Beneficial Owner	—	449,229	—	449,229	0.009%
Lip-Bu Tan	Long Position	Beneficial Owner	115,439	591,426	62,500	769,365	0.016%
Carmen I-Hua Chang	Long Position	Beneficial Owner	—	488,730	—	488,730	0.010%
Shang-yi Chiang	Long Position	Beneficial Owner	—	187,500	187,500	375,000	0.008%
Jason Jingsheng Cong	Long Position	Beneficial Owner	—	187,500	187,500	375,000	0.008%
Alternate Director							
Li Yonghua	—	—	—	—	—	—	—

All interests stated above represented long positions.

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

Set out below are the names of the parties (not being one of our directors or chief executive) which were interested in 5% or more of the nominal value of our share capital and the respective numbers of shares in which they were interested as of the Latest Practicable Date.

Name of Shareholder	Number of ordinary Shares Held	Percentage of ordinary Shares Held to Total Issued Share Capital of the Company[1]	Derivatives	Total Interest	Percentage of Total Interests to Total Issued Share Capital of the Company[1]
Datang Telecom Technology & Industry Holdings Co., Ltd..	Long Position 797,996,122[2]	16.24%	—	797,996,122	16.24%
China Integrated Circuit Industry Investment Fund Co., Ltd.	Long Position 740,000,000[3]	15.06%	—	740,000,000	15.06%

Notes:

(1) Based on 4,912,763,430 Shares in issue as at the Latest Practicable Date.

(2) All such Shares are held by Datang HK which is a wholly-owned subsidiary of Datang Telecom Technology & Industry Holdings Co., Ltd.

(3) All such Shares are held by Xinxin (Hongkong) Capital Co., Ltd, a wholly-owned subsidiary of China IC Fund.

As of the Latest Practicable Date, 4,912,763,430 ordinary shares (including 12,512,021 ADSs representing 62,560,105 shares) of the Company were outstanding. J.P. Morgan Chase Bank, the depositary under the deposit agreement, has advised us that, as of Latest Practicable Date, these 12,512,021 ADSs, representing 62,560,105 ordinary shares, were held of record by thirteen US registered shareholders. We have no further information as to shares held or beneficially owned by US persons. Each ADS represents 5 ordinary shares.

Save as disclosed above, no other persons had any interests or short positions in our shares or underlying shares as at the Latest Practicable Date.

China Integrated Circuit Industry Investment Fund Co., Ltd. ("China IC Fund")

China IC Fund was established in September 2014 which is a professional investment company focused on the integrated circuit industry.

Datang Telecom Technology & Industry Holdings Co., Ltd. ("Datang Holdings")

Datang Holdings is a wholly-owned subsidiary of Datang Telecom Technology and Industry Group ("**Datang Telecom Group**"). Datang Telecom Group, headquartered in Beijing, the PRC, has entered wireless mobile communications, integrated circuit, strategic emerging industries and other industrial sectors. As the main force for independent innovation of China's wireless mobile communications and a model of practicing innovative national strategies, Datang Telecom Group has initiated international standards of 3G TD-SCDMA and 4G TD-LTE-Advanced mobile communications, promoted the successful industrialization, scale commercial use and major breakthroughs in international market of TD and led the development of 5G core technical standards. At the same time, it has also linked up the mobile communications and the IC industry chains, facilitated the interactive

development mode of mobile communications and integrated circuit, realized the key changes of China's communications chips and significantly enhanced the international competitiveness of China's information and communication industry.

Pre-emptive rights of Datang Holdings

Pursuant to the share purchase agreement dated 6 November 2008 between the Company and Datang Holdings (the "**Datang Subscription Agreement**") and the supplemental agreement dated 22 August 2014 between Datang Holdings, Datang HK and the Company to amend the pre-emptive rights provision in the Datang Subscription Agreement, Datang Holdings has a pre-emptive right to subscribe for a *pro rata* portion of new securities of the Company being issued equivalent to the percentage of the issued share capital of the Company then owned by Datang Holdings immediately prior to the Company's entry into the agreement or agreements for the transaction involving the issuance of such new securities, which includes the issue of the Securities, any potential subscription by Country Hill pursuant to any exercise of its pre-emptive right under the share purchase agreement dated 18 April 2011 between the Company and Country Hill, and any potential subscription by China IC Fund pursuant to any exercise of its Pre-emptive Right under the China IC Fund Subscription Agreement (defined below). The completion of any such issue of securities to Datang Holdings upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals. Pursuant to the Datang Subscription Agreement, Datang Holdings has informed the Company in a non-legally binding letter of intent that it intends to exercise its Pre-emptive Rights up to the amount it is entitled to under the Datang Subscription Agreement, and that it also intends to subscribe for additional Securities.

Pre-emptive rights of China IC Fund

Pursuant to the share purchase agreement dated 12 February 2015 between the Company and China IC Fund (the "**China IC Fund Subscription Agreement**"), China IC Fund has a pre-emptive right to purchase (or to purchase through its wholly-owned subsidiary incorporated in Hong Kong (the "**HKCo**")) a *pro rata* portion of such new securities being issued by the Company equivalent to the percentage of the issued share capital of the Company then beneficially owned by the Investor (together with the HKCo and its permitted transferee) prior to the issue of such new securities, provided that the Investor (together with the HKCo and its permitted transferee) maintains an ownership interest equal to not less than five per cent. (5%) of the Company's issued share capital from time to time. Pursuant to the China IC Fund Subscription Agreement, China IC Fund has informed in a non-legally binding letter of intent that it intends to exercise its Pre-emptive Rights up to the amount it is entitled to under the China IC Fund Subscription Agreement and that it also intends to subscribe for additional Securities.

Based on the initial Conversion Price of HK$12.78 per Share and assuming full conversion of the Securities at the initial Conversion Price, the Securities will be convertible into 39,688,654 Shares, representing approximately 0.85% of the issued share capital of the Company on 28 November 2017 and approximately 0.84% of the issued share capital of the Company as enlarged by the issue of the Shares upon full conversion of the Securities.

The following table illustrates (i) the shareholding structure of the Company as at 28 November 2017; (ii) the shareholding structure immediately after the issue of the Securities and assuming no conversion of the Securities into Shares; and (iii) the shareholding structure immediately after the issue of the Securities and full conversion of the Securities.

	As at 28 November 2017		Immediately after the issue of the Securities and assuming no conversion of any Securities[1]		Immediately after the issue of the Securities and assuming full conversion of the Securities into Shares at the Initial Conversion Price[2]	
Shareholder	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company	No. of Shares	% of enlarged share capital of the Company
Datang Holdings[3]	797,996,122	17.09%	797,996,122	17.09%	797,996,122	16.95%
China IC Fund[4]	740,000,000	15.85%	740,000,000	15.85%	740,000,000	15.72%
Country Hill[5]	90,559,889	1.94%	90,559.889	1.94%	90,559,889	1.92%
Holders of Securities	—	—	—	—	39,688,654	0.84%
Other Shareholders[6]	3,040,630,901	65.12%	3,040,630,901	65.12%	3,040,630,901	64.57%
Total	4,669,186,912	100.00%	4,669,186,912	100.00%	4,708,875,566	100.0%

Notes:

(1) Assuming that other than the Securities, no Share is issued (including the placing under the placing agreement by and between ourselves, J.P. Morgan Securities plc and Deutsche Bank AG, Hong Kong Branch dated 29 November 2017 (the "**Placing Agreement**")) or repurchased by the Company, none of the outstanding share options is exercised and no conversion into Shares of any securities. As at 30 September 2017, the Company had 98,570,820 outstanding share options.

(2) Assuming that other than the Securities, no Share is issued (including the placing under the Placing Agreement) or repurchased by the Company, none of the outstanding share options is exercised and no conversion into Shares of any securities other than the Securities. As at 30 September 2017, the Company had 98,570,820 outstanding share options.

(3) All such Shares are held by Datang HK, a wholly-owned subsidiary of Datang Holdings.

(4) All such Shares are held by Xinxin (Hongkong) Capital Co., Ltd, a wholly-owned subsidiary of China IC Fund.

(5) All such Shares are held by Country Hill Limited, a wholly-owned subsidiary of Bridge Hill Investments Limited, which is a subsidiary controlled by China Investment Corporation.

(6) "Other Shareholders" does not include the placees of the shares issued under the Placing Agreement.

Set out below is certain selected information concerning our share capital and certain provisions of our Memorandum and its Articles. This summary does not purport to be complete and is qualified in its entirety by reference to the Memorandum and the Articles.

The table below sets out our authorised and issued share capital in issue as at the Latest Practicable Date:

Number of shares	Aggregate amount of nominal share capital (US$)
Authorised:	
Ordinary Shares	
10,000,000,000	40,000,000
Preference Shares	
500,000,000	2,000,000
Issued:	
Ordinary Shares	
4,912,763,430 ordinary shares in issue	19,651,053.72
Preference Shares	
Nil preference shares in issue	0

Fully paid ordinary shares, which have a par value of US$0.004, carry one vote per share and carry a right to dividends.

Summary of the Constitution of the Company

1. Memorandum of Association

The ninth amended and restated memorandum of association of the Company (the "**Memorandum**") was adopted on 28 January 2004 and states, that the liability of the members of the Company (the "**Member(s)**") is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") or any other law of the Cayman Islands.

2. Articles of Association

The eleventh amended and restated Articles of Association of the Company (the "**Articles**") were adopted on 2 June 2008, and include provisions to the following effect:

(A) Classes of shares

The authorised share capital of the Company consists of ordinary shares and preferred shares.

(B) Alteration to constitutional documents

Other than an alteration in share capital of the Company as stated in paragraph (E) below, no alteration or amendment to the Memorandum or Articles may be made except by special resolution.

(C) Directors

(a) Power to allot, issue and dispose of shares

Subject to the provisions, if any, in the Memorandum and the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any rights attached to any existing shares, the Board may allot, issue, grant options, rights or warrants over or otherwise dispose of any shares in the Company with or without preferred, deferred, qualified or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and on such terms as the Board may think proper. Subject to the Companies Law any share may be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

Notwithstanding and without prejudice to the generality of the foregoing, the Directors are expressly authorised and empowered to implement or effect at their sole discretion the issuance of a preferred share purchase right to be issued on a pro rata basis to each holder of a ordinary share with such terms and for such purposes, including the influencing of takeovers, as may be described in a rights agreement between the Company and a rights agent.

(b) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of assets of the Company or any of its subsidiaries. Subject to the provisions of the Companies Law, the Memorandum and Articles and to any directions given by special resolution, the management of the business of the Company shall be vested in the Directors who may exercise all such powers of the Company, provided that no alteration of the Memorandum or Articles and such direction shall invalidate any prior act of the Directors which would have been valid if such direction had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Transaction with Directors (including loans to Directors)

Any contract or transaction between the Company or any of its subsidiaries and one or more of the Company's Directors or any of their associates (as defined in the Exchange Rules defined below), officers or Members (or the affiliates of any Member), or between the Company or any of its subsidiaries and any other corporation, partnership, limited liability company, joint venture, trust, association or other organization or other entity in which one or more of the Company's Directors or any of their associates, officers or Members (or the affiliates of any Member) serve as directors, officers, trustees or in a similar capacity or have a financial interest, shall be approved in accordance with applicable law, rules or regulations and relevant code, rules and regulations, as amended from time to time, applicable as a result of the original and continued listing of any shares of the Company on any stock exchange (the "**Exchange Rules**"). The making of any loans to any of the Company's Directors and their associates shall be subject to the requirements of Hong Kong law and any other applicable law, rules or regulations and the Exchange Rules.

For the purpose of the preceding sentences, if any such contract, transaction or loan is to be approved by the Board, the quorum necessary for the Board to vote on such contract, transaction or loan shall be a majority of the disinterested Directors in such contract, transaction or loan (such "**disinterested Directors**" shall not include a Director whose associate(s) has a material interest in any such contract, transaction or loan). Further, Directors shall declare their material interests in any contracts with the Company at the earliest meeting of the Board at which it is practicable to do so either specifically or by way of a general notice stating that, by reason of facts specified in the notice, they are to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

(e) Directors' Interests

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Board may determine.

A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.

A Director or alternate Director of the Company may be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of such other company.

Further, Directors shall declare their material interests in any contracts with the Company at the earliest meeting of the Board at which it is practicable to do so either specifically or by way of a general notice stating that, by reason of facts specified in the notice, they are to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company. A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

(f) Remuneration

The remuneration to be paid to the Directors shall be such remuneration as the Board shall determine. Such remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Board, or any committee of the Board, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Board from time to time, or a combination partly of one such method and partly the other.

The Board may by resolution approve additional remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director.

Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves the Company in a professional capacity shall be in addition to his remuneration as a Director.

(g) Retirement, appointment, removal and vacation

The Company may by ordinary resolution appoint any person to be a Director and may by ordinary resolution remove any Director and may by ordinary resolution appoint another person in his stead. Any Director appointed upon the removal of another Director in accordance with the preceding sentence shall hold office for the remainder of the full term of the removed Director and until such appointed Director's successor shall have been elected and qualified.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total amount of Directors (exclusive of alternate Directors) shall not at any time exceed the number fixed in accordance with the Articles. Any Director appointed in accordance with the preceding sentence shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director appointed by the Company at such annual general meeting to fill the vacancy that was created or occurred shall hold office for the remainder of the full term of the Director for which the vacancy was created or occurred and until such appointed Director's successor shall have been elected and qualified.

There is no shareholding qualification for Directors nor is there any specified age limit for retirement for Directors.

The office of a Director shall be vacated:

(i) if he gives notice in writing to the Company that he resigns the office of Director;

(ii) if all of the Directors (other than the one to be removed) pass a resolution or sign a notice effecting the removal of such one Director from his office as such, provided that the Board shall, immediately prior to such notice being delivered, comprise at least four persons (including, for the avoidance of doubt, the one Director to be removed);

(iii) if he is prohibited from being a Director under any applicable law, rules or regulations and the Exchange Rules;

(iv) if he absents himself (without being represented by proxy or an alternate Director appointed by him) from three consecutive meetings of the Board without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated office;

(v) if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(vi) if he is found a lunatic or becomes of unsound mind.

The number of Directors shall be nine or such other number as shall be fixed from time to time by the Board, provided, however, that so long as shares of the Company are listed on any exchange, the Board shall include such number of Independent Directors (as defined in the Articles) as applicable law, rules or regulations or the Exchange Rules require.

Subject to the rights of the holders of any series of preferred shares to elect additional Directors under specified circumstances, the Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board. At the first annual general meeting of Members following the initial meeting after the adoption of the Articles, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At the second annual general meeting of Members following the initial meeting, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three years. At the third annual general meeting of Members following the initial meeting, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At each succeeding annual general meeting of Members, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual general meeting.

Notwithstanding the preceding sentences, each Director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of Directors constituting the Board shall shorten the term of any incumbent Director.

The Board may from time to time appoint one or more Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer and such other officers as it considers necessary in the management of the business of the Company and as it may decide for such period and upon such terms as it thinks fit and upon such terms as to remuneration as it may decide in accordance with the Articles. Such officers need not also be a Director.

(h) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(i) Proceedings of the Board

Except as otherwise provided by the Articles, the Directors may meet together for the dispatch of business, convening, adjourning and otherwise regulating their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes of the Directors and alternate Directors present at a meeting at which there is a quorum, the vote of an alternate Director not being counted if his appoint or be present at such meeting.

The quorum necessary for the transaction of the business of the Board shall be established if two Directors, of whom at least one shall be executive Director, are present in person or by proxy provided always that if there shall at any time be only a sole Director in office, the quorum shall be one.

The Board may delegate any of their powers to any committee consisting of one or more Directors. They may also delegate to any Director holding any executive office such of their powers as they consider desirable to be exercised by him.

(D) Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, be varied either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting shall be two holders of shares who own at least one-third in nominal value of the issued shares of the class present in person or by proxy, and of any adjournment thereof shall be one person holding shares of that class (or representing by proxy) at the date of the relevant meeting.

The rights conferred upon the holders of shares of any class with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith. The rights of holders of ordinary shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights which may be effected by the Board as provided in the Articles without any vote or consent of the holders of ordinary shares.

(E) Alteration of capital

The Company may from time to time by ordinary resolution:

(i) increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto as the Company in general meeting may determine;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum or into shares without par value;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

Subject to the Companies Law, the Company may by special resolution reduce its share capital and any capital redemption reserve fund.

(F) Special resolution — majority required

Pursuant to the Articles, a "**special resolution**" of the Company must be passed by at least three-fourths of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, or in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, or approved in writing by all the

Members entitled to vote at a general meeting of the Company. In computing such three-fourths requirement when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.

In contrast, an "**ordinary resolution**" means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, or, in the case of corporations, by their duly authorised representatives, at a general meeting. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.

(G) Voting rights

Subject to any rights or restrictions as to voting for the time being attached to any class or classes of shares, every Member who is present in person (or by proxy) shall have one vote for each share registered in his name in the register of Members. The ability of the Members to engage in cumulative voting is hereby specifically denied. Where the Company has knowledge that any Member is, under the rules of the Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders of record the vote of senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

No Member shall be entitled to vote at any general meeting unless he is registered as a Member of the Company on the record date for such meeting.

At any general meeting a resolution put to the vote of the meeting may be decided on a poll.

Votes may be given either personally or by proxy. A member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting and may appoint one proxy to vote in favour of or against the same resolution in such proportion as specified in the instrument appointing the proxy.

If a recognised clearing house (or its nominee) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of Members of the Company, provided that, if more than one person is so authorised, the proxy form or authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise as if such person were an individual Member of the Company holding the number and class of shares specified in such proxy form or authorisation, including the right to vote individually on a show of hands, notwithstanding any contrary provision contained in the Articles.

(H) Requirements for annual general meetings

The Company shall, if required by the Companies Law, other applicable law, rules or regulations or the Exchange Rules, hold a general meeting as its annual general meeting each year, and shall specify the meeting as such in the notice calling it; and the period between the date of one annual general meeting of the Company and that of the next shall not be longer than such periods applicable law, rules or regulations or the Exchange Rules permit.

(I) Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice (but not more than 60 days' notice) in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing (but not more than 60 days' notice). Each notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given, and shall specify such details as are required by applicable law, rules or regulations and the Exchange Rules. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to all Members (other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

A general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of the Company regarding general meetings have been complied with, be deemed to have been duly convened if applicable law, rules or regulations and the Exchange Rules so permit and it is so agreed:

(a) in the case of a general meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat or their proxies; and

(b) in the case of any other general meeting, by such number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than three-fourths (3/4) of the shares in issue that carry a right to vote or their proxies.

No business may be transacted at any general meeting, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Director (or any duly authorized committee thereof), (b) otherwise properly brought before the annual general meeting by or at the direction of the Board (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual general meeting by any Member who (i) is a Member of record on both (x) the date of the giving of the notice provided for in the Articles and (y) the record date for the determination of Members entitled to vote at such annual meeting and (ii) complies with the notice procedures set forth in the Articles.

In addition to any other applicable requirements, for business to be properly brought before an annual general meeting by a Member, such Member must have given timely notice thereof in proper written form to the Secretary of the Company in accordance with the Articles.

(J) Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and by or on behalf of the transferee and, unless the Directors otherwise determine, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of Members in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as any stock exchange on which the Company's shares are listed may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on 14 days' notice being given in accordance with applicable law, rules or regulations and the Exchange Rules, be suspended and the register of Members closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the Members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(K) Power of the Company to purchase its own shares

Subject to the provisions of the Companies Law, the Company may purchase its own shares (including any redeemable shares) provided that the Members shall have approved the manner of purchase by ordinary resolution or the manner of purchase is in accordance with the Articles and such repurchase is in accordance with applicable law, rules or regulations and the Exchange Rules.

(L) Power of any subsidiary of the Company to own shares

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(M) Dividends and other methods of distributions

Subject to the Companies Law, the Board may from time to time declare dividends (including interim dividends) and distributions on shares outstanding and authorise payment of the same out of the funds of the Company lawfully available therefor.

The Directors may, before declaring any dividends or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the Directors' discretion, be employed in the business of the Company.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of shares they shall be declared and paid according to the amounts paid or credited as paid on the shares of such class outstanding on the record date for such dividend or distribution as determined in accordance with the Articles but no amount paid or credited as paid on a Share in advance of calls shall be treated for such purpose as paid on the Share.

The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures, or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof. The Directors may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

No dividend or distribution shall carry interest against the Company.

Any dividend, distribution, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of Members in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. The Company may cease sending such cheques for dividend entitlements or dividend warrants to post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable in respect of the shares held by them as joint holders.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the exclusive benefit of the Company until claimed, and the Company shall not be constituted a trustee in respect thereof or be required to account for any money earned thereon. Any dividends or bonuses unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company and after such forfeiture no Member or other person shall have any right to or claim in respect of such dividends or bonuses.

(N) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. One or more Members present in person or by proxy holding not less than 33% of the issued and outstanding shares in the Company entitled to vote at the meeting in question shall be a quorum.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph D above.

(O) Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the shares held by them. And if in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, value any assets and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no Member shall be compelled to accept any assets upon which there is a liability.

(P) Untraceable Members

The Company shall be entitled to sell any shares of a Member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if and provided that: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the Member or person entitled to such shares by death, bankruptcy or operation of law; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the Member; and

(iv) upon expiry of the 12 year period, the Company has caused a notice to be given in accordance with applicable law, rules or regulations and the Exchange Rules, if its intention to sell such shares and a period of three months has elapsed since such notice and the relevant stock exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. To give effect to any such sale, the Company may appoint any person to execute as transferor an instrument of transfer of the shares and such other documents as are necessary to effect the transfer, and such documents shall be as effective as if they had been executed by the registered holder of or person entitled by transmission to such shares, and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings.

CONNECTED AND RELATED PARTY TRANSACTIONS

The following disclosure is for the purpose of fulfilling disclosure requirements pursuant to the rules and regulations promulgated pursuant to the U.S. Securities and Exchange Act of 1934, as amended, or the Exchange Act, only, and may contain disclosure of related party transactions not required to be disclosed in our financial statements under IFRS.

Connected Transactions

Datang Pre-emptive Share Purchase Agreement and Country Hill Pre-emptive Share Purchase Agreement

On 11 June 2015, the Company entered into a share purchase agreement ("**Datang Pre-emptive Share Purchase Agreement**") with Datang HK, pursuant to which the Company conditionally agreed to issue, and Datang HK conditionally agreed to subscribe for, 961,849,809 ordinary shares ("**Datang Pre-emptive Shares**") for a total cash consideration of HK$634,147,579.07 at the price of HK$0.6593 per ordinary share.

On 11 June 2015, the Company entered into a share purchase agreement ("**Country Hill Pre-emptive Share Purchase Agreement**") with Country Hill, pursuant to which the Company conditionally agreed to issue, and Country Hill conditionally agreed to subscribe for, 323,518,848 Ordinary Shares ("**Country Hill Pre-emptive Shares**") for a total cash consideration of HK$213,295,976.49 at the price of HK$0.6593 per ordinary share.

The execution of the Datang Pre-emptive Share Purchase Agreement and the Country Hill Pre-emptive Share Purchase Agreement, the issue of the Datang Pre-emptive Shares to Datang HK and the issue of the Country Hill Pre-emptive Shares to Country Hill were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 11 August 2015 as required under Chapter 14A of the Hong Kong Listing Rules. The completion of the issue of the Datang Pre-emptive Shares and the Country Hill Pre-emptive Shares took place on 9 October 2015 and 25 September 2015, respectively.

Formation of Joint Venture, Sino IC Leasing Co., Ltd., with China IC Fund

On 27 August 2015, the Company entered into a joint venture agreement with China IC Fund, and its sole manager, Sino IC Capital Co., Ltd., and seven other independent third parties to establish a joint venture company, Sino IC Leasing Co., Ltd. ("**Sino IC Leasing**"), in accordance with PRC laws and regulations. China IC Fund holds approximately 11.18% equity interest in the Company on the date of transaction through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited.

The registered capital of Sino IC Leasing is RMB5.68 billion. The capital commitment of China IC Fund and the Company in Sino IC Leasing is RMB2.00 billion and RMB0.60 billion, representing 35.21% and 10.56% interest, respectively.

The business scope of Sino IC Leasing 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 its operation is 30 years from the date of the establishment the company.

Issue of Series B Preference Shares by SJ Semiconductor Corporation

On 8 December 2015, a share purchase agreement was entered into by:

- SJ Cayman Corporation ("**SJ Cayman**") and its wholly-owned subsidiaries, SJ Semiconductor (HK) Limited and SJ Semiconductor (Jiangyin) Corporation; and

- the Company, Xun Xin (Shanghai) Investment Co., Ltd. ("**Xun Xin**") and Qualcomm Global Trading Pte. Ltd (Qualcomm) (each an "**Investor**" and together as the "**Investors**"),

pursuant to which SJ Cayman agreed to issue and the Investors agreed to subscribe for 466,666,664 Series B Preference Shares for an aggregate cash consideration of US$280,000,000 at a cash purchase price of US$0.60 per share. The transaction helps to expand SJ Semiconductor (Jiangyin) Corporation's production capacity and accelerate the construction progress.

Xun Xin is a wholly-owned subsidiary of China IC Fund, which holds approximately 11.17% equity interest on the date of transaction in the Company through its other wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited ("**Xinxin**"). Xun Xin is an associate of Xinxin and thus a connected person of the Company under the Hong Kong Listing Rules.

The Company, Xun Xin and Qualcomm each contributes US$160,000,000, US$100,000,000 and US$20,000,000 for their respective subscription of 266,666,666, 166,666,666 and 33,333,332 Series B Preference Shares, representing respectively 56.06%, 29.41% and 5.88% of the total issued share capital of SJ Cayman (excluding 137,500 SJ Cayman Ordinary Shares issued pursuant to exercise of options under SJ Cayman's Stock Option plan). Each Series B Preference Share may be converted at the option of the holder, at any time after the date of issuance thereof, into such number of fully paid SJ Cayman Ordinary Share(s) determined by dividing the original issue price of US$0.60 per share by the then effective conversion price. The initial conversion price will be equal to the original issue price, resulting in an initial conversion ratio of 1:1, that is, one Series B Preference Share is convertible into one SJ Cayman Ordinary Share.

Proposed Capital Contribution and Deemed Disposal of Equity Interest in a Joint Venture In Beijing, The PRC — Amendment JV Agreement

On 3 June 2013, the Company entered into a Joint Venture Agreement with Semiconductor Manufacturing International (Beijing) Corporation ("**SMIC Beijing**"), Beijing Industrial Development Investment Management Co. Ltd. ("**IDIMC**") and Zhongguancun Development Group ("**ZDG**") in relation to the establishment of the Joint Venture Company. The Joint Venture Company principally engage in, among other things, the testing, development, design, manufacturing, packaging and sale of integrated circuits.

On 10 May 2016, the Company, SMIC Beijing, China Integrated Circuit Investment Fund, Beijing Semi Fund, IDIMC and ZDG amended the previous joint venture agreement through the Amendment JV Agreement, pursuant to which: (i) the Company and SMIC Beijing's outstanding aggregate capital contribution obligations as contained in the previous joint venture agreement would decrease from US$804.38 million to US$708.38 million as their aggregate shareholding in the Joint Venture Company would decrease from 55% to 51%; and (ii) China Integrated Circuit Investment Fund would make cash

contribution of US$636 million into the registered capital of the Joint Venture Company. The above parties' performance of their capital contribution obligations would lead to an increase in the registered capital of the Joint Venture Company from US$1.2 billion to US$2.4 billion.

The remaining US$1.19 billion of the total investment under the Amendment JV Agreement was intended to be funded through the Joint Venture Company's internal cash flow and debt financing.

The Amendment JV Agreement constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules, and a non-exempt connected transaction subject to reporting, announcement and the Independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board was established to advise and provide recommendation to the independent shareholders on the Amendment JV Agreement and the transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company held on 24 June 2016.

As China Integrated Circuit Investment Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and its other associates (as defined in the Listing Rules) has abstained from voting on the ordinary resolution to approve the Amendment JV Agreement and any transactions contemplated thereunder. Apart from Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund, no other Shareholder would be required to abstain from voting on the relevant resolutions at the EGM.

Restricted Share Units Grant to Dr. Tzu-yin Chiu, Dr. Chen Shanzhi and Mr. Lip-bu Tan

On 26 May 2016, the Board announced that it had resolved at a meeting of the Board held on 12 May 2016 to grant 9,166,477 Restricted Share Units under the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at the extraordinary general meeting. Among the 9,166,477 Restricted Share Units to be granted, 7,031,061 Restricted Share Units were to be granted to Dr. Tzu-Yin Chiu, 989,583 Restricted Share Units were to be granted to Dr. Chen Shanzhi and 1,145,833 Restricted Share Units were to be granted to Mr. Lip-Bu Tan. Each of the Restricted Share Units to be granted to Dr. Chiu, Dr. Chen and Mr. Tan represents the right to receive an Ordinary Share on the date it vests, and it is intended that such Restricted Share Units will vest immediately upon their grant. In accordance with the terms of the 2014 Equity Incentive Plan, the Proposed Restricted Share Units Grant are to be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands.

The grant of 9,166,477 Restricted Share Units and any transactions contemplated thereunder constitutes non-exempt connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and thus subject to reporting, announcement and the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board Committee was established to advise and provide recommendation to the independent shareholders in respect of the RSU Grant and any transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company held on 24 June 2016.

The Annual Additional Grant to the existing Chief Executive Officer is fixed in accordance with 0.1% (being one-fourth of the same fixed percentage (0.4%) as that previously used in the calculation of his on-board grant) of the total number of Ordinary Shares as at the date of the Proposed RSU Grant (being 25 May 2016). The Annual Additional Grant to the existing non-executive Directors (including the independent non-executive Directors) is fixed in accordance with a percentage of 25% of a fixed sum, being the most recent on-board grant prior to the revised Board policy which was made to an independent non-executive Director. The aforementioned fixed percentages have been recommended by the compensation committee and approved by the Board. The basis for determining the number of Restricted Share Units to be granted to the Chief Executive Officer and the non-executive Director differs as the Chief Executive Officer is involved more heavily in the day-to-day management and operations of the Company.

Partnership Agreement for the Establishment of a Fund

On 23 June 2016, Shanghai Zhaoxin Investment Center (Limited Partnership) (上海肇芯投資管理中心(有限合夥)) as the General Partner and China IC Fund and China IC Capital as the Initial Limited Partners entered into a partnership agreement in relation to the establishment and management of a fund. The fund will be established in the PRC as a limited partnership for the purpose of equity investment, investment management and investment consulting in specified sectors. Pursuant to the partnership agreement, the total capital commitment to the Fund is expected to be RMB2 billion, of which RMB997.75 million is to be contributed by China IC Fund, RMB700 million is to be contributed by China IC Capital, RMB15 million is to be contributed by the Shanghai Zhaoxin and RMB287.25 million is to be contributed subsequently by other investors. The fund will be managed by China Fortune-Tech Capital Co., Ltd..

Grant of Restricted Share Units to Dr. Chiu, Dr. Chen and Mr. Tan

At a meeting of the Board held on 10 August 2016, the Board resolved to grant 1,523,075* Restricted Share Units (the "**Proposed RSU Grants**") under the 2014 Equity Incentive Plan, subject to independent shareholders' approval at the extraordinary general meeting. Among the 1,523,075* Restricted Share Units, 1,502,528* Restricted Share Units will be granted to Dr. Tzu-Yin Chiu (then the Chief Executive Officer of the Company and an Executive Director), 11,986* Restricted Share Units will be granted to Dr. Chen Shanzhi (then a non-Executive Director) and 8,561* Restricted Share Units will be granted to Mr. Lip-Bu Tan (then an independent non-executive Director). Each of the Restricted Share Units to be granted to Dr. Chiu, Dr. Chen and Mr. Tan represents the right to receive an Ordinary Share on the date it vests, and it is intended that such Restricted Share Units will vest immediately upon their grant. In accordance with the terms of the 2014 Equity Incentive Plan, the Proposed RSU Grants will be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands.

The grant of 1,523,075* Restricted Share Units and any transactions contemplated thereunder constitutes non-exempt connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and thus subject to reporting, announcement and the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board Committee was established to advise and provide recommendation to the independent shareholders in respect of the RSU Grant and any transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transaction was approved by the independent shareholders at the annual general meeting of the Company held on 6 December 2016.

* prior to the Share Consolidation

Disposal of 19.61% Equity Interest in Changjiang Xinke by SilTech Shanghai to JCET

On 27 April 2016, Siltech Semiconductor (Shanghai) Corporation Limited ("**SilTech Shanghai**") (an indirectly wholly-owned subsidiary of the Company) and Jiangsu Changjiang Electronics Technology Co., Ltd. ("**JCET**") entered into a disposal agreement (the "**Disposal Agreement**"), pursuant to which SilTech Shanghai agreed to sell its 19.61% ownership interest in Changjiang Xinke to JCET for a consideration of RMB664 million, which will be satisfied by JCET's issue of 43,229,166 shares of JCET to SilTech Shanghai at RMB15.36 per share. On the same day, SilTech Shanghai and JCET entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which SilTech Shanghai agreed to subscribe for and JCET agreed to issue 150,681,044 shares of JCET in consideration of an aggregate subscription price of RMB2,655 million in cash. On 10 May 2017, the Company was notified by JCET that the China Securities Regulatory Commission has granted approval for this transaction, and the Disposal Agreement and the Subscription Agreement became effective accordingly. On 19 June 2017, the transactions were completed and the Group recorded its ownership interest of JCET as investment in associate.

Grant of Restricted Share Units to Dr. Chiu, Dr. Chiang, Dr. Tong and Dr. Cong

At meetings of the Board held on 20 December 2016 and 14 February 2017 respectively, the Board resolved to grant 2,796,818 Restricted Share Units (the "**Proposed RSU Grants**") under the 2014 Equity Incentive Plan, subject to the independent shareholders' approval at the AGM. Among the 2,796,818 Restricted Share Units, 2,109,318 Restricted Share Units would be granted to Dr. Tzu-Yin Chiu (then the Chief Executive Officer of the Company and an Executive Director), 62,500 Restricted Share Units would be granted to Dr. Chen Shanzhi (then a non-Executive Director), 62,500 Restricted Share Units would be granted to Mr. Lip-Bu Tan (then an Independent Non-Executive Director), 187,500 Restricted Share Units would be granted to Dr. Shang-yi Chiang (then an Independent Non-Executive Director), 187,500 Restricted Share Units would be granted to Dr. Tong Guohua (then a non-Executive Director) and 187,500 Restricted Share Units would be granted to Dr. Jason Jingsheng Cong (then an Independent Non-Executive Director). Each of the Restricted Share Units to be granted to Dr. Chiu, Dr. Chen, and Mr. Tan represents the right to receive an ordinary share on the date it vests, and it is intended that such Restricted Share Units would vest immediately upon their grant. Each of the Restricted Share Units to be granted to Dr. Chiang, Dr. Tong and Dr. Cong represents the right to receive an ordinary share on the date it vests, and it is intended that such Restricted Share Units would vest over a period of three years at the rate of 33%, 33% and 34% for each 12-month period commencing on the date on which the relevant director commenced his term of office as director. In accordance with the terms of the 2014 Equity Incentive Plan, the Proposed RSU Grants will be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands.

The grant of 2,796,818 Restricted Share Units and any transactions contemplated thereunder constitutes non-exempt connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and thus subject to reporting, announcement and the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board Committee was established to advise and provide recommendation to the independent shareholders in respect of the RSU Grant and any transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transactions were approved by the independent shareholders at the annual general meeting of the Company held on 23 June 2017.

Grant of Restricted Share Units to Dr. Tzu-yin Chiu

At a meeting of the Board held on 10 May 2017, the Board resolved to grant to Dr. Tzu-yin Chiu 1,054,659 Restricted Share Units (the "**Proposed RSU Grant**") under the 2014 Equity Incentive Plan, subject to the independent shareholders' approval at a future general meeting to be confirmed in due course. Each of the Restricted Share Units to be granted to Dr. Chiu represents the right to receive an ordinary share on the date it vests, and it is intended that such Restricted Share Units would vest on 30 June 2017, being the date on which Dr. Chiu would complete his term as an advisor to the Company during the transitional period of the change in Chief Executive Officer following his stepping down as Chief Executive Officer of the Company on 10 May 2017. In accordance with the terms of the 2014 Equity Incentive Plan, the Proposed RSU Grant would be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands.

The grant of 1,054,659 Restricted Share Units and any transactions contemplated thereunder constitutes non-exempt connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and thus subject to reporting, announcement and the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board Committee was established to advise and provide recommendation to the independent shareholders in respect of the RSU Grant and any transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company held on 29 September 2017.

Capital Contribution to a Joint Venture Company — Sino IC Leasing Co., Ltd.

The Company entered into a joint venture agreement with China IC Fund and its sole manager, Sino IC Capital, as well as seven other independent third parties to establish a joint venture company, Sino IC Leasing Co., Ltd. (the "**Joint Venture Company**") in the PRC.

On 20 July 2017, the Company, China IC Fund, Sino IC Capital, and thirteen other independent third parties agreed to amend the previous joint venture agreement through the Amendment JV Agreement, pursuant to which: (i) the Company has agreed to increase its capital contribution obligation towards the Joint Venture Company as contained in the previous joint venture agreement from RMB0.60 billion to RMB0.80 billion (comprising RMB792,075,000 into its registered capital and RMB7,925,000 into its capital reserves) while its shareholding in the Joint Venture Company will decrease from approximately 10.56% to approximately 7.44%; and (ii) China IC Fund has agreed to increase its capital contribution obligation towards the Joint Venture Company as contained in the previous joint venture agreement from RMB2.00 billion to RMB3.50 billion (comprising RMB3,440,562,000 into its registered capital and RMB59,438,000 into its capital reserves) while its shareholding in the Joint Venture Company will decrease from approximately 35.21% to approximately 32.31%. The above parties' performance of their capital contribution obligations will lead to an increase in the registered capital of the Joint Venture Company from RMB5.68 billion to approximately RMB10.65 billion and an increase in the capital reserves of the Joint Venture Company from 0 to RMB205.06 million.

Provisions of Guarantees

On 21 December 2016, Semiconductor Manufacturing International (Beijing) Corporation, a wholly-owned subsidiary of the Company, entered into the Guarantee Agreements with Sino IC Leasing Tianjin Co., Ltd. to provide guarantees of an aggregate amount of approximately US$59,583,000 in favour of Sino IC Leasing (Tianjin) in respect of the payment obligations of Semiconductor Manufacturing North China (Beijing) Corporation under certain lease agreements. While the subject matter of each Guarantee Agreement consists of different specified machinery, the principal terms of both Guarantee Agreements are the same.

On 16 March 2017, Semiconductor Manufacturing International (Beijing) Corporation, a wholly-owned subsidiary of the Company, entered into the March Guarantee Agreements with Sino IC Leasing Tianjin Co., Ltd. to provide guarantees of an aggregate amount of approximately S$65,882,000 in favour of Sino IC Leasing Tianjin Co., Ltd. in respect of the payment obligations of SMNC under certain lease agreements.

On 31 July 2017, the Company entered into the July Guarantee Agreements with Xin Cheng Leasing or Xin Dian Leasing (as the case may be) to provide guarantees of an aggregate amount of approximately US$125,492,000 in favour of Xin Cheng Leasing or Xin Dian Leasing (as the case may be) in respect of the payment obligations of SMNC under certain lease agreements.

Proposed Capital Contribution in a Joint Venture in Beijing

On 3 June 2013, the Company entered into a joint venture agreement with Semiconductor Manufacturing International (Beijing) Corporation ("**SMIC Beijing**"), Beijing Industrial Development Investment Management Co. Ltd. ("**IDIMC**") and Zhongguancun Development Group ("**ZDG**") in relation to the establishment of a joint venture company. The joint venture company principally engages in, among other things, the testing, development, design, manufacturing, packaging and sale of integrated circuits.

On 10 May 2016, the Company, SMIC Beijing, China Integrated Circuit Investment Fund, Beijing Semi Fund, IDIMC and ZDG amended the previous joint venture agreement through the Amendment JV Agreement, pursuant to which: (i) the Company and SMIC Beijing's outstanding aggregate capital contribution obligations as contained in the previous joint venture agreement would decrease from US$804.38 million to US$708.38 million as their aggregate shareholding in the joint venture company would decrease from 55% to 51%; and (ii) China Integrated Circuit Investment Fund would make cash contribution of US$636 million into the registered capital of the joint venture company. The above parties' performance of their capital contribution obligations would lead to an increase in the registered capital of the joint venture company from US$1.2 billion to US$2.4 billion.

On 10 August 2017, the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings and E-Town Capital have agreed to amend the previous joint venture agreement through the Amendment JV Agreement, pursuant to which: (i) the Company, SMIC Beijing and SMIC Holdings have agreed to make further cash contribution of US$1,224 million into the registered capital of the joint venture company. Their outstanding aggregate capital contribution obligations as contained in the previous joint venture agreement will increase from nil to US$1,224 million. Their aggregate shareholding in the joint venture company will remain at 51%; (ii) China IC Fund has agreed to make further cash contribution of US$900 million into the registered capital

of the joint venture company. Its shareholding in the joint venture company will increase from 26.5% to 32%; and (iii) E-Town Capital has agreed to make cash contribution of US$276 million into the registered capital of the joint venture company representing 5.75% of the enlarged registered capital of the joint venture company. The above parties' performance of their capital contribution obligations will lead to an increase in the registered capital of the joint venture company from US$2.4 billion to US$4.8 billion.

On 10 August 2017, the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings, E-Town Capital and the joint venture company also entered into the Capital Increase Agreement to carry out the proposed capital contribution.

The above transactions were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 29 September 2017.

Restricted Share Units Grant to Dr. Zhao and Dr. Chiu

At meetings of the Board held on 10 May 2017 and 8 August 2017 respectively, the Board resolved to grant 1,875,000 Restricted Share Units (the "**Proposed RSU Grants**") under the 2014 Equity Incentive Plan, subject to independent shareholders' approval at the EGM. Among the 1,875,000 Restricted Share Units, 1,687,500 Restricted Share Units would be granted to Dr. Haijun Zhao (then the Chief Executive Officer of the Company) and 187,500 Restricted Share Units would be granted to Dr. Tzu-Yin Chiu (a former Chief Executive of the Company, the Vice Chairman and non-Executive Director). Each of the Restricted Share Units to be granted to Dr. Zhao and Dr. Chiu represents the right to receive an ordinary share on the date it vests. It is intended that the Restricted Share Units to be granted to Dr. Zhao will vest over one year commencing on the date on which Dr. Zhao commenced his term of office as chief executive officer and the Restricted Share Units to be granted to Dr. Chiu will vest over a period of three years at the rate of 33%, 33% and 34% for each 12-month period commencing on the date on which Dr. Chiu commenced his term of office as non-executive director.

The grant of 1,875,000 Restricted Share Units and any transactions contemplated thereunder constitutes non-exempt connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and thus subject to reporting, announcement and the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board Committee was established to advise and provide recommendation to the independent shareholders in respect of the RSU Grant and any transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company held on 29 September 2017.

Placing Agreement

On 29 November 2017, the Company entered into a placing agreement (the "**Placing Agreement**") with J.P. Morgan Securities plc and Deutsche Bank AG, Hong Kong Branch (the "**Joint Placing Agents**") pursuant to which the Company conditionally agreed to place, through the Joint Placing Agents, 241,418,625 Shares (the "**Placing Shares**") to not less than six independent placees at a price of HK$10.65 per Placing Share. The Placing Shares will be allotted and issued pursuant to the general and unconditional mandate granted to the Directors by passing a resolution of the Shareholders at the annual general meeting of the Company held on 23 June 2017 to exercise the power of the Company to allot and issue up to 20% of the issued share capital of the Company as at the date of passing such resolution. The issue of the Placing Shares is not subject to the approval of the Shareholders.

As each of Datang Holdings and Country Hill is a substantial shareholder of the Company, any potential subscription of securities of the Company by Datang Holdings and Country Hill pursuant to any exercise of pre-emptive rights by Datang Holdings and Country Hill under the Datang Original Subscription Agreement and the Country Hill Original Subscription Agreement will constitute a connected transaction of the Company and will be subject to independent Shareholders' approval under the Hong Kong Listing Rules.

Continuing Connected Transactions

Framework Agreement with Datang Holdings — 2016 to 2018

On 28 December 2015, the Company entered into a new framework agreement (the "**2015 Renewed Framework Agreement**") with Datang, pursuant to which the Group and Datang Holdings (including its associates) would engage in business collaboration including but not limited to foundry service. The term of the 2015 Renewed Framework Agreement is three years commencing from 1 January 2016. The pricing for the transactions contemplated under the 2015 Renewed Framework Agreement is determined based on the same factors as the Framework Agreement.

The expected caps, being the maximum revenue on an aggregated basis expected to be generated by the Group from the transactions contemplated under the 2015 Renewed Framework Agreement, are:

- US$50 million for the year ended 31 December 2016;
- US$66 million for the year ended 31 December 2017; and
- US$82 million for the year ending 31 December 2018.

Financial Services Agreement with Datang Finance

On 18 December 2015, the Company and Datang Telecom Group Finance Co., Ltd. ("**Datang Finance**") entered into the Financial Services Agreement with a three year term commencing on 1 January 2016 and ending on 31 December 2018, pursuant to which Datang Finance has agreed to provide the Company and its subsidiaries, including its associated companies and companies under its management with a range of financial services (including deposit services, loan services, foreign exchange services and other financial services) subject to the terms and conditions provided therein.

Each of Datang Finance and Datang Holdings is a wholly-owned subsidiary of China Academy of Telecommunications Technology and Datang Holdings in turn wholly owns Datang Holdings (Hongkong) Investment Company Limited ("**Datang HK**"), a substantial shareholder of the Company holding approximately 18.30% of the total issued share capital of the Company as at the date of this Offering Circular. Datang Finance is a fellow subsidiary of Datang Holdings and an associate of Datang Hongkong, and thus a connected person of the Company under Chapter 14A of the Listing Rules.

Datang Finance provides to the Group a range of financial services as the Group may request from time to time. Such financial services include deposit services, loan services, foreign exchange services and other financial services.

The financial services of Datang Finance are provided based on the following pricing principles:

1. Deposit services

The terms (including interest rates) in respect of deposit services offered to the Group by Datang Finance shall be no less favourable than those offered to the Group by third parties in respect of comparable services, subject to the relevant provisions of Chinese laws and regulations.

2. Loan services

The terms (including interest rates) in respect of loans services offered to the Group by Datang Finance shall be no less favourable than those offered to the Group by third parties in respect of comparable services, subject to the relevant provisions of Chinese laws and regulations.

3. Foreign exchange services

The terms (including exchange rates) in respect of foreign exchange services offered to the Group by Datang Finance shall be no less favourable than those offered to the Group by third parties in respect of comparable services, subject to the relevant provisions of Chinese laws and regulations.

4. Other financial services

The terms (including fees charged by Datang Finance) for the provision of financial services other than deposits services, loan services and foreign exchange services shall be no less favourable than the terms (including fees charged to the Group) applicable to third parties in respect of comparable services, subject to the relevant provisions of Chinese laws and regulations.

The Annual Caps under the Financial Services Agreement are set out below:

	For the year ended 31 December		
	2016	2017	2018
		US$ million	
Deposit Cap (the maximum daily outstanding balances including accrued interests which is not cumulative in nature and inclusive of foreign currency and RMB deposits	100	100	100
Spot FX Trading Cap (the maximum daily transaction amount for foreign exchange settlement and sales)	50	50	50
Other Financial Services Cap (the maximum annual fee for other financial services)	5	5	5

There are no historical caps for the deposit services, the foreign exchange services and other financial services with Datang Finance. The Annual Caps are determined based on the Group's actual financial needs and reasonable forecast.

Transactions with Semiconductor Manufacturing International (Beijing) Corporation and SJ Semiconductor (Jiangyin) Corporation In Relation To Centralized Fund Management Agreement

On 21 March 2016, the Company, Semiconductor Manufacturing International (Beijing) Corporation ("**SMIC Beijing**") and SJ Semiconductor (Jiangyin) Corporation ("**SJ Jiangyin**") entered into the Centralized Fund Management Agreement in relation to: (i) the Company authorizing its wholly-owned subsidiary SMIC Beijing to carry out centralized management of the Group's RMB fund and foreign exchange in accordance with the relevant PRC laws and regulations and (ii) SJ Jiangyin participating in the Group's centralized fund management system.

The agreement is effective from 21 March 2016 or the date when all the necessary approvals required are obtained, whichever is later, and will end on 31 December 2018. Pursuant to the agreement, the Company will authorize its wholly-owned subsidiary SMIC Beijing to carry out centralized management of the Group's RMB fund and foreign exchange in accordance with the relevant PRC laws and regulations. Based on such authorization, SMIC Beijing will provide fund management services to SJ Jiangyin within the scope permitted by the relevant PRC policies.

The price of the services provided by SMIC Beijing to SJ Jiangyin contemplated under the Centralized Fund Management Agreement will be fair and reasonable under the Hong Kong Stock Exchange Listing Rules, determined according to the market principle on an arm's length basis, subject to compliance with requirements for connected transactions of the Hong Kong Stock Exchange. The Company will ensure that the prices charged to SJ Jiangyin will not be more favourable than prices charged to its other subsidiaries which are not connected persons under the Hong Kong Stock Exchange listing rules.

The transactions contemplated under the Centralised Fund Management Agreement constitute continuing connected transactions subject to the reporting, announcement and the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules. In accordance with the Hong Kong Listing Rules, an Independent Board was established to advise and provide recommendation to the independent shareholders on the Centralised Fund Management Agreement (including the annual caps) and the transactions contemplated thereunder and to advise the independent shareholders on how to vote. Such transactions were approved by the independent shareholders at the extraordinary general meeting of the Company held on 24 June 2016.

1. Internal Deposit Services

The terms (including interest rates) in respect of the internal deposit services provided by SMIC Beijing to SJ Jiangyin will be on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, subject to the relevant provisions of PRC laws and regulations. The interest rate applicable to SJ Jiangyin's deposits with SMIC Beijing will be determined based on arm's length negotiations by the parties. SJ Jiangyin will obtain two or more written quotes from third-party commercial banks in the PRC for providing deposit services of the same type during the same period to SJ Jiangyin. The lowest of the interest rates quoted will be adopted as the interest rate for SJ Jiangyin's deposits with SMIC Beijing. The Company understands that when determining the interest rates quoted to SJ Jiangyin, the third-party commercial banks will refer to PBOC benchmark interest rate for RMB deposits of a similar type and make adjustment based on the bank's credit assessment of SJ Jiangyin.

2. Collection and Payment Services and Foreign Exchange Services

The terms (including fees charged by SMIC Beijing and exchange rates) in respect of the collection and payment services and foreign exchange services provided by SMIC Beijing to SJ Jiangyin will be on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, subject to the relevant provisions of PRC laws and regulations. The fees charged by SMIC Beijing to SJ Jiangyin for providing such services will be determined based on arm's length negotiations by the parties which will not be less favourable to SMIC Beijing than (1) fees charged by SMIC Beijing to other subsidiaries which are not connected persons under the Listing Rules; and (2) fees charged to SMIC Beijing by other third-party commercial banks or financial institutions providing fund management services to SMIC Beijing for services of the same type during the same period.

3. Internal Loan Services

The terms (including interest rates) in respect of the internal loan services provided by SMIC Beijing to SJ Jiangyin will be on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, subject to the relevant provisions of PRC laws and regulations.

The interest rate applicable to loans granted to SJ Jiangyin by SMIC Beijing will be based on arm's length negotiation by the parties. SJ Jiangyin will obtain two or more written quotes from third-party commercial banks in the PRC for providing loan services of the same type during the same period to SJ Jiangyin. The highest of the interest rates quoted will be adopted as the interest rate for SJ Jiangyin's loans with SMIC Beijing. The Company understands that when determining the interest rates quoted to SJ Jiangyin, the third-party commercial banks will refer to PBOC benchmark interest rate for RMB loan of a similar type and make adjustment based on the bank's credit assessment of SJ Jiangyin.

4. Provision of Letter of Credit Services

The terms (including fees charged by the Company) in respect of the letters of credit provided by the Company to SJ Jiangyin will be on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, subject to the relevant provisions of PRC laws and regulations. The fees charged by the Company to SJ Jiangyin for providing such services will be determined based on arm's length negotiations by the parties which will not be less favourable to SMIC Beijing than (1) fees charged by SMIC Beijing to other subsidiaries which are not connected persons under the Listing Rules; and (2) fees charged to SMIC Beijing by other third-party commercial banks or financial institutions providing fund management services to SMIC Beijing for services of the same type during the same period.

5. Other Financial Services

The terms (including fees charged by SMIC Beijing) in respect of other financial services provided by SJ Beijing to SJ Jiangyin will be on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, subject to the relevant provisions of PRC laws and regulations. The fees charged by SMIC Beijing to SJ Jiangyin for providing such services will be determined based on arm's length negotiations by the parties which will not be less favourable to SMIC Beijing than (1) fees charged by SMIC Beijing to other subsidiaries which are not connected persons under the Listing Rules; and (2) fees charged

to SMIC Beijing by other third-party commercial banks or financial institutions providing fund management services to SMIC Beijing for services of the same type during the same period.

The Annual Caps under the Centralised Fund Management Agreement are set out below.

	For the year ended 31 December		
	2016	2017	2018
	US$ million		
Internal Deposit Cap (the maximum daily outstanding balances including accrued interests)	500	500	500
Collection and Payment and Foreign Exchange Cap (the maximum daily transaction amount for collection and payment services and foreign exchange services)	500	500	500
Internal Loan Cap (the maximum daily outstanding balance of loans (including accrued interest))	500	500	500
Letter of Credit Cap (the maximum aggregate amount under the letter(s) of credit issued on SJ Jiangyin's behalf per calendar year)	500	500	500
Other Financial Services Cap (the maximum fees charged for provision of other financial services per calendar year)	50	50	50

The Company confirms that there are no historical transactions for the internal deposit services, the collection and payment services, the foreign exchange services, the internal loan services and other financial services with SJ Jiangyin. Before SJ Jiangyin became a connected subsidiary of the Company, there were a few adhoc provisions of letters of credit by the Company to SJ Jiangyin when SJ Jiangyin had only commenced small-scale production and was in preparation for expansion (SJ Jiangyin is currently expanding).

Framework Agreement with Sino IC Leasing Co., Ltd — Financial Services and Other Related Services

On 30 March 2016, the Company and Sino IC Leasing Co., Ltd. entered into the Framework Agreement, pursuant to which Sino IC Leasing Co., Ltd. will provide to the Company a range of financial services (including but not limited to leasing, factoring, loan entrustment, bills acceptance and discounting services) and certain other related services (including but not limited to financial advisory and consulting services). The term of the agreement is effective from 30 March 2016 and ending on 31 December 2020.

The price for the services provided by Sino IC Leasing Co., Ltd. to the Company contemplated under the Framework Agreement will be determined by reference to the current market conditions and the terms (including the prices) which are comparable to the

quotes from independent third parties (to the extent available) providing services of a similar nature with comparable scale in the ordinary and usual course of business based on normal commercial terms and on arm's length negotiations, as well as the reasonable market prices which are applicable around that time, subject to compliance with requirements for related party transactions and connected transactions of the Hong Kong Stock Exchange.

The annual caps of the transactions are set out below:

	For the year ended/ending 31 December				
	2016	2017	2018	2019	2020
	US$ million				
Financial services Cap (the maximum rental and fees charged for provision of financial services per calendar year).	1.5	1.5	1.5	1.5	1.5
Other related services Cap (the maximum fees charged for provision of other related services per calendar year)	0.15	0.15	0.15	0.15	0.15

The Company confirms that there are no historical transactions for the finance related services and the other related services with Sino IC Leasing Co., Ltd.

Supply of Goods and Services, Leasing of Assets, Transfer of Equipment and Provision of Technical Authorisation and Licensing

On 30 September 2016, the Company and Semiconductor Manufacturing North China (Beijing) Corporation ("**SMNC**") entered into the Framework Agreement in relation to the supply of goods and services, leasing of assets, transfer of equipment and provision of technical authorisation or licensing with a term commencing on the date of the Framework Agreement (30 September 2016) and ending on 31 December 2017. Two months prior to the expiry date of the Framework Agreement, the parties may negotiate on renewal of the Framework Agreement.

Types of Transactions

The Company and SMNC agree to enter into one or more of the following types of transactions with each other including the supply of goods and services, leasing of assets, transfer of equipment and provision of technical authorisation or licensing:

1. Purchase and sale of spare parts, raw materials, photomasks and finished products;

2. Rendering of or receiving services including, without limitation, (a) processing and testing service; (b) sales service; (c) overseas market promotion and customer service; (d) procurement service; (e) research, development and experiment

support service; (f) comprehensive administration, logistics, production management and IT service; and (g) water, electricity, gas and heat provision service;

3. Leasing of assets such as plant, office premises and equipment;

4. Transfer of equipment; and

5. Provision of technical authorisation or licensing by the Company to SMNC, as well as the sharing of research and development costs in relation to 28-nanometer technologies.

Pricing of the Transactions

The price of the transactions under the Framework Agreement will be determined in accordance with the following general principles in ascending order:

(1) the price prescribed or approved by state or local price control department (if any);

(2) a reasonable price in accordance with the industry guided price for a particular type of service or product issued by the relevant industry association (if any);

(3) the comparable local market price, which shall be determined after arm's length negotiation between both parties with reference to (a) the market price charged by independent third parties for comparable product or services at the same time and in the same region; and (b) the lowest quotation that the purchaser can obtain by way of public tender;

(4) where there is no comparable local market price, the price based on the principle of cost plus a fair and reasonable profit rate, being the aggregate sum of (a) the actual reasonable cost; and (b) a fair and reasonable profit rate. The expected range of profit is from 5% to 8%; which is in line with the industry and not lower than the profit rate charged by the Company or SMNC (as applicable) to independent third parties (to the extent available); and

(5) where general pricing principles (1) to (4) are not applicable, the price determined by other reasonable means as agreed upon by both parties on the condition that the relevant costs are identifiable and are allocated to each party involved on a fair and equitable basis.

Where general pricing principles (2) to (5) apply, where possible, each of the Company and SMNC will obtain at least two quotations or tenders from independent third parties before agreeing upon the applicable price.

As to the price prescribed by the state or local price control department, state-prescribed fees apply to water and electricity, which are relevant to the cost of such services and are determined by prices published from time by time by the relevant PRC government authority. Under the Pricing Law of the PRC, the PRC government may implement a state-prescribed or guidance price for specific goods and services if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guidance price becomes available to the transactions in the future, the parties will execute such price first in accordance with pricing principle (1) above.

Based on the above general principles and the actual circumstances when entering into the Framework Agreement, the parties further agree to the following specific pricing policies for the transactions. If any particular transaction is not covered by the following policies, or any of the following policies is no longer applicable, the parties will use the above general principles to determine the price for the relevant transaction.

	Type of transaction	Pricing policy
I.	**Purchase and sale of goods**	
1.	Spare parts	The market purchase price of spare parts, with the relevant transportation fees borne by the purchaser, with reference to market price (see general pricing principle (3) above)
2.	Raw materials	The market purchase price of raw materials, with the relevant transportation fees borne by the purchaser, with reference to market price (see general pricing principle (3) above)
3.	Photomasks	With reference to market price (see general pricing principle (3) above)
4.	Finished products	With reference to market price (see general pricing principle (3) above)
II.	**Rendering of or receiving services**	
1.	Processing and testing service	With reference to market price (see general pricing principle (3) above)
2.	Sales service	Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of the sales expenses according to the revenue from the sales plus a subsequent profit rate of 8%
3.	Overseas market promotion and customer service	Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of the sales expenses according to the revenue from the sales plus a subsequent profit rate of 8%
4.	Procurement service	Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of procurement department expenses according to working hours or workload plus a subsequent profit rate of 5%
5.	Research, development and experiment support service	With reference to market price (see general pricing principle (3) above)

Type of transaction		Pricing policy
6.	Comprehensive administration, logistics, production management and IT service	Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of labour cost and relevant resources consumption according to the proportion of working hours or workload plus a subsequent profit rate of 5%, or with reference to market price provided by independent third parties
7.	Water, electricity, gas and heat provision service	The price prescribed or approved by state or local price control department (if any) (see general pricing principle (1) above) or with reference to market price (see general pricing principle (3) above)
III.	**Leasing of assets**	
1.	Leasing of plant and office premises	With reference to market price (see general pricing principle (3) above)
2.	Leasing of equipment	With reference to market price (see general pricing principle (3) above)
IV.	**Transfer of equipment**	
1.	Transfer of equipment	With reference to market price (see general pricing principle (3) above)
V.	**Provision of technical authorisation or licensing**	
1.	Provision of technical authorisation or licensing by the Company to SMNC	With reference to market price (see general pricing principle (3) above)
2.	Sharing of research and development costs in relation to 28-nanometer technologies	The price determined by other reasonable means as agreed upon by both parties (see general pricing principle (5) above)

The Annual Caps

The historical transaction amounts between the Company and SMNC are as follows:

For the year/period ended 31 December (or otherwise stated)	Total transaction amount (US$ million)
2014	187.15
2015	13.51
*2016 (1 January to 29 June)	113.94
*2016 (30 June to Latest Practicable Date)	85.64

* Unaudited

Annual Caps	For the year ended 31 December	
	2016	2017
	US$ million	US$ million
Purchase and sale of goods	400	650
Rendering of or receiving services	200	200
Leasing of assets	200	200
Transfer of equipment	200	200
Provision of technical authorisation or licensing (including the sharing of research and development costs)	200	200
Total	1.20 billion	1.45 billion

The Framework Agreement (including the Annual Caps) and the transactions contemplated thereunder were approved by the independent shareholders at the annual general meeting of the Company held on 6 December 2016.

Framework Agreement with SJ Semiconductor Corporation

On 27 December 2016, the Company and its majority owned subsidiary SJ Semiconductor Corporation ("**SJ Cayman**") entered into the Framework Agreement in relation to supply of goods and services, transfer of equipment and provision of technical authorisation or licensing with a term commencing on 1 January 2017 and ending on 31 December 2019. Two months prior to the expiry date of the Framework Agreement, the parties may negotiate on the renewal of the Framework Agreement.

Types of Transactions

The Company and SJ Cayman agree to enter into one or more of the following types of transaction with each other including supply of goods and services, transfer of equipment and provision of technical authorisation or licensing:

1. Purchase and sale of spare parts and raw materials;

2. Rendering of or receiving services including, without limitation, (a) processing and testing service; (b) procurement service; (c) research, development and experiment support service; and (d) comprehensive administration, logistics, production management and IT service;

3. Transfer of equipment; and

4. Provision of technical authorisation or licensing by the Company to SJ Cayman.

Pricing of the Transactions

The price of the transactions under the Framework Agreement will be determined in accordance with the following general principles in ascending order:

(1) the price prescribed or approved by state or local price control department (if any);

(2) a reasonable price in accordance with the industry guided price for a particular type of service or product issued by the relevant industry association (if any);

(3) the comparable local market price, which shall be determined after arm's length negotiation between both parties of the contract with reference to (a) the market price charged by independent third parties for comparable product or services at the same time and in the same region; and (b) the lowest quotation that the purchaser can obtain by way of public tender. The Company will obtain at least two quotations or tenders from independent third parties before agreeing upon the applicable price;

(4) where there is no comparable local market price, price based on the principle of cost plus a fair and reasonable profit rate, being the aggregate sum of(a) the actual reasonable cost; and (b) a fair and reasonable profit rate. The expected range of profit is from 5% to 10%, which is in line with the industry and not lower than the profit rate charged by the Company or SJ Cayman (as applicable) to independent third parties (to the extent available).

As to price prescribed by the state or local price control department, state-prescribed fees apply to water, electricity, gas and communication services involved in providing procurement service and comprehensive administration, logistics, production management and IT service, which are relevant to the cost of such services and are determined by prices published from time by time by the relevant PRC government authority. Under the Pricing Law of the PRC, the state may implement state-prescribed or guidance price for specific goods and services if necessary, such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guidance price becomes available to the transactions in the future, the parties will execute such price first in accordance with pricing principle (1) above.

Based on the above general principles and the actual circumstances when entering into the Framework Agreement, the parties further agree to the following specific pricing policies for the transactions. If any particular transaction is not covered by the following policies, or any of the following policies no longer applies, the parties will use the above general principles to determine the price for the relevant transaction.

Type of transaction		**Pricing policy**
I.	**Purchase and sale of goods**	
1.	Spare parts	The market purchase price of spare parts, with the relevant transportation fees borne by the purchaser, with reference to market price (see general pricing principle (3) above)
2.	Raw materials	The market purchase price of raw materials, with the relevant transportation fees borne by the purchaser, with reference to market price (see general pricing principle (3) above)
II.	**Rendering of or receiving services**	
1.	Processing and testing service	With reference to market price (see general pricing principle (3) above)

Type of transaction		Pricing policy
2.	Sales service	Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of procurement department expenses according to working hours
3.	Research, development and experiment support service	With reference to market price (see general pricing principle (3) above)
4.	Comprehensive administration, logistics, production management and IT service	Cost plus a fair and reasonable profit rate in line with the industry (see general pricing principle (4) above), based on allocation of labour cost and relevant resources consumption according to the proportion of working hours or workload, with reference to market price provided by independent third parties
III.	**Transfer of equipment**	
1.	Transfer of equipment	With reference to market price (see general pricing principle (3) above)
IV.	**Provision of technical authorisation or licensing**	
1.	Provision of technical authorisation or licensing by the Company to SJ Cayman	With reference to market price (see general pricing principle (3) above)

The Annual Caps

The historical transaction amounts between the Company and SJ Cayman pursuant to the framework agreement entered into between them on 11 March 2016 for the period ended 28 December 2016 are as follows (based on the management accounts of the Company):

Transactions	Historical transaction amounts
Supply of goods and services, transfer of equipment and provision of technical authorization or licensing by the Company	US$1.22 million (or its equivalent in other currencies)
Supply of goods and services and transfer of equipment by SJ Cayman	US$12.03 million (or its equivalent in other currencies)

The proposed annual caps for transactions under the Framework Agreement are the same for each of the three years ending on 31 December 2017, 2018 and 2019 and are set out below:

Transactions	Maximum annual transaction value of the transactions
Supply of goods and services, transfer of equipment and provision of technical authorization or licensing by the Company	US$11 million (or its equivalent in other currencies)
Supply of goods and services and transfer of equipment by SJ Cayman	US$100 million (or its equivalent in other currencies)

Supplemental Agreement to the Centralised Fund Management Agreement

The Company announced on 20 September 2017 that the Company, SMIC Beijing, SJ Jiangyin and SJ Cayman (on behalf of itself and SJ Semiconductor (HK) Limited) entered into the Supplemental Agreement to the Centralised Fund Management Agreement. Pursuant to the Supplemental Agreement, the parties agreed that (1) the Centralised Fund Management Agreement will apply not only to SJ Jiangyin but also to its indirect 100% holding company SJ Cayman and its direct 100% holding company SJ Hong Kong; and (2) references in the Centralised Fund Management Agreement to SJ Jiangyin will include references to SJ Cayman and SJ Hong Kong.

Related Party Transactions

On 12 February 2015, the Company entered into a share purchase agreement (the "**China IC Fund Subscription Agreement**") with China IC Fund whereby (i) the Company has conditionally agreed to allot and issue to the China IC Fund, and the China IC Fund has conditionally agreed to subscribe, through its wholly-owned subsidiary incorporated in Hong Kong, for 4,700,000,000 Shares at the subscription price of HK$0.6593 per Share. The aggregate nominal value of the Shares was US$1,880,000. The Subscription Price represented a discount of approximately 7.14% to the closing price of HK$0.710 per ordinary share as quoted on the Hong Kong Stock Exchange on 12 February 2015, being the last full trading day immediately before the execution of the China IC Fund Subscription Agreement.

On 18 December 2015, the Company and Datang Finance Co., Ltd. ("**Datang Finance**") entered into a financial services agreement with a three year term commencing on 1 January 2016 and ending on 31 December 2018, pursuant to which Datang Finance has agreed to provide the Company and its subsidiaries, including its associated companies and companies under its management with a range of financial services (including deposit services, loan services, foreign exchange services and other financial services).

On 28 December 2015, the Company entered into a new framework agreement (the "**Renewed Framework Agreement**") with Datang HK, pursuant to which the Group and Datang HK (including its associates) would engage in business collaboration including but not limited to foundry service. The term of the Renewed Framework Agreement is three

years commencing from 1 January 2016. The pricing for the transactions contemplated under the Renewed Framework Agreement is determined based on the same as the Framework Agreement.

Director Service Contracts

We have entered into service contracts with indemnification provisions with each of our current directors. Except for the indemnification provisions, the service contracts as stated in the preceding sentence do not provide for benefits upon termination of service or employment.

Entrusted Loan Agreement with China Investment Development Corporation

In June 2013, our subsidiary SMIC Beijing entered into an entrusted loan arrangement with China Investment Development Corporation through China CITIC Bank, under which SMIC Beijing was provided a two-year unsecured entrusted loan in the principal amount of RMB70 million (approximately US$11.5 million). This entrusted loan was used for working capital purposes. As of 31 December 2013, SMIC Beijing has drawn down RMB70 million and repaid RMB4.5 million on this loan facility. The outstanding balance of RMB65.5 million is repayable in June 2015. The interest rate on the loan is 12%.

Regulation

The integrated circuit industry in China is subject to substantial regulation by the Chinese government. This section sets forth a summary of the most significant Chinese regulations that affect our business in China.

Scope of Regulation

The Several Policies to Encourage the Development of Software and Integrated Circuit Industry and the Several Policies to Further Encourage the Development of Software and Integrated Circuit Industry, or the Integrated Circuit Policies, promulgated by the State Council of The People's Republic of China on 24 June 2000 and on 28 January 2011, respectively, together with other ancillary laws and regulations, regulates integrated circuit production enterprises, or ICPEs. The State Council issued the Integrated Circuit Policies in order to encourage the development of the software and integrated circuits industry in China. The Integrated Circuit Policies form the basis for a series of laws and regulations that set out in detail the preferential policies relating to ICPEs. Such laws and regulations include:

- the Notice of the Ministry of Finance on Taxation Policies Concerning the Import of Self-used Raw Materials and Consumables by Part of Integrated Circuit Production Enterprises, or the Raw Materials Taxation Notice, issued by the Ministry of Finance on 24 August 2002;

- the Notice on Taxation Policies Concerning the Import of Construction Materials Specially used for Clean Rooms by Part of the Integrated Circuit Production Enterprises, or the Construction Materials Taxation Notice, issued by the Ministry of Finance on 26 September 2002;

- the Notice by the Ministry of Finance and the State Administration of Taxation on Increasing Tax Refund Rate for Export of Certain Information Technology (IT) Products, or the Export Notice, issued by the Ministry of Finance and the State Administration of Taxation on 10 December 2004;

- the Measures for the Accreditation of the Integrated Circuit Enterprise Encouraged by the State (For Trial Implementation), or the Accreditation Measures jointly issued by the National Development and Reform Commission, the Ministry of Information Industry, the State Administration of Taxation and the General Administration of Customs on 21 October 2005;

- the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry on 20 April, 2012;

- the Notice of the Ministry of Finance, National Development and Reform Commission and Ministry of Industry and Information Technology on Adjusting the List of Duty-free Commodities Concerning the Import of Self-used Raw Materials and Consumables by Integrated Circuit Production Enterprises on 11 November, 2015;

- the Notice of the Ministry of Finance and State Administration of Taxation Regarding the Refund of Remaining Amount of Value-Added Tax at the End of the Period on Equipment Purchased by Integrated Circuit Enterprises on 14 November, 2011; and

- the Notice of the Ministry of Finance, State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology on the Preferential Policies for Enterprise Income Tax in Software and Integrated Circuits Industry on 4 May, 2016.

Preferential Industrial Policies Relating to ICPEs

ICPEs which are duly accredited in accordance with relevant laws and regulations may qualify for preferential industrial policies. Under the Integrated Circuit Policies, accreditation of ICPEs is determined by the competent examination and approval authorities responsible for integrated circuit projects after consultation with relevant taxation authorities. Under the Accreditation Measures, an integrated circuit enterprise refers to an independent legal entity duly established in the PRC (except for Hong Kong, Macao, and Taiwan) engaging in the fabrication, package, or testing of integrated circuit chips and the production of mono-crystalline silicon of six inches or above, excluding the integrated circuit design enterprise. The accreditation of ICPEs is included in the accreditation of the integrated circuit enterprises. Such accreditation is determined by the competent authorities consisting of the National Development and Reform Commission, the Ministry of Information Industry (now Ministry of Industry and Information Technology), the State Administration of Taxation and the General Administration of Customs, which jointly designate the China Semiconductor Industrial Association as the accreditation institution. Any enterprise qualified under the requirements set forth in the Accreditation Measures is entitled to apply to the China Semiconductor Association for the Accreditation of the ICPEs. The accreditation of ICPEs is annually reviewed. If the enterprise fails to apply for the annual review in time, it shall be deemed as giving up such accreditation and if the enterprise fails in the annual review, the accreditation will also be canceled.

SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMIC Shenzhen, SMNC and SJ Jiangyin have been accredited as ICPEs and are entitled to the preferential industrial policies described below.

Encouragement of Domestic Investment in ICPEs

Pursuant to the Interim Provisions on Promoting Industrial Structure Adjustment, or the Interim Provisions, issued by the State Council on 2 December 2005, and the Catalogue for the Guidance of Industrial Structure Adjustment, or the Guidance Catalogue, which is the basis and criteria for implementing the Interim Provisions, issued by the National Development and Reform Commission and the relevant State Council Institutions on 27 March 2011 and amended on 16 February 2013, the Chinese government encourages (i) the design of integrated circuits, (ii) the fabrication of integrated circuits with a line width of less than 0.8 micron (including 0.8 micron) and (iii) the advanced packaging and testing of BGA, PGA, CSP and MCM. Under the Interim Provisions, imported equipment that is used for a qualifying domestic investment project and that falls within such project's approved total investment amount is exempt from custom duties, import tax and value-added tax except for such equipment listed in the Catalogue of Import Commodities for Domestic Investment Projects Not Entitled to Tax Exemptions, as stipulated by the Ministry of Finance and amended in 2006, 2008 and 2012, as well as in the General

Administration of Customs' announcement on the relevant matters arising from the implementation of the Industrial Restructuring Guidance Catalogue (2011) by the customs (Announcement No. 36 [2011] of the General Administration of Custom) and the Notice of the State Council on Adjusting the Taxation Policies for Imported Equipment (Guo Fa [1997] No.37).

Encouragement of Foreign Investment in ICPEs

Pursuant to the Integrated Circuit Policies and the Guideline Catalogue of Foreign Investment Industries promulgated jointly by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2017, the following foreign investment categories are encouraged:

- design of integrated circuits;
- fabrication of large scale integrated circuits with a line width of less than 28 nanometers (including 28 nanometers);
- fabrication of analog and analog digital integrated circuits with a line width of less than 0.11 micron (including 0.11 micron);
- advanced packaging and testing of BGA, PGA, FPGA, CSP, MCM; and
- fabrication of MEMS and compound semiconductor integrated circuits.

Foreign investment in such encouraged projects may enjoy preferential treatment as stipulated by the laws and regulations.

Preferential Taxation Policies

We are incorporated in the Cayman Islands and not currently subject to taxation in the Cayman Island.

The Law of the PRC on Enterprise Income Tax ("**EIT Law**") was promulgated on 16 March 2007, which became effective 1 January 2008 and amended on 24 February 2017. Under the EIT Law, domestically-owned enterprises and foreign-invested enterprises ("**FIEs**") are subject to a uniform tax rate of 25%. The EIT Law provides a five-year transition period starting from its effective date for those companies which were established before the promulgation date of the EIT Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. In accordance with regulations issued by the State Council, the tax rate of such companies may gradually transit to the uniform tax rate within the transition period. For those companies which are enjoying tax holidays, such tax holidays may continue until their expiration in accordance with the regulations issued by the State Council, but where the tax holiday has not yet started because of losses, such tax holiday shall be deemed to commence from the first effective year of the EIT Law. As a result, the applicable tax rates during the five-year transitional period are as follows: 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter.

Pursuant to Caishui Circular [2008] No. 1 ("**Circular No. 1**") promulgated on 22 February 2008 and Caishui Circular [2012] No. 27 promulgated on 20 April, 2012, integrated circuit production enterprises whose total investment exceeds RMB8,000 million (approximately US$1,095 million) or whose integrated circuits have a line width of less than 0.25 micron are entitled to a preferential tax rate of 15%. Enterprises with an operation

period of more than 15 years are entitled to a full exemption from income tax for five years starting from the first profitable year after utilizing all prior years' tax losses and 50% reduction of the tax for the following five years. Pursuant to Caishui Circular [2009] No. 69 ("**Circular No. 69**"), the 50% reduction should be based on the statutory tax rate of 25% unless the income tax rate is reduced by the tax incentives granted by Circular No. 39. The above provisions in Circular No. 1 have been abolished by Cai Shui [2012] No. 27 since 1 January 2011. Nonetheless, pursuant to Cai Shui [2012] No. 27, if the integrated circuit production enterprise has been certified by tax authority to enjoy the above preferential tax rate under the Circular No. 1, it may continue to enjoy such preferential rate till the expiry of such preferential treatment even after the implementation of Cai Shui [2012] No. 27.

On 28 January 2011, the State Council of China issued Guofa [2011] No. 4 ("**Circular No. 4**"), the Notice on Certain Policies to Further Encourage the Development of the Software and Integrated Circuit Industries which reinstates the EIT incentives stipulated by Circular No. 1 for the software and integrated circular enterprises.

On 20 April 2012, State Tax Bureau issued Cai Shui [2012] No. 27 ("**Circular No. 27**"), stipulating the income tax policies for the development of integrated circuit industry.

On 25 July 2013, State Tax Bureau issued [2013] No. 43 ("**Circular No. 43**"), clarifying that the assertion and preferential tax policy of integrated circuit enterprise established before 31 December 2010, is pursuant to Circular No.1.

Preferential Policies Encouraging Research and Development

The EIT Law and the Implementation Regulations of the EIT Law have provided tax incentives in relation to technologies as a means to encourage advancement and adoption of new technologies. The EIT Law provides an additional 50% deduction of the R&D expenses incurred from the R&D of new technologies, new products, and new techniques on the basis of the actual deductions when relevant enterprise has no intangible asset to be formed and calculated into the current gains and losses. If intangible assets have been formed, they shall be amortized at 150% of the cost of the intangible assets.

Legal Framework Concerning the Protection of Intellectual Property Relating to Integrated Circuits

China has formulated various laws and regulations on intellectual property protection in respect of integrated circuits including:

- the Patent Law of the PRC, adopted at the fourth meeting of the Standing Committee of the Sixth National People's Congress on 12 March 1984, effective 1 April 1985 and amended by the Seventh National People's Congress on 4 September 1992 and second amended by the Ninth National People's Congress on 25 August 2000 and third amended by the Eleventh People's Congress on 27 December 2008, effective 1 October 2009;

- the Paris Convention for the Protection of Industrial Property of the World Intellectual Property Organization, in which China became a member state as of 19 March 1985;

- the General Principles of the Civil Law of the PRC adopted at the fourth session of the Sixth National People's Congress on 12 April 1986, effective 1 January 1987 and revised at the tenth meeting of the Standing Committee of the Eleventh National People's Congress on 27 August 2009; the General Provisions of the

Civil Law of the PRC adopted at the fifth session of the Twelfth National People's Congress on 15 March 2017, effective 1 October 2017. In this legislation, intellectual property rights were defined in China's basic civil law for the first time as the civil rights of citizens and legal persons;

- the Copyright Law of the PRC, adopted by the 15th meeting of the Seventh National People's Congress Standing Committee on 7 September 1990, effective 1 June 1991, first amended by the Ninth National People's Congress on 27 October 2001and subsequently amended by the Eleventh National People's Congress on 26 February 2010;

- the Regulations for the Protection of the Layout Design of Integrated Circuits, or the Layout Design Regulations, adopted 2 April 2001 at the thirty-sixth session of the executive meeting of the State Council, effective 1 October 2001; and

- the World Intellectual Property Organization's Washington Treaty on Intellectual Property in Respect of Integrated Circuits, for which China was among the first signatory states in 1990.

Protection of the Layout Design of Integrated Circuits

Under the Layout Design Regulations, layout design of an integrated circuit refers to a three dimensional configuration in an integrated circuit that has two or more components, with at least one of these being an active component, and part or all of the interconnected circuitry or the three-dimensional configuration prepared for the production of integrated circuits.

Chinese natural persons, legal persons or other organizations that create layout designs are entitled to the proprietary rights in the layout designs in accordance with the Layout Design Regulations. Foreign persons or enterprises that create layout designs and have them first put into commercial use in China are entitled to the proprietary rights in the layout designs in accordance with the Layout Design Regulations. Foreign persons or enterprises that create layout designs and that are from a country that has signed agreements with China regarding the protection of layout designs, or is a party to an international treaty concerning the protection of layout designs to which China is also a party, are entitled to the proprietary rights of the layout designs in accordance with the Layout Design Regulations.

Proprietary Rights in Layout Design of Integrated Circuits

Holders of proprietary rights in a layout design are entitled to the following proprietary rights:

- to duplicate the whole protected layout design or any part of the design that is original; and

- to make commercial use of the protected layout design, the integrated circuit containing the layout design, or commodities containing the integrated circuit.

Proprietary rights in layout designs become valid after being registered with the administrative department of the State Council responsible for intellectual property. Unregistered layout designs are not protected by the Layout Design Regulations.

The protection period of the proprietary rights in a layout design is ten years, commencing from the date of the application for registration of the layout design or the date that it is first put into commercial use anywhere in the world, whichever is earlier. However, regardless of whether or not a layout design is registered, or whether or not it is put into commercial use, it is not protected after 15 years from the time of its creation.

Registration of a Layout Design

The administrative departments of the State Council responsible for intellectual property are responsible for the registration of layout designs and accepting applications for the registration of layout designs. If an application for a layout design registration is not made with the administrative department of the State Council responsible for intellectual property within two years after it has been first put into commercial use anywhere in the world, the administrative department of the State Council responsible for intellectual property will not register the application. A holder of proprietary rights in a layout design may transfer the proprietary rights or give permission for other parties to use the layout design.

Compulsory Licenses for Exploitation of Patents in Respect of Semiconductor Technology

Under the Patent Law and the Implementing Regulations of the Patent Law, three years after a patent rights is granted and four years after a patent application is filed, any person or enterprise that has made reasonable proposals in good faith to the holder of proprietary rights seeking a license to such right, but has been unable to obtain such license after an extended period of time, may request the administrative department responsible for patents under the State Council to grant a compulsory license for the relevant patent, provided that the patent owner fails to exploit or fails to adequately exploit the patent without justified reasons. However, where a compulsory license involves semiconductor technology, the implementation of a compulsory license is restricted to public and non-commercial uses, or to uses that counteract anti-competitive actions, as determined by judicial or administrative procedures.

PRC Tax for "Resident Enterprises"

Under China's EIT Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC shareholders. The implementing rules of the EIT Law define de facto management bodies as "management bodies that exercises substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In April 2009, the State Administration of Taxation further specified criteria for the determination of the "de facto management bodies" for foreign enterprises, which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its "de facto management bodies" located in the PRC and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC.

If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules dividends income between qualified resident enterprises is tax exempted income, it is not clear how a qualified resident enterprise which is incorporated overseas would be treated under the EIT Law. Finally, it is possible that future guidance issued with respect to the "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC shareholders from transferring our shares or ADSs. Similarly, these unfavorable consequences could apply to our other overseas intermediary holding companies if they are classified as PRC resident enterprises.

Environmental Regulation

Our PRC subsidiaries are subject to a variety of PRC environmental laws and regulations promulgated by the central and local governments, for example, the Environmental Protection Law, effective on 26 December 1989, amended on 24 April 2014, and the amended rules become effective on 1 January 2015, regulations concerning examination and acceptance of environmental protection measures in construction projects, the use, discharge and disposal of toxic and hazardous materials, the discharge and disposal of waste water, solid waste, and waste gases, control of industrial noise and fire prevention. These laws and regulations set out detailed procedures that must be implemented throughout a project's construction and operation phases.

A key document that must be submitted for the approval of a project's construction is an environmental impact assessment report that is reviewed by the relevant environmental protection authorities. Upon completion of construction, and prior to commencement of operations, an additional examination and acceptance by the relevant environmental authority of such projects is also required. Any entity discharging pollution shall be granted with a pollution discharge permit by local environmental authority. Without such a permit, any entity located in PRC is not permitted to discharge pollution generated in its production. SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMIC Shenzhen, SMNC and SJ Jiangyin have all received approval with respect to their relevant environmental impact assessment reports and SMIC Shanghai, SMIC Shenzhen have obtained pollution discharge permits. However, SMIC Beijing, SMNC, SMIC Tianjin and SJ Jiangyin have not obtained the requisite pollution discharge permits, of which SMIC Beijing and SMNC are in the process of applying for such permits as at the date of this Offering Circular.

From time to time during the operation of our PRC subsidiaries, the relevant environmental protection authority will monitor and audit the level of environmental protection compliance of these subsidiaries. Discharge of liquid, solid or gaseous waste over permitted levels may result in imposition of fines, imposition of a time period within which rectification must occur or even suspension of operations.

Enforceability of Civil Liabilities

We are a Cayman Islands exempted company. We are incorporated in the Cayman Islands because of the following benefits associated with being a Cayman Islands corporation:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, the Cayman Islands have a less developed body of securities laws as compared to the United States and provide significantly less protection for investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States. Substantially all of our assets are located outside the United States. In addition, most of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of our or such persons' assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon us or such persons or to enforce against them or against us, judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

Conyers Dill & Pearman, our counsel as to Cayman Islands law, DLA Piper Hong Kong, our counsel as to Hong Kong law, and Llinks Law Offices, our counsel as to Chinese law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands, Hong Kong and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or
- be competent to hear original actions brought in each respective jurisdiction, against us or our directors or officers predicated upon the securities laws of the United States or any state thereof.

Conyers Dill & Pearman has further advised us that the courts of the Cayman Islands would recognise as a valid judgment, a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, and would give a judgment other than a sum payable in respect of multiple damages, taxes, fines, penalties or similar charges, or, in certain circumstances, an in personam judgment for non-monetary relief based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the Cayman Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands, and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

The following summary of certain tax consequences of the purchase, ownership and disposition of Securities and Shares is based upon applicable laws, regulations, rulings and decisions in effect as at the Latest Practicable Date, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Securities and Shares. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Securities under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Securities. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, additional amounts, if any, principal and premium on the Securities and dividends and capital in respect of the Shares will not be subject to taxation and no withholding will be required on the payment of principal and premium to any holder of the Securities or the Shares, as the case may be, nor will gains derived from the disposal of the Securities or the Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duty is payable in respect of the issue of the Securities or the Shares issuable upon conversion of the Securities. An instrument of transfer in respect of a Security or certificates representing the Securities would be subject to Cayman Islands stamp duty if executed in or brought into the Cayman Islands.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income or gains or appreciation shall apply to us or our operations; and

- in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by us:

  (i) on or in respect of the shares, debentures or other obligations of us; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

Our undertaking is for a period of twenty years from April 2000.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal in respect of the Securities.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Securities is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer or conversion of a Security.

Hong Kong stamp duty is payable on any purchase and sale of the Securities, including the transfer of the Securities and transfer of interest in the Securities upon conversion of Securities, for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

The PRC

Under the PRC EIT Law which took effect on 1 January 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered as "PRC tax resident enterprises". The Implementation Rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. If we are deemed to be a PRC resident enterprise for enterprise income purpose, among other things, we would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. Furthermore, we would be obligated to withhold PRC income tax of 7% on payments of interest on the Securities to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest on the Securities to investors that are non-resident enterprises located outside Hong Kong, or other jurisdictions that have not concluded agreements or arrangements for the avoidance of double taxation on income with the PRC, because the interest would be regarded as being derived from sources within the PRC. If we fail to do so, it may be subject to fines and other penalties. In addition, any gain realised by such non-resident enterprise investors from the transfer of the Securities would be regarded as being derived from sources within the PRC and accordingly would be subject to PRC income tax at a rate of 10%. However, if we are not considered as a PRC resident enterprise for enterprise income purposes, non-resident enterprise investors would not be subject to PRC income tax on any interest received on the Securities or any gains realised from the transfer of the Securities.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "Participating Member States").The Commission's Proposal has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the Commission's Proposal by 1 January 2016. However, the Commission's Proposal remains subject to negotiation between the participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

United States' Foreign Account Tax Compliance Act Tax Provisions

Sections 1471 through 1474 of the US Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-US financial institution (a foreign financial institution or FFI (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the US Internal Revenue Service (IRS) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a US person or should otherwise be treated as holding a "United States Account" (a Recalcitrant Holder).

Whilst the Securities are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Securities by us, any paying agent and the common depositary, given that each of the entities in the payment chain between us and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Securities. The documentation expressly contemplates the possibility that the Securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their tax advisers on how these rules may apply to us and to payments they may receive in connection with the Securities.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with the Managers dated 29 November 2017 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Company has agreed to sell to the Managers, and the Managers agreed to severally (and not jointly) subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Securities indicated in the following table:

Managers	Principal Amount of the Securities to be Subscribed
J.P. Morgan Securities plc	U.S.$55,250,000
Deutsche Bank AG, Hong Kong Branch	U.S.$6,500,000
Barclays Bank PLC.	U.S.$3,250,000
Total	**U.S.$65,000,000**

Pursuant to the Subscription Agreement, the Company has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate the Subscription Agreement in certain circumstances at any time up to the time when subscription moneys have been received and the Securities issued.

The Company has agreed in the Subscription Agreement with the Managers that neither the Company nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Securities or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Securities, the Shares or securities of the same class as the Securities, the Shares or other instruments representing interests in the Securities, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date of the Subscription Agreement (29 November 2017) and the date which is 90 days after 29 November 2017 (both dates inclusive); except for (i) the issue of any Shares under the placing agreement by and between the Company, J.P. Morgan Securities plc and Deutsche Bank AG, Hong Kong Branch dated 29 November 2017, (ii) the issue of any Securities or New Shares to be issued upon conversion of Securities under the Subscription Agreement, whether such issue is pursuant to the exercise of any pre-emptive rights arising from the share subscription agreement entered into between the Issuer and Datang Holdings dated 6 November 2008, the share subscription agreement entered into between the Issuer and Country Hill dated 18 April 2011 or the share subscription agreement entered into between the Issuer and China IC Fund dated 12 February 2015 or otherwise, (iii) the issue of any Shares to be issued upon conversion of the U.S.$450,000,000 Zero Coupon Convertible Bonds due 2022 issued on 7 July 2016 or the Securities, (iv) the issue of any share options and restricted share units pursuant to any share option schemes adopted in compliance with the Listing Rules and any

publicly disclosed equity incentive plans of the Issuer, and (v) the issue of any Shares which are issued as consideration for any merger or acquisition provided that (1) the aggregate value of the Shares issued (as calculated by the Current Market Price (as defined in the Terms and Conditions) is less than U.S.$100,000,000 and (2) the Issuer procures that the person receiving such Shares executes a shareholder lock-up undertaking on substantially the same terms as provided in this paragraph prior to any such issue. Each of Datang Holdings (Hongkong) Investment Company Limited and Xinxin (Hongkong) Capital Co., Ltd. has executed shareholder lock-up undertakings on similar terms as the Company.

The Managers and certain of their respective affiliates have, from time to time, performed, and may in the future perform, certain commercial banking, investment banking and advisory services for the Company, the Group and/or their respective affiliates for which they have received or will receive customary fees and expenses. In addition to the transaction services for the Company or the Group, the Managers may, from time to time, engage in other transactions with and perform services for the Company or the Group in the ordinary course of the Company's or the Group's business. In addition, the Managers and certain of their respective subsidiaries and affiliates may hold Shares as beneficial owners, on behalf of clients or in the capacity of investment advisers. The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and its equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve our securities and instruments.

The Managers or their respective affiliates may purchase the Securities for its or their own account and enter into transactions, including (i) credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities or (ii) equity derivatives and stock loan transactions relating to the Company's or its subsidiaries' or associates' Shares at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been or will be taken in any jurisdiction by the Managers or the Company that would permit a public offering of the Securities, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Securities may be distributed or

published, by the Company or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the Managers.

United States

The Securities and the Shares to be issued upon conversion of the Securities have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Securities constituting part of its allotment within the United States in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Securities or the Shares to be issued upon conversion of the Shares. Terms used in this paragraph have the meaning given to them by Regulation S.

United Kingdom

Each Manager has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the Managers; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above paragraphs, the expression an "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**"). Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject

of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Securities offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented, warranted and agreed that the Securities which it subscribes will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Securities unless the Issuer is listed on The Cayman Islands Stock Exchange.

GENERAL INFORMATION

1. The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code number 173088124 and the International Securities Identification Number for the Securities (including the Securities) is XS1730881247.

2. The conditional approval has been received from the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Securities subject to fulfilment of all other conditions of the Subscription Agreement.

3. Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST for the listing and quotation of the Securities on the SGX-ST is not to be taken as indication of the merits of the Issuer or any other subsidiary or associated company of the Issuer, the Securities or the Shares. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

4. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Securities and Shares upon the conversion of the Securities. The issue of the Securities and the Shares upon the conversion of the Securities were authorised and approved by resolutions of the board of directors of the Issuer passed on 14 November 2017.

5. Except as disclosed in this Offering Circular, there has been no change, or any development reasonably likely to involve prospective change, in the financial condition, business operations or results of operations in the general affairs of the Issuer since 31 December 2016, the date of the Issuer's most recent audited financial statements, that is material and adverse in the context of the issue of the Securities.

6. There are no litigation or arbitration proceedings against or affecting the Issuer or of the Group or any of the Issuer's assets, nor is the Issuer aware of any pending or threatened such proceedings, in each case which, to the Issuer's best knowledge and belief, are or might be material in the context of the issue of the Securities.

7. The consolidated financial statements of the Issuer for the year ended 31 December 2016, which are incorporated by reference in this Offering Circular, have been audited by PwC, certified public accountants, as stated in their reports appearing therein.

8. Copies of the latest annual reports, interim and quarterly reports may be downloaded free of charge from the Issuer's website www.SMICS.COM/ENG/INVESTORS/IR_REPORT.PHP. Copies of the Trust Deed and the Agency Agreement will be made available for inspection, (i) at the Issuer's specified office at 18 Zhangjiang Road, Pudong New Area, Shanghai, P.R.C., 201203 during normal business hours or (ii) upon prior written request and on proof of holding at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m.) at the principal office for the time being of the Trustee (being at the date of this Offering Circular at One Canada Square, London E14 5AL, United Kingdom) and the specified office of the Principal Agent, so long as any of the Securities is outstanding. The Issuer publishes its unaudited condensed consolidated interim and quarterly financial statements every year for the six months ended 30 June and three months ended 30 September.

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