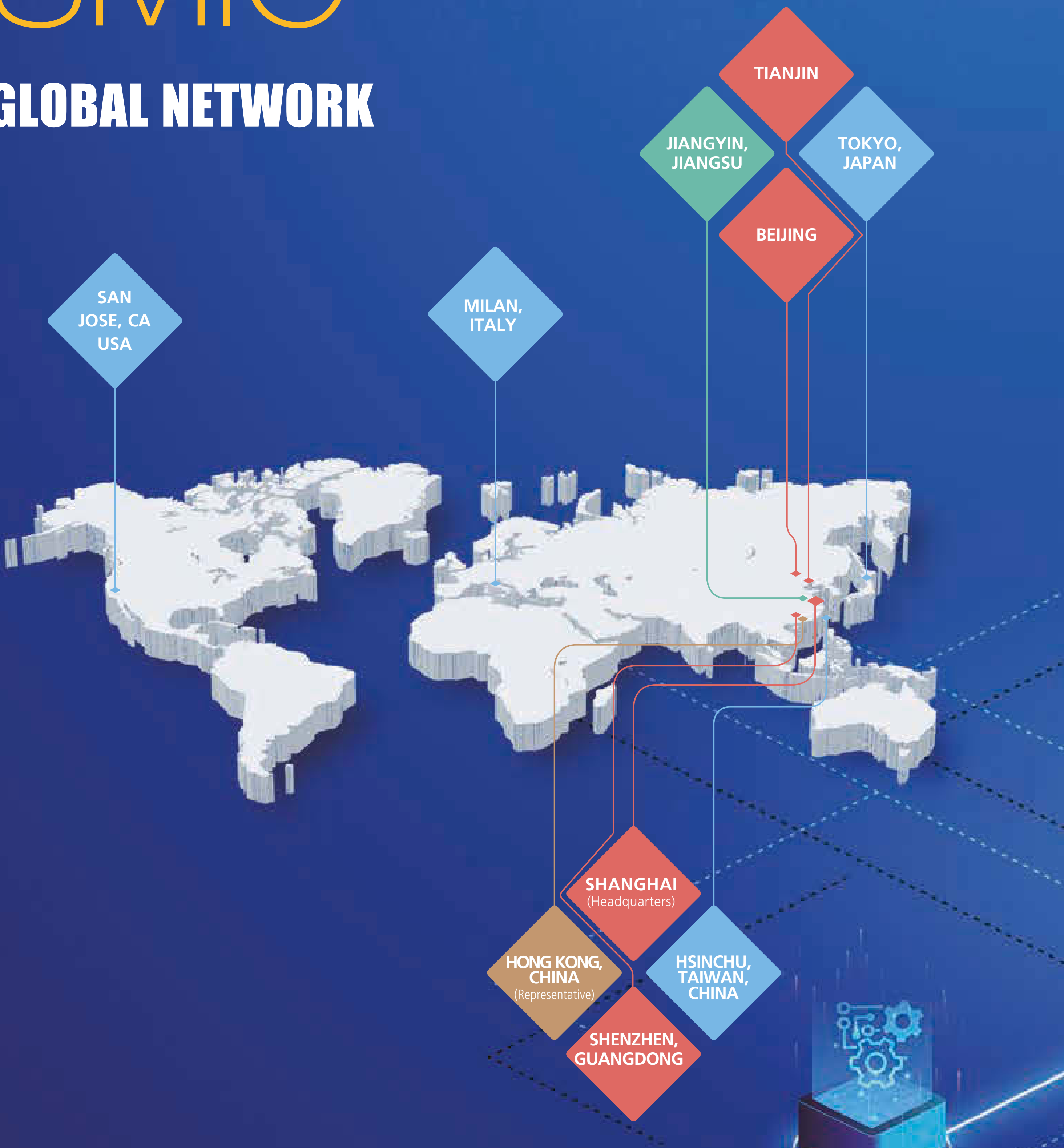
2020 Annual Report

中芯國際集成電路製造有限公司*
Semiconductor Manufacturing International Corporation
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 0981

* For identification purposes only

SMIC

GLOBAL NETWORK



- SMIC FAB
- SMIC MARKETING OFFICE
- SMIC REPRESENTATIVE OFFICE
- SMIC BUMPING FAB

THE LARGEST
ADVANCED FOUNDRY
IN MAINLAND CHINA

EMPOWERED TECHNOLOGY

ENRICHED SERVICES

ENHANCED COMPETITIVENESS

CONTENTS

IMPORTANT NOTICE

I. **The Board of Directors and the Directors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.**

II. **Material risk alert**
The Company has described in details the various risks it may face during its production and operation and the countermeasures in this report. For further information, please refer to "II. Risk Factors" in "Section 5 Management Discussion and Analysis" of this report.

III. **All Directors of the Company attended the Board meeting.**

IV. **PricewaterhouseCoopers has issued a standard unqualified auditors' report for the Company.**

V. **Zhou Zixue, the person-in-charge of the Company, Gao Yonggang, the person-in-charge of accounting affairs, and Liu Chenjian, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.**

VI. **Plan for profit distribution or plan to convert capital reserves into share capital as approved by the Board in the reporting period**
The Company will not make profit distribution for 2020. The proposal still needs to be submitted to the 2021 annual general meeting for approval.

VII. **Any significant events such as special arrangements for corporate governance**
Special arrangements for corporate governance: The Company is a red-chip enterprise

VIII. **Risks associated with forward-looking statements**
This report contains, in addition to historical information, forward-looking statements. These forward-looking statements are based on SMIC's current assumptions, expectations, beliefs, plans, objectives, and projections about future events or performance. SMIC uses words like "believe", "anticipate", "intend", "estimate", "expect", "project", "target", "going forward", "continue", "ought to", "may", "seek", "should", "plan", "could", "vision", "goals", "aim", "aspire", "objective", "schedules", "outlook" and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessary estimates reflecting judgment of SMIC's senior management and involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC's actual performance, financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, among others, risks associated with cyclicality and market conditions in the semiconductor industry, intense competition in the semiconductor industry, SMIC's reliance on a small number of customers, timely wafer acceptance by SMIC's customers, timely introduction of new technologies, SMIC's ability to ramp new products into volume, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, components, raw materials and software, availability of manufacturing capacity, financial stability in end markets, orders or judgments from pending litigation, intensive intellectual property litigation in the semiconductor industry, general economic conditions and fluctuations in currency exchange rates.

IX. **Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose**
No

X. **Any provision of external guarantee in violation of the stipulated decision-making procedure**
No

XI. **More than half of the Directors cannot warrant the truthfulness, accuracy and completeness of the annual report disclosed by the Company**
No

LETTER TO SHAREHOLDERS

SECTION 1 LETTER TO SHAREHOLDERS

In 2020, as the novel coronavirus pandemic spread globally, the "stay-at-home economy" strengthened demand for the Internet of Everything and brought rare market opportunities to the semiconductor industry. The year of 2020 is SMIC's 20th year anniversary and marks the Company's first year of being successfully listed on the STAR Market of the Shanghai Stock Exchange. After 20 years of independent technology development, market expansion, capacity construction and talent training, the Company has steadily driven the continuous development cycle of its old and new fabs, and is gradually expanding production capacity, improving operational efficiency, optimizing product portfolio, developing FinFET technology, and striving to enhance the competitiveness of the Company. The Company has accumulated a lot and should have restarted its rapid growth. However, in the second half of the year, the Company was impacted by U.S. Entity List and other restrictions, and was forced to adjust its customer structure and production capacity composition, which caused additional costs.

Nevertheless, the Company has always been customer-oriented and strives to improve product quality and customer service. With unremitting efforts, in terms of Non FinFET process, SMIC worked on product platforms such as power management, ultra-low power, radio frequency, image sensors, fingerprint recognition, and specialty memory, especially on 0.15/0.18 micron, 55/65 nanometer, 40/45 nanometer, etcetera; these process nodes have all achieved industry leading standards; as for FinFET technology, the Company reached the target of 15,000 wafers installed FinFET capacity as planned. The first generation FinFET mass production has steadily progressed, and the second generation has entered into risk production. In 2020, a number of financial indicators for the Company set new records: annual revenue totaled US$3.907 billion, a year-on-year growth of 25.4%; gross profit was US$921 million, a year-on-year growth of 43.3%; net profit attributable to the Company was US$716 million, a year-on-year growth of 204.9%; earnings before interest, tax, depreciation and amortization was US$2.123 billion, a year-on-year growth of 54.6%. These results could not have been achieved without the tireless efforts of the staff, and the trust and understanding of customers, suppliers, shareholders, investors, and the public.

Looking forward to 2021, opportunities and challenges coexist. On the one hand, the rise of new formats, new models and new applications, such as AI and Internet of things, drives demand for chips. At present, worldwide foundry capacity remains tight, customer demand is growing, but capacity expansion cannot keep up. On the other hand, the Company still faces the impact of uncertainties from the U.S. "Entity List", the delivery time of equipment procurement will be longer than in the past, and the progress of capacity building may not be as expected. Although we cannot completely control the irresistible external factors, we can cultivate new opportunities amidst crisis, open new frontiers in the changing landscape, and explore a more suitable path for SMIC's sustainable development. The key focus in 2021, while continue to persist to be in compliant with the relevant laws and regulations of all jurisdictions, is as follows: first, to continue to work closely and actively communicate with suppliers, customers and relevant government departments, to promote the application of export licenses, and do our best to ensure the continuity of operation. Second, to strive to expand production capacity as soon as possible to meet customer demand.

The Company always adheres to the concept of "caring for people, caring for the environment and caring for society", on the basis of employees, and employees perceiving the Company as home. During this period of pandemic, the Company launched a series of measures to protect the health and safety of employees, while employees also diligently kept their posts to ensure production and operation of the Company. In February 2020, the Company, together with its directors and employees, donated RMB10 million in cash and supplies to the frontline fighting the pandemic. In the second half of the year, the Company continued to carry out the "SMIC Liver Transplant Program for Children" charity project. Over the past eight years, the "SMIC Liver Transplant Program for Children" has collected a total of RMB28.93 million to help more than 500 unfortunate children. The Company will continue to fulfill its corporate social responsibility and promote the development of corporate culture.

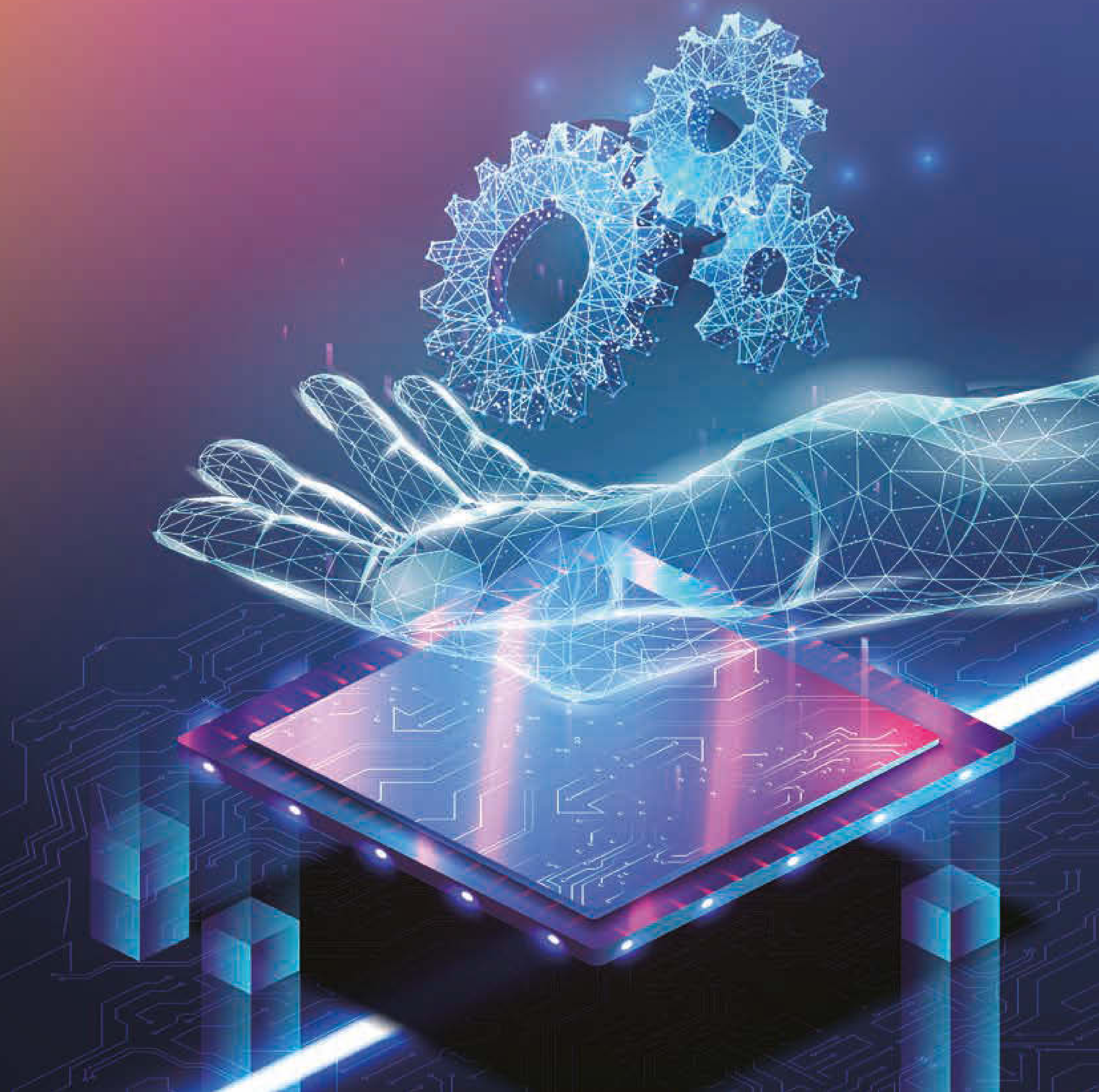
Finally, we would like to express our heartfelt gratitude to our employees for their efforts and dedication, as well as our customers, suppliers, shareholders, investors and the public for their concern and support!

Zhou Zixue
Chairman and Executive Director

Shanghai, PRC
March 31, 2021

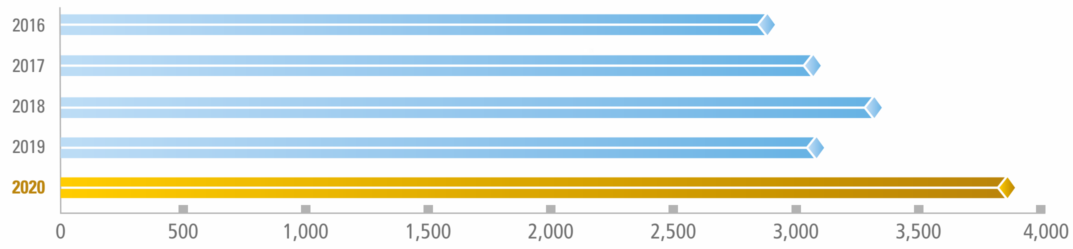
STRIVING FOR RETURNS

ON BEHALF OF SHAREHOLDERS

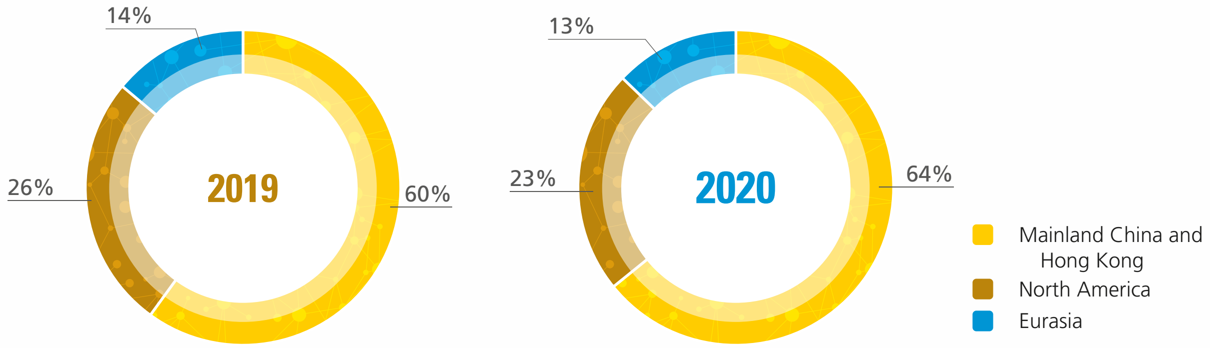


Total Revenue

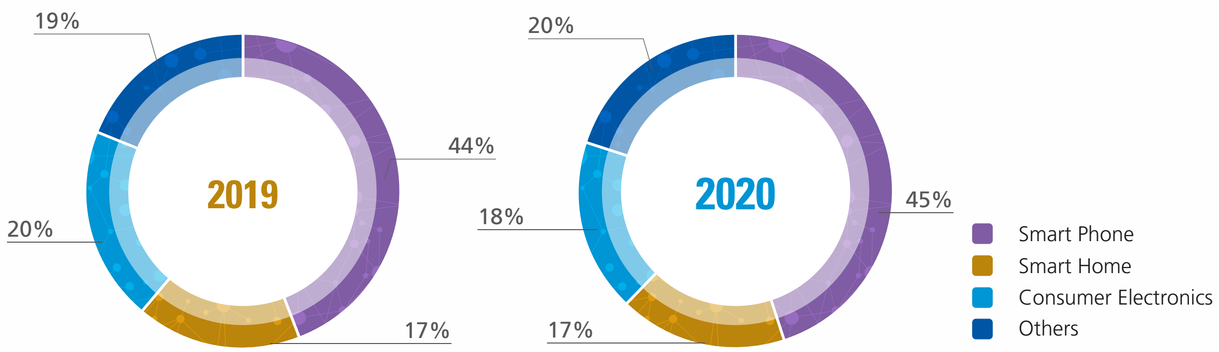
Revenue (US$ million)



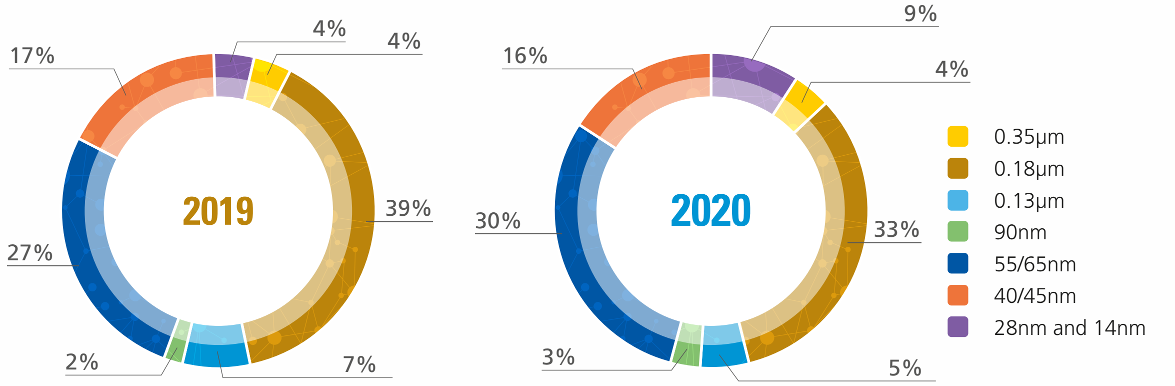
Sales by Region



Wafer Sales by Application



Wafer Sales by Technology



BEING TRUSTWORTHY AND RELIABLE FOR OUR CUSTOMERS

SECTION 2 DEFINITIONS

I. DEFINITIONS

In this report, the following expressions shall have meanings as follows:

Definitions of common terms

Company or SMIC	for	Semiconductor Manufacturing International Corporation
Group	for	the Company and its subsidiaries
SMIS or SMIC Shanghai	for	Semiconductor Manufacturing International (Shanghai) Corporation
SMIB or SMIC Beijing	for	Semiconductor Manufacturing International (Beijing) Corporation
SMIT or SMIC Tianjin	for	Semiconductor Manufacturing International (Tianjin) Corporation
SMIZ or SMIC Shenzhen	for	Semiconductor Manufacturing International (Shenzhen) Corporation
SMNC	for	Semiconductor Manufacturing North China (Beijing) Corporation
SMSC	for	Semiconductor Manufacturing South China Corporation
SJ Semi or SJ Jiangyin	for	SJ Semiconductor (Jiangyin) Corporation
SMIC Holdings	for	SMIC Holdings Corporation
CICT	for	China Information and Communication Technology Group Co., Ltd.
Datang Holdings	for	Datang Telecom Technology & Industry Holdings Co., Ltd.
Datang HK	for	Datang Holdings (Hongkong) Investment Company Limited
China IC Fund	for	China Integrated Circuit Industry Investment Fund Co., Ltd.
Xinxin HK	for	Xinxin (Hongkong) Capital Co., Ltd.
2020 AGM	for	the Company's annual general meeting held on June 23, 2020
Board	for	the board of directors of the Company
Director(s)	for	the director(s) of the Company
China or the PRC	for	the People's Republic of China
CSRC	for	China Securities Regulatory Commission
SEHK, HKSE or Hong Kong Stock Exchange	for	The Stock Exchange of Hong Kong Limited
SSE	for	The Shanghai Stock Exchange
SSE STAR Market	for	Shanghai Stock Exchange Science and Technology Innovation Board
Hong Kong Listing Rules	for	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
IFRS	for	the International Financial Reporting Standards as issued by the International Accounting Standards Board
CAS	for	the China Accounting Standards for Business Enterprises as issued by the PRC Ministry of Finance
Ordinary Share(s)	for	the ordinary share(s) of US$0.004 each in the share capital of the Company
A Share(s)	for	the Ordinary Shares issued by the Company on the SSE STAR Market
Hong Kong Share(s)	for	the Ordinary Shares issued by the Company on the Hong Kong Stock Exchange
RMB or yuan	for	Renminbi Yuan
HK$	for	Hong Kong dollars
EUR	for	Euros
JPY	for	Japanese Yen
reporting period or this year	for	Period from January 1, 2020 to December 31, 2020
corresponding period or last year	for	Period from January 1, 2019 to December 31, 2019

All references in this annual report to silicon wafer quantities are to 8-inch wafer equivalents, unless otherwise specified. Conversion of quantities of 12-inch wafers to 8-inch wafer equivalents is achieved by multiplying the number of 12-inch wafers by 2.25. References to key process technology nodes, such as 0.35 micron, 0.18 micron, 0.13 micron, 90 nanometer, 65 nanometer, 45 nanometer, 28 nanometer and 14 nanometer include the stated resolution of the process technology, as well as resolutions down to, but not including, the next key process technology node of finer resolution. For example, when we state "45 nanometer process technology", that includes 38 nanometer, 40 nanometer and 45 nanometer technologies.

The financial information in this report has been prepared in accordance with the provisions under the International Financial Reporting Standard.

SECTION 3 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

I. BASIC CORPORATE INFORMATION

Name of the Company in Chinese	中芯國際集成電路製造有限公司
Chinese abbreviation	中芯國際
Name of the Company in English	Semiconductor Manufacturing International Corporation
English abbreviation	SMIC
Legal representative of the Company (Note 1)	Zhou Zixue
Registered address of the Company	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 1111 Cayman Islands
Postal code of the registered address of the Company	P.O. Box 2681
Office address of the Company	18 Zhangjiang Road, Pudong New Area, Shanghai, PRC
Postal code of the office address of the Company	201203
Website address	http://www.smics.com/
E-mail	ir@smics.com
Place of business in Hong Kong	Suite 3003, 30th Floor, No. 9 Queen's Road Central, Hong Kong
Company Secretary	Gao Yonggang
Authorized Representatives under Hong Kong Listing Rules	Zhou Zixue, Gao Yonggang
Custodian of A Shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Hong Kong Share registrar	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Financial calendar

2020 annual results announcement	March 31, 2021
2021 annual general meeting	June 25, 2021
Book closure period for 2021 annual general meeting (Hong Kong Shares)	June 22, 2021 to June 25, 2021, both days inclusive
Record date for the 2021 annual general meeting (A Shares)	June 21, 2021
Financial year end date	December 31

Note 1: The Company is registered in the Cayman Islands, which does not have the concept of a legal representative, though its person-in-charge is Zhou Zixue.

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board of Directors (Domestic representative of the information disclosure)	Securities Affairs Representative
Name	Guo Guangli	Li Zhen
Contact address	18 Zhangjiang Road, Pudong New Area, Shanghai, PRC	18 Zhangjiang Road, Pudong New Area, Shanghai, PRC
Telephone	021-20812800	021-20812800
Fax	021-50802868	021-50802868
E-mail	ir@smics.com	ir@smics.com

III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

IV. INFORMATION ON THE COMPANY'S SHARES/DEPOSITORY RECEIPTS

(I) INFORMATION ON THE COMPANY'S SHARES

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

(II) INFORMATION ON THE COMPANY'S DEPOSITORY RECEIPTS

Type of securities	Conversion ratio for depository receipts and underlying shares	Stock exchange and board on which depository receipts are listed	Abbreviation of depository receipts	Code of depository receipts
American Depository Receipts Note 1	1:5	American OTC market	ADR of SMIC	SMICY

Depositary	Name	JPMorgan Chase Bank, N.A.
	Office address	383 Madison Avenue, Floor 11, New York, NY 10179
	Manager	Depositary Receipt Group.
Custodian	Name	JPMorgan Chase Bank, N.A., Hong Kong Branch
	Office address	18/F The Quayside Tower Two, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
	Manager	Direct Custody & Clearing

Note 1: ADR programme has terminated on March 4, 2021 (US Eastern Time).

V. OTHER RELEVANT INFORMATION

Auditor engaged by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
	Office address	Room 01, Unit 507, DBS Bank Tower, 1318 Lu Jia Zui Ring Road, China (Shanghai) Pilot Free Trade Zone
	Name of signing accountants	Gao Jianbin, Zhu Jia
Auditor engaged by the Company (overseas)	Name	PricewaterhouseCoopers Certified Public Accountant and Registered Public Interest Entity Auditor
	Office address	24th Floor, Prince's Building, Central, Hong Kong
	Name of signing accountant	Jane Kong
Joint sponsor (lead underwriter) continuously performing its supervisory function during the reporting period	Name	Haitong Securities Co., Ltd.
	Office address	No. 689, Guangdong Road, Huangpu District, Shanghai
	Name of signing sponsor representative	Zheng Yu, Chen Cheng
	Continuous supervision period	From July 16, 2020 to December 31, 2023
Joint sponsor (lead underwriter) continuously performing its supervisory function during the reporting period	Name	China International Capital Corporation Limited
	Office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Name of signing sponsor representative	Wei Xianyong, Li Yang
	Continuous supervision period	From July 16, 2020 to December 31, 2023

VI. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

(I) PRINCIPAL ACCOUNTING DATA

in USD'000

	Year ended			
	12/31/20	12/31/19	12/31/20 as compared with 12/31/19 (%)	12/31/18
Revenue	**3,906,975**	3,115,672	25.4	3,359,984
Profit for the year attributable to owners of the Company	**715,550**	234,681	204.9	134,055
Profit (loss) for the year attributable to owners of the Company, net of non-recurring profit or loss	**326,736**	(102,732)	N/A	(61,768)
Net cash from operating activities	**1,660,410**	1,019,057	62.9	799,426
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**2,123,336**	1,373,492	54.6	1,164,375

SECTION 3 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

	As of			
	12/31/20	12/31/19	12/31/20 as compared with 12/31/19 (%)	12/31/18
Equity attributable to owners of the Company	14,875,206	5,669,397	162.4	5,453,966
Total assets	31,320,575	16,437,820	90.5	14,424,320

(II) PRINCIPAL FINANCIAL INDICATORS

	Year ended			
	12/31/20	12/31/19	12/31/20 as compared with 12/31/19 (%)	12/31/18
Gross margin	23.6%	20.6%	Increased by 3.0 percentage points	22.2%
Net margin	17.1%	5.1%	Increased by 12.0 percentage points	2.3%
EBITDA margin	54.3%	44.1%	Increased by 10.2 percentage points	34.7%
Basic earnings per share	$0.11	$0.04	175.0	$0.03
Diluted earnings per share	$0.11	$0.04	175.0	$0.03
Basic earnings per share, net of non-recurring profit or loss	$0.06	-$0.02	N/A	-$0.01
Weighted average return on equity	9.6%	4.2%	Increased by 5.4 percentage points	2.5%
Weighted average return on equity, net of non-recurring profit or loss	5.2%	-1.9%	N/A	-1.2%
Percentage of research and development ("R&D") investment to revenue	17.3%	22.1%	Decreased by 4.8 percentage points	19.7%

Profit attributable to owners of the Company, net of non-recurring profit or loss was US$326.7 million net profit for this year, compared to US$102.7 million net loss for last year. The increase was primarily due to the increase in operating profit and the increase in investment income.

VII. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DIFFERENT ACCOUNTING STANDARDS

(I) DISCREPANCIES IN NET PROFIT AND NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY IN THE FINANCIAL REPORT DISCLOSED UNDER IFRS AND THOSE UNDER THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE ("CAS")

in USD'000

	Net profit attributable to owners of the Company		Net assets attributable to owners of the Company	
	Year ended 12/31/20	Year ended 12/31/19	12/31/20	12/31/19
Prepared in accordance with CAS	626,650	260,147	15,174,594	6,242,154
Adjustments to items and amounts prepared in accordance with IFRS:				
The equity method on one-quarter-lag basis to pick up the investment income or loss(1)	6,300	(25,466)	—	(8,909)
The equity interest in an associate being passively diluted(2)	82,600	—	—	—
Perpetual subordinated convertible bonds(3)	—	—	(299,388)	(563,848)
Prepared in accordance with IFRS	715,550	234,681	14,875,206	5,669,397

Notes:

(1) Under CAS, the investor recognizes its share of the investee's net profit or loss and other comprehensive income ("OCI") after adjustments, if there are any differences between the accounting policies and the accounting period in the investor and in the investee. As of the end of the previous year, under IFRS, the Group applied the equity method on one-quarter-lag basis to account for its investment income or loss of certain associates ("investees") because the consolidated financial statements of the Group prepared in accordance with IFRS were released earlier than the financial data of such investees. The Group recognized the investment income or loss and OCI, and adjusted the cost of investment in associates based on its share of net profit or loss and OCI determined by prior quarter financial data of the investees. As of the end of the reporting period, given that the financial information of the investees could be obtained in a timely manner, in the preparation of IFRS financial statements, the Group recognized the investment income or loss and OCI based on accounting data of investees in the same accounting period to maintain the consistency in the financial information under IFRS and CAS.

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

(3) Under CAS, perpetual subordinated convertible bonds as other equity instruments are incorporated into the equity attributable to owners of the Company. Under IFRS, perpetual subordinated convertible bonds are not included in the equity attributable to owners of the Company.

VIII. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2020 BY QUARTER

in USD'000

	First Quarter (From January to March)	Second Quarter (From April to June)	Third Quarter (From July to September)	Fourth Quarter (From October to December)
Revenue	904,912	938,463	1,082,505	981,095
Profit attributable to owners of the Company	64,164	137,969	256,379	257,038
Profit attributable to owners of the Company, net of non-recurring profit or loss	24,682	57,949	159,013	85,092
Net cash from operating activities	259,829	147,719	719,150	533,712

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

in USD'000

	Year ended		
	12/31/20	12/31/19	12/31/18
Gain on disposal of property, plant and equipment and assets classified as held-for-sale	**1,496**	4,004	32,310
Government funding	**362,483**	293,305	156,953
Net gain arising on financial assets at FVPL	**53,962**	34,853	10,723
Share of gain arising on financial instruments at FVPL of investment using equity method	**129,265**	54,751	20,471
Others	**(6,420)**	80,625	3,659
	540,786	467,538	224,116
Impact on non-controlling interests	**(67,141)**	(53,882)	(13,455)
Effects of income tax	**(84,831)**	(76,243)	(14,838)
Total	**388,814**	337,413	195,823

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

X. ITEMS MEASURED AT FAIR VALUE

in USD'000

	As of			
	12/31/20	12/31/19	Change in the reporting period	Impact on profit for the reporting period
Equity investment	**156,367**	90,067	66,300	45,463
Structured deposits and Monetary funds	**111,477**	42,985	68,492	8,499
Cross currency swap contracts — cash flow hedges	**(112,544)**	(63,025)	(49,519)	(38,505)
Interest rate swap contracts	**(7,700)**	1,872	(7,700)	(608)
Foreign-currency forward exchange contracts	**(333)**	—	(333)	(333)
Total	**147,267**	71,899	75,368	14,516

XI. EBITDA

in USD'000

	Year ended		
	12/31/20	12/31/19	12/31/18
Net profit for the year	**669,098**	158,860	77,211
Finance costs	**73,234**	63,460	24,278
Depreciation and amortization	**1,312,694**	1,127,756	1,048,410
Income tax expense	**68,310**	23,416	14,476
EBITDA	**2,123,336**	1,373,492	1,164,375

XII. BUSINESS PERFORMANCE HIGHLIGHTS FOR THE PREVIOUS FIVE YEARS

(I) PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME DATA

	For the year ended December 31,				
	2020	2019	2018	2017	2016
	(in US$ thousands, except per share, shares, percentages and piece)				
Revenue	**3,906,975**	3,115,672	3,359,984	3,101,175	2,914,180
Cost of sales	**(2,986,062)**	(2,473,213)	(2,613,307)	(2,360,431)	(2,064,499)
Gross profit	**920,913**	642,459	746,677	740,744	849,681
Research and development expenses	**(677,413)**	(687,369)	(663,368)	(509,356)	(370,764)
Sales and marketing expenses	**(29,466)**	(26,836)	(30,455)	(35,796)	(35,034)
General and administration expenses	**(266,376)**	(254,924)	(199,818)	(198,036)	(167,582)
Net impairment losses (recognized) reversal on financial assets	**(199)**	(1,076)	(937)	137	10,211
Other operating income, net	**364,487**	376,656	162,541	127,202	52,694
Profit from operations	**311,946**	48,910	14,640	124,895	339,206
Interest income	**170,794**	138,988	64,339	27,090	11,243
Finance costs	**(73,234)**	(63,460)	(24,278)	(18,021)	(23,037)
Foreign exchange gains (losses)	**89,818**	9,495	(8,499)	(12,694)	(1,640)
Other gains (losses), net	**50,741**	42,981	24,282	16,499	(2,113)
Share of gain (loss) of investment accounted for using equity method	**187,343**	5,362	21,203	(9,500)	(13,777)
Profit before tax	**737,408**	182,276	91,687	128,269	309,882
Income tax (expense) benefit	**(68,310)**	(23,416)	(14,476)	(1,846)	6,552
Profit for the year	**669,098**	158,860	77,211	126,423	316,434
Other comprehensive income (loss)					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	**66,389**	(16,769)	(35,919)	23,213	(19,031)
Change in value of available-for-sale financial assets	**—**	—	—	(2,381)	807
Cash flow hedging	**(21,286)**	(26,524)	35,931	35,143	(34,627)
Share of other comprehensive income of joint ventures accounted for using equity method	**—**	—	—	17,646	—
Others	**—**	—	—	(131)	1
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit plans	**—**	(1,532)	129	(436)	1,520
Total comprehensive income for the year	**714,201**	114,035	77,352	199,477	265,104
Profit (loss) for the year attributable to:					
Owners of the Company	**715,550**	234,681	134,055	179,679	376,630
Non-controlling interests	**(46,452)**	(75,821)	(56,844)	(53,256)	(60,196)
	669,098	158,860	77,211	126,423	316,434
Total comprehensive income (loss) for the year attributable to:					
Owners of the Company	**760,639**	188,831	133,977	251,135	326,191
Non-controlling interests	**(46,438)**	(74,796)	(56,625)	(51,658)	(61,087)
	714,201	114,035	77,352	199,477	265,104
Earnings per share					
Basic	**$0.11**	$0.04	$0.03	$0.04	$0.09
Diluted	**$0.11**	$0.04	$0.03	$0.04	$0.08
Shares issued and outstanding	**7,703,507,527**	5,056,868,912	5,039,819,199	4,916,106,889	4,252,922,259
Financial ratio					
Gross margin	**23.6%**	20.6%	22.2%	23.9%	29.2%
Net margin	**17.1%**	5.1%	2.3%	4.1%	10.9%
Operating data					
Wafers shipped (in piece)	**5,698,624**	5,028,796	4,874,663	4,310,779	3,957,685

(II) MAJOR FINANCIAL POSITION DATA

	As of December 31,				
	2020	2019	2018 (In USD'000)	2017	2016
Total assets	31,320,575	16,437,820	14,424,320	11,918,451	10,115,278
Total non-current assets	16,149,220	9,563,979	8,274,729	7,749,467	6,431,525
Property, plant and equipment	12,138,021	7,757,247	6,777,970	6,523,403	5,687,357
Investments in associates	1,440,976	1,139,317	1,135,442	758,241	240,136
Total current assets	15,171,355	6,873,841	6,149,591	4,168,984	3,683,753
Inventories	798,776	628,885	593,009	622,679	464,216
Trade and other receivables	975,927	836,143	837,828	616,308	645,822
Financial assets at amortized cost - current	2,806,517	2,276,370	1,996,808	683,812	31,543
Restricted cash - current	575,258	804,547	592,290	336,043	337,699
Cash and cash equivalent	9,826,537	2,238,840	1,786,420	1,838,300	2,126,011
Total liabilities	9,638,837	6,239,958	5,500,740	5,197,116	4,712,051
Total non-current liabilities	5,746,127	3,034,759	2,641,512	3,290,337	2,731,151
Total current liabilities	3,892,710	3,205,199	2,859,228	1,906,779	1,980,900
Total equity	21,681,738	10,197,862	8,923,580	6,721,335	5,403,227
Non-controlling interests	6,507,144	3,964,617	2,905,766	1,488,302	1,252,553

(III) MAJOR CASH FLOW DATA

	For the years ended December 31,				
	2020	2019	2018 (In USD'000)	2017	2016
Net cash from operating activities	1,660,410	1,019,057	799,426	1,080,686	669,197
Profit for the year	669,098	158,860	77,211	126,423	316,434
Depreciation and amortization	1,312,694	1,127,756	1,048,410	971,382	729,866
Net cash used in investing activities	(7,071,383)	(1,948,507)	(3,197,261)	(2,662,139)	(2,443,333)
Payments for property, plant and equipment	(5,274,686)	(1,869,563)	(1,808,253)	(2,287,205)	(2,757,202)
Net cash from financing activities	12,704,215	1,376,278	2,376,922	1,271,591	2,614,778
Net increase (decrease) in cash and cash equivalent	7,293,242	446,828	(20,913)	(309,862)	1,148,647

SECTION 4 BUSINESS PROFILE

I. PRINCIPAL BUSINESS, BUSINESS MODEL, INDUSTRY OVERVIEW AND R&D

(I) PRINCIPAL BUSINESS, MAJOR PRODUCTS OR SERVICES

The Company is one of the leading foundries in the world, is Mainland China's most advanced and largest foundry, broadest in technology coverage, and multinational in semiconductor manufacturing services. The Company principally provides its customers with IC wafer foundry services and supporting services covering technology nodes ranging from 0.35 micron to 14 nanometer based on different process technology platforms.

The Company's IC foundry business is to realize circuit diagrams designed by customers and their functions based on 8-inch or 12-inch wafer by utilizing hundreds of kinds of special equipment and materials, to construct complicated and precise physical structure on wafer according to ingeniously-designed process integration plan through thousands of process steps. The Company has successfully developed various technology nodes ranging from 0.35 micron to 14 nanometer, which are applied in different process technology platforms. The Company owns mass production ability of various technology platforms, such as logic circuit, power/analog, high-voltage driver, embedded non-volatile memory, non-volatile memory, mixed signal/RF, and image sensor, etc. The Company is able to provide both IC wafer foundry services and supporting services to customers in the application fields of smart phone, smart home, consumer electronics and other different ends.

In addition to the integrated circuit foundry business, SMIC is also committed to creating a platform-based ecological service model, providing customers with one-stop supporting services such as design services and IP support, photomasks manufacturing, bump processing and testing, and promoting the upstream and downstream cooperation of the integrated circuit industry chain, so as to provide customers with a full range of integrated circuit solutions together with partners in all links of the industry chain.

In 2020, the Company enlarged its production capacity at a steady pace and maintained its capacity utilization rate at a high level. Based on diversified technology nodes and comprehensive technical services supports, the Company met differentiated customer needs and continued to create higher added values, making every effort to serve both domestic and overseas customers.

(II) MAJOR BUSINESS MODEL

1. Profit model

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

2. R&D model

The Company has formed a complete and efficient innovation mechanism, and established a complete R&D process management system. The Company is equipped with professional R&D team, which has established optimized R&D procedures and advanced R&D supporting system. With continuous R&D investments in FinFET process, Non FinFET process and specialty process, the Company has solidified its technical foundation and established its technical thresholds to ensure the success of projects transfer from R&D to production. R&D procedures principally include seven stages, namely selection of project, feasibility assessment, project establishment, technology development, technology examination, product examination and production, each with strict review procedure.

3. Procurement mode

The Company mainly purchases materials, equipment and technical services required for integrated circuit foundry and supporting services from suppliers. In order to improve production efficiency, and strengthen cost control, the Company has established a procurement management system. The Company has a mature supplier management system and a relatively complete supply chain security system. It has established a supplier access mechanism, a supplier assessment and evaluation mechanism, and a supplier capacity development and improvement mechanism. While maintaining long-term cooperative relationship with major suppliers, the Company also takes into account the introduction and training of new suppliers to strengthen the stability and safety of the supply chain.

4. Production mode

The Company plans production capacity based on market needs and puts into production as scheduled, details of which are as follows:

(1) Small batch trial production: The customer designs the products according to the design rules provided by the Company. After the design is completed, the Company conducts a small batch trial production based on the customer's requirements for such product.

(2) Risk production: The samples from the small batch trial production are packaged, tested, and functionally verified, and will enter the risk production stage if they meet the market requirements. The risk production mainly includes product yield improvement, production process capacity improvement, and production capacity expansion.

(3) Mass production: After the risk production is completed and the above delivery indicators reach the standard, it enters into the mass production stage. In the mass production stage, the sales department confirms the purchase order quantity with the customer. The production planning department arranges production based on customer order requirements, tracks production progress, and provides customers with production progress reports.

5. Marketing and sales model

The Company adopts a variety of marketing methods and actively expands customer base through various channels. Through market research, the Company actively contacts and visits target customers, recommends processes and services which can meet customers' expectations, and then cooperating with customer on the engaged project activities. The Company establishes cooperative relations with customers by cooperating with design service companies, IP suppliers, EDA manufacturers, packaging and testing manufacturers, industry associations and various IC industry promotion centers.

The Company conducts promotion activities by hosting technical seminars and participating in various professional exhibitions, summits, and forums in the semiconductor industry. Some customers contact the Company for direct cooperation through public channels such as company website and word-of-mouth communication. The Company's sales team executes orders with customers who will be provided with IC wafer foundry services and relevant supporting services according to the requirements of the order. Upon completion of manufacturing, the product will be finally delivered to customers or the downstream packaging and testing manufacturers designated by them. The Company will directly communicate with customers and form solutions that meet customer needs after the Company establishes a cooperative relationship with customers through the above marketing methods.

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

(III) INDUSTRY OVERVIEW

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

IC design, manufacturing, packaging and testing are at the core of the IC industry chain. Benefiting from the growing demands for IoT, cloud computing, big data and other related products, the IC industry has become a fundamental and leading industry supporting economic and social development, and its development has become one of the core indicators to measure the technology development level, impacting the progress of social informatization.

In 2020, as affected by the tensions of global geographical and trading relations and the continual spread of the epidemic, the uncertainties in the industry chain are growing. Despite a slowdown in global macroeconomic growth, the IC market still kept growing amid the adverse environment. In particular, IoT, cloud computing, big data and other related products have gradually entered the mature stage from the growing stage, while demands have entered the stable growth stage. Artificial intelligence ("AI"), driver assistance, robots, unmanned aerial vehicles ("UAV") and other fields have also entered the active evolution stage, presenting new opportunities for the global IC industry. Meanwhile, the continual spread of the epidemic is gradually changing the traditional working, learning and social methods of people. Consumer groups tend to accept various telecommuting, teaching and data centers. Demands for related terminal intelligent devices, wireless wearables and data center equipment have improved. As shown in the report released by World Semiconductor Trade Statistics ("WSTS") in March 2021, the sale of semiconductors globally reached US$440.4 billion in 2020, representing a year-on-year increase of 6.8%, and is expected to reach US$488.3 billion in 2021, representing a year-on-year increase of 10.9%.

From the domestic industrial development, due to timely prevention and control efforts of the epidemic in the PRC, the industry chain resumed work and production in time, speeding up the formation of coordinated advancement of basic telecommunications, equipment manufacturing and other sectors. The PRC IC industry continued to maintain a double-digit growth. According to the statistics released by the China Semiconductor Industry Association, in 2020, the sales in the PRC IC industry amounted to RMB884.8 billion, representing a year-on-year increase of 17%. In particular, the sales in the design industry amounted to RMB377.8 billion, representing a year-on-year increase of 23.3%; the sales in the manufacturing industry amounted to RMB256.0 billion, representing a year-on-year increase of 19.1%; the sales in the packaging and testing industry amounted to RMB251.0 billion, representing a year-on-year increase of 6.8%. In addition, according to the customs statistics, in 2020, the number of the imported IC in the PRC was 543.5 billion, representing a year-on-year increase of 22.1%; and the import value amounted to US$350.0 billion, representing a year-on-year increase of 14.6%; the number of exported IC in the PRC was 259.8 billion, representing a year-on-year increase of 18.8%; and the export value amounted to US$116.6 billion, representing a year-on-year increase of 14.8%. On the whole, the PRC IC industry is in an urgent need of diversification of products and further optimization of the supporting industry chain structure.

IC manufacturing is one of the three core industries of IC. Wafer foundry is a business model adopted by IC manufacturers, which is highly technology-intensive, talent-intensive and capital-intensive. It has very strict requirements and implementation standards on the manufacturing environment, energy, raw materials, equipment and quality management system. The R&D and manufacturing process of wafer foundry involve materials science, chemistry, semiconductor physics, optics, microelectronics, quantum mechanics and other science and engineering subjects, and require professional technical team with strong R&D ability for integration. IC products have been in pursuit of lower power consumption, smaller size, multiple functions, and high reliability on an ongoing basis, raising increasingly higher requirements on wafer foundry process technology. Accordingly, the semiconductor materials, equipment, device structure, process monitoring and other technology segments have experienced reforms, which requires a huge amount of capital. Coupled with the continual segmentation and extension of IC application fields, the market-entry period of emerging products continues to shorten, with higher expectations on the cycle for platform R&D and upgrade by wafer foundries. Meanwhile, the production scale of wafer foundries has also become one of the important factors in customers' assessment of supply chain stability. Accompanied by the increasing demand for product differentiation, the supporting services from wafer foundries have become an additional advantage in attracting customers, including front-end computer-aided design and IP support, and photomasks manufacturing as well as back-end bumping processing, one-stop packaging and testing, etc. On the whole, with more diversified application fields of IC products arising, the technical thresholds of wafer foundries have also become higher and higher.

2. Analysis on the industry position of the Company

SMIC is one of the leading foundries in the world, is Mainland China's most advanced and largest foundry, broadest in technology coverage, and multinational in semiconductor manufacturing services. According to the ranking of pure-play foundries in terms of global sales in 2020 as published by IC Insights, SMIC ranks the 4th globally and 1st among the enterprises in Mainland China.

3. Development of new technologies, new industries, new sectors and new models as well as their future development trends

IC manufacturing is conducted under high-precision equipment, and has, after decades of development, developed from the 0.35-micron CMOS process at the beginning of this century to the nanometer-level FinFET process. The most advanced manufacturing process for mass production of IC in the world has reached 5nm, and the 3nm technology is expected to be launched into the market around the year of 2022.

In recent years, the introduction of emerging applications has also raised higher requirements on IC (other than logic circuit) and semiconductor devices, and driven the continual upgrade of process. High-speed non-volatile memory has rapidly developed from the earliest 8Mb to 256Mb of 48nm technology node nowadays. The technology node of embedded non-volatile memory chip has rapidly developed from 0.18 micron to 40nm, moving towards the direction of being smaller in size and with faster speed.

The continual development of IC technology has also facilitated the technological reform in the design service sector. With the launch of FinFET DTCO technology, design services can achieve in-depth coordination with process development. Process design rules, back-end wiring rules, device types may be optimized from the prospective of design, based on the results of which, better design services may be provided to offer more competitive products.

Photomasks are a core tool indispensable for the lithography link in IC manufacturing, and its manufacturing technology evolves with the development of lithography. The types of photomasks have developed from the early binary intensity masks to phase shift masks, and its graphics transfer media has evolved from chromium metal to SiMo materials.

IC packaging, as an indispensable link in the IC industry chain, has been changing with the continual development of IC process technology. The traditional packaging connects a circuit with the external devices mainly by adopting the form of interconnect via wire bonding with lead frames or substrates as the carriers. The continual development of IC manufacturing process technology has raised increasingly higher requirements on port density, signal latency, packaging size, etc., and facilitated the emergence and development of advanced and new packaging processes and forms, such as bumping, flip chip, through silicon via (TSV), 2.5D, and 3D, etc.

(IV) CORE TECHNOLOGIES AND R&D PROGRESS

1. Core technologies and the advancement

The research and development of SMIC's FinFET technology platform achieved smooth progress in 2020. The manufacturing process of the first-generation FinFET has gradually improved to enter mature mass production, and the product yield has reached industry standards. The development of multiple derivative platforms has been completed as planned, and the goal of diversifying mass production products has been achieved. The advanced version of the first-generation FinFET technology further optimizes device performance, improves integration, and achieves the goal of chip performance improvement. The second generation of FinFET technology adopts SAQP to form a fin structure for the first time to meet the needs of a smaller size structure. Compared with the previous generation technology, the density of transistors per unit area is greatly improved. At present, SMIC's second-generation FinFET technology has completed low-voltage process development, which can provide 0.33V/0.35V low-voltage usage requirements, and has entered risk production.

Meanwhile, the research and development of SMIC's specialty process technology is under smooth progress. A number of technologies have been delivered to mass production. 40nm and 0.11 micron embedded non-volatile memory platforms have entered risk production, and the research and development of other high-voltage driven, special storage technologies and image sensing projects are also steadily proceeding.

2. R&D achievements

List of intellectual property rights obtained in this year:

	Increase during the year		Accumulative number	
	Number of applications	Number of rights obtained	Number of applications	Number of rights obtained
Invention patents	952	1,217	15,856	10,051
Utility model patents	39	67	2,023	1,996
Layout design rights	—	—	94	94
Total	991	1,284	17,973	12,141

3. Analysis of R&D costs

in USD'000

	Year ended		
	12/31/20	12/31/19	12/31/20 as compared with 12/31/19 (%)
Expensed R&D costs	**677,413**	687,369	-1.4
Capitalized R&D cost	—	—	—
Total R&D cost	**677,413**	687,369	-1.4
Total R&D costs as a percentage of revenue	**17.3%**	22.1%	Decreased by 4.8 percentage points
Capitalized Percentage of R&D costs	—	—	—

4. R&D projects

No.	Name of project	Progress or milestone achievements	Proposed objects	Technology level	Specific application prospects
1	The second generation FinFET technology process technology R&D	The development of the the second generation FinFET technology low-voltage process has been completed. Compared with the previous generation technology, the density of transistors per unit area is greatly improved. At present, risk production has been entered.	To realize mass production	Domestic leadership	Mainly applied to high-end consumer products.
2	14nm FinFET derivative technology platform development	Based on the 14nm FinFET general process platform, the development of several derivative application platforms has been completed, including the completion of the verification of 12nm general platform, the reliability and safety verification of the radio frequency technology platform and etc.	Based on the 14nm FinFET general process platform, a series of derivative application platforms to be developed, device performance to be further optimized and integration to be improved, needs of a variety of wireless communication applications to be met and relevant recognition to be obtained, etc.	Domestic leadership	Mainly applied to high-end consumer products, media applications, application processors, radio frequency products, artificial intelligence.
3	22nm low-power consumption (ULP)platform	The electrical property of devices have matched the targets, completed devices designs; commenced the processes validation, and completed the original process frozen.	To complete platform development, engage customers, and realize mass production.	Domestic leadership	Widely applied to various IoT products to meet needs for smartphones, digital TVs, set-top boxes, image processors, wearables and consumer electronics, etc.
4	28nm Radio Frequency (RF) technology platform	Based on the 28HKC+ platform, various RF devices have been provided with high performances, the processed has been frozen and the customer verifications have been commenced.	To complete platform development, engage customers, and realize mass production.	Domestic leadership	Mainly applied to household networks, routers, Wi-Fi, mobile terminal equipment communication (signal transceiver, sending device) millimeter wave (MMW) and other applications.
5	28nm High voltage display driver integrated circuit (HVDDIC) technology platform	Based on 28HKC+ platform, the middle-voltage and high-voltage devices development have been completed; compared with 40nm HVDDIC process, the SRAM areas are smaller in sizes and larger in volumes, capable of providing solutions for high-end display.	To complete platforms including a full set of low-, middle- and high-voltage devices, provide large-volume SRAM, and lower power consumption to adapt to various high-end display technical needs.	Domestic leadership	Mainly applied to AMOLED display drivers of high-end smart phone.
6	40nm High voltage display driver integrated circuit (HVDDIC) technology platform	Products accreditations for multiple products from multiple customers have been completed, and the risk production stage have been established.	To complete research and development, engage customers, and enter the risk production.	Domestic leadership	Mainly applied to AMOLED display drivers of smart phone.
7	eFlash process	The performance development and reliability verification of 40nm eFlash common platform have been completed based on the ESF3 structure, V1.0 process design tool kit has been launched, the first batch of customers have been introduced for products design. The risk production has been established.	To develop more applications types of memory macros, such as ULPs, and high-speed applications, to introduce more customers. To continuously optimize process, process tool kit and IP.	Domestic leadership	Applied to the smart cards, industrial controlling and, IoT, etc.
8	NOR Flash memory process	The establishment of 65nm NOR and 55nm NOR technology process platforms and production lines have been completed with domestically leading reliability.	To continuously promote optimization of process technology platforms, further improve product performances, reduce the costs and enhance marketing competitiveness. To develop the next generation of NOR technology platform.	Domestic leadership	Applied to the consumer electronics, such as Bluetooth, Wi-Fi, set-top boxes, communication base stations and other products.
9	NAND Flash memory process	The high-quality, high-reliability and low-volume solid state memory products have been provided, the mass production of 38nm NAND products have been realized; the multiple customers engagements and products accreditations for self-developed 24nm SLC technology have been completed currently and the mass production has been established.	To engage customer introduction and mass production for 24nm NAND Flash while promoting the development of the next generation of 1xNAND platforms.	Domestic leadership	The products are mainly applied to embedded systems.
10	90nm BCD technology platform	The performance development and reliability verifications of middle- and low-voltage devices in the first stage of 90nm BCD platform have been completed, The development of V1.0 process design tool kit has been launched, the first batch of customers products for product design has been introduced, it has been ready to enter the small batch trial production.	To complete platforms including middle- and high-voltage applications, align with the development trends of intelligent chips of power management, and gradually expand into other various analog applications.	Domestic leadership	Applied to high-end smart power management, audio frequency amplifiers, smart motor drivers, etc.

5. R&D Staff

Basic information

	Year ended	
	12/31/20	12/31/19
Number of R&D Staff of the Company	**2,335**	2,530
Number of R&D staff as a percentage of the total workforce of the Company	**13.5%**	16.0%
Total compensation of R&D staff (in USD'000)	**130,071**	116,805
Average compensation of R&D staff (in USD'000)	**56**	46

Education level

Education level	Number of persons	Percentage (%)
Doctorate	**236**	10.1
Master	**1,030**	44.1
Bachelor	**518**	22.2
Junior college and below	**551**	23.6
Total	**2,335**	100.0

Age structure

Age group	Number of persons	Percentage (%)
Aged below 30	**938**	40.2
Aged 30-40	**1,107**	47.4
Aged above 40	**290**	12.4
Total	**2,335**	100.0

Note: R&D staff includes R&D department staff and technical staff engaged in research-related technical support.

II. DETAILS OF SUBSTANTIAL CHANGES OF THE PRINCIPAL ASSETS OF THE COMPANY

Please refer to "III. (III) ANALYSIS ON ASSETS AND LIABILITIES" in "Section 5 Management Discussion and Analysis" of this report for the explanations of changes in the major assets of the Company during the reporting period.

III. ANALYSIS ON THE CORE COMPETITIVENESS

(I) ANALYSIS ON CORE COMPETITIVENESS

The Company continued to strengthen its core competitiveness as described below:

1. Advantages in R&D platforms

The R&D center of the Company continuously extends Non FinFET processes while developing FinFET technologies based on the overall strategies and as guided by customer needs. We have established major R&D platforms, such as 14nm FinFET technology, 28nm PolySiON and HKMG technology, 40/45nm standard logic process low leakage (LL) technology, and 55/65nm LL and ULP technology, etc. Meanwhile, at the R&D stage of a project, we ensured the technical needs fully benchmarked for subsequent mass production, effectively assuring product quality and reliability, and shortening the cycle from research to production, to satisfy customer needs for product innovation and rapid evolution.

2. Advantages in R&D team

Through years of IC R&D practices, the Company has established a high-quality core management team and a professional core R&D team. The core members of the R&D team comprises of domestic and overseas senior experts who have many years of R&D and management experience in the industry. As of December 31, 2020, the Company had a total of 17,354 employees, including 2,335 R&D personnel, accounting for 13.5% of the total.

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

The Company has long been focusing on the development of IC process technologies for 20 years. It has successfully developed various technology nodes ranging from 0.35 micron to 14 nanometer, which are applied in different process technology platforms. The Company owns mass production ability of various technology platforms, such as logic circuit, power/analog, high-voltage driver, embedded non-volatile memory, non-volatile memory, mixed signal/RF, and image sensor, etc. The Company is able to provide both IC wafer foundry services and supporting services to customers in the application fields of smart phone, smart home, consumer electronics and other fields. Through long-term cooperation with domestic and overseas renowned customers, the Company has formed prominent branding effects, gained sound industry recognition.

4. Well-established intellectual property systems

The Company has accumulated many core technologies in the IC field with well-established intellectual property system. As of December 31, 2020, the Company had 12,141 patents in total, including 10,051 invention patents. In addition, the Company also had 94 layout design rights of IC.

5. *Internationalized and industry chain layout*

Consistently focusing on having a globalized layout in accordance with the concept of having globalized operations at all times, the Company has formed relatively internationalized shareholding structure and optimized corporate governance structure, established an internationalized management team and talent team, and set up service bases and a business network that spans the globe. Meanwhile, we have set up marketing offices in the United States, Europe, Japan and Taiwan, China, as well as a representative office in Hong Kong, China, better expanding the markets and quickly responding to customer needs. The Company pays great attention to strategic partnerships with upstream and downstream enterprises of the IC industry chain, enhancing our ability at industry chain integration and layout, and constructing a compact IC industrial ecology, in order to provide customers with comprehensive one-stop IC solutions.

6. *Sound quality management systems*

The Company has established a comprehensive and sound quality management system through continuously enlarging quality management scope vertically and horizontally. Currently, the Company has obtained many accreditations, such as the Information Security Management System Accreditation (ISO27001), Quality Management System Accreditation (ISO9001), Environmental Management System Accreditation (ISO14001), Occupational Health and Safety Management System Accreditation (OHSAS18001/ISO45001), Quality Management System Accreditation for Automotive Industry (IATF16949), Quality Management System Accreditation for Telecommunication Industry (TL9000), Environmental Hazardous Substance Management System Accreditation (QC080000), Greenhouse Gas Emission Inventory Accreditation (ISO14064), Energy Management System Accreditation (ISO50001), and the Road Vehicles – Functional Safety Accreditation (ISO26262), etc.

(II) OCCURRENCE OF EVENTS SERIOUSLY IMPACTING THE CORE COMPETITIVENESS, IMPACT ANALYSIS AND COUNTERMEASURES

On October 4, 2020, the Company made an announcement on a letter issued by the Bureau of Industry and Security of the U.S. Department of Commerce to certain suppliers in accordance with section 744.21(b) of the U.S. Export Administration Regulations ("EAR"), pursuant to which, SMIC was designated as one of "Military End User". Certain exports of U.S. equipment, parts and raw materials would be further restricted by the EAR, and an export licence should be applied for in advance before the items could be supplied to SMIC. In response to the export restriction, the Company immediately conducted a preliminary exchange with the Bureau of Industry and Security and assessed the impact of the export restriction on the Company's production and business activities.

On December 18, 2020 U.S. Eastern Standard Time ("EST"), the Company noted that the U.S. Department of Commerce included the Company and some of its subsidiaries and an associate company in the "Entity List" on the grounds of protecting U.S. national security and foreign policy interests. This designation requires suppliers of items that are subject to the EAR to apply for licenses before supplying such items to the Company. For items uniquely required for production at 10 nanometers and below (including extreme ultraviolet technology), the license review policy of a presumption of denial will be applied by the U.S. Commerce Department. Looking forward to 2021, this matter has brought uncertain risks to the Company's full-year performance. The Company will continue to communicate with relevant agencies of the U.S. Government and take all feasible measures as appropriate actively seek solutions and try best to minimize the adverse effects.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

Under the complex and changeable global industrial environment in the year 2020, the Company's gains and challenges coexists in multiple fields. As wafer demand for Non FinFET technology application platforms continues to be strong, we achieved significant growth in revenue from power management, RF signal processor, fingerprint sensor, and image signal processor, etc. Our FinFET technology addresses a diverse range of applications fields of communication, consumer electronics, Internet of Things and other fields, which further expanded the customer base.

In 2020, the Group recorded total revenue of US$3,907.0 million, representing a year-on-year growth of 25.4%. In particular, revenue from wafer foundry business amounted to US$3,474.5 million, representing 88.9% of the total revenue in 2020 and a year-on-year growth of 19.9%; total revenue from photomasks manufacturing, testing and other supporting technical services amounted to US$432.5 million, representing 11.1% of the total revenue and a year-on-year growth of 97.7%.

From the perspective of regions, revenue from each regions recorded growth in 2020, in which, revenue from business in Mainland China and Hong Kong accounted for 63.5% of the revenue of principal businesses, representing a year-on-year increase of 34.1%; revenue from business in North America accounted for 23.2% of the revenue of principal businesses, representing a year-on-year increase of 10.4%; revenue from business in Eurasia accounted for 13.3% of the revenue of principal businesses, representing a year-on-year increase of 16.7%.

In respect of application fields, revenue from each application category recorded growth in 2020, in which, revenue from application of smart phone accounted for 44.4% of the revenue from wafer foundry business, representing a year-on-year increase of 21.7%; revenue from application of smart home accounted for 17.1% of the revenue from wafer foundry business, representing a year-on-year increase of 22.3%; revenue from application of consumer electronics accounted for 18.2% of the revenue from wafer foundry business, representing a year-on-year increase of 6.5%; revenue from other applications accounted for 20.3% of the revenue from wafer foundry business, representing a year-on-year increase of 28.3%.

By technology, revenue from processes of 90nm and below accounted for 58.1% of the revenue from wafer foundry business in 2020 as compared to 50.6% in 2019, in which, revenue from 55/65nm technology increased to 30.5% in 2020 from 27.3% in 2019; revenue from 28nm and below technology increased to 9.2% in 2020 from 4.3% in 2019.

II. RISK FACTORS

(I) RISK OF CORE COMPETITIVENESS

1. The R&D risk

The IC wafer foundry industry in which the Company operates is a technology-intensive industry. IC wafer foundry involves the comprehensive application of dozens of disciplines in science, technology and engineering, and has the characteristics of fast process technology iteration, large capital investment, long R&D cycle, among others. Over the years, the Company has insisted on independent R&D and further consolidated its independent core intellectual property rights.

The IC wafer foundry requires relatively high technical content, early technical demonstration, the continuous R&D practice in the later period, and long cycle. If the Company fail to keep up with the frontier needs of the industry in the future and correctly identify the direction of R&D, deviations may occur in process technology positioning. Besides, as the R&D process of the new technology is more complicated, time-consuming and costly, there is uncertainty. If the Company fails to launch a cost-effective technology platform that meets market needs in a timely manner, the Company's competitiveness and market share may decline, thereby affecting the Company's sustainability.

In addition, the R&D of new technology platform requires huge capital investment. During the reporting period and the corresponding period of previous year, the R&D expenses of the Company amounted to US$677.4 million and US$687.4 million, respectively, representing 17.3% and 22.1% of the revenue, respectively. If the Company's investment in technology R&D in future is insufficient to support the need for technology upgrades, the Company's technology may be overtaken or replaced, which will adversely affect the Company's sustained competitiveness.

2. The risk of shortage or loss of technical talents

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

For many years, the Company has attached great importance to the scientific management of human resources, formulated a more reasonable talent policy and salary management system, and implemented multiple incentive measures for outstanding talents, which played a positive role in retaining and attracting technical talents. As of December 31, 2020, the Company has 2,335 technical R&D persons, accounting for 13.5% of the Company's total employees. However, with the strong support of national policies in recent years, the number of IC companies has been growing rapidly, resulting in a relatively huge gap between the supply and demand of outstanding technical talents in the industry, and the competition for talents is becoming increasingly fierce. If the Company's outstanding technical R&D personnel leave and the Company is unable to identify experienced technical personnel in a short period of time, the Company's process R&D and technological breakthroughs may be affected, which has an adverse impact on the Company's sustained competitiveness.

3. The risk of technical leakage

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

4. Technology iteration risk in the foundry field

The rich terminal application scenarios of integrated circuits determine the differences in the mainstream technology nodes and processes of chip products in various subdivisions, and the technological iteration and corresponding market demand changes rapidly. If the technology iteration of the foundry lags significantly behind the process requirements of product application, it will not be able to meet the needs of the market and customers. The Company has achieved 14-nanometer mass production, and the second generation FinFET process has entered the risk production. However, there remains a certain gap as compared to world-leading level.

(II) OPERATING RISKS

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

The IC wafer foundry industry is a capital-intensive industry. In order to continuously upgrade the existing technology platform to maintain market competitiveness, and ensure sufficient production capacity to meet order production requirements and improve core competitiveness, the Company has to make continuous huge investment. During the reporting period and corresponding period of previous year, payments for fixed assets, intangible assets and other long-lived assets were US$5,309.3 million and US$1,883.5 million respectively; R&D expenses were US$677.4 million and US$687.4 million respectively. In the future, if the Company fail to generate sufficient operation profit or financing is restricted, our investment will be reduced, which in turn may have an adverse impact on the Company's competitiveness.

2. The risk of high customer concentration

The Company has a relatively high customer concentration due to the relatively high market concentration in the downstream industry of IC wafer foundry. During the reporting period and corresponding period of previous year, contribution from the top five customers represented 46.3% and 43.2% of the total revenue, respectively. The Company has established a relatively stable cooperative relationship with major customers by virtue of its advantages in R&D strength, product quality, capacity support and service response, however, if there are material issues in the production and operation of major customers in the future, the Company's performance stability and sustained profitability will be adversely affected.

3. The risk of supply chain

The IC wafer foundry industry has high requirements for raw materials, equipment and etc. There is a limited number of qualified suppliers for certain important raw materials, core equipment and etc, and the majority of which are located outside China. In the future, if there is a shortage of supply or a significant increase in the prices of the important raw materials, core equipment or etc, required by the Company, or there are trade frictions between the country and/or region the suppliers are located and China, diplomatic conflicts, wars, or etc, which, in turn, affect the approval for the export license required for the corresponding raw materials, equipment and etc, and if the Company fails to identify effective alternatives in time, the Company's production, operation and sustainability will be adversely affected.

(III) INDUSTRY RISKS

1. The risk of changes in industry policies

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

2. Competition in the foundry market is fierce. Compared with industry leaders, the Company has the risk of a relatively large technological gap and a relatively low market share

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

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

(IV) MACRO-ENVIRONMENTAL RISKS

1. The macroeconomic fluctuations and industry cyclical risks

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

Affected by global macroeconomic fluctuations, industry prospect, and etc, the IC industry has a certain cyclical nature. Therefore, the development of the IC industry is closely related to the overall development of the macro economy. If the macro-economy fluctuates greatly or remains at a low point for a long time, the market demand of the IC industry will also be affected; in addition, the fluctuation and downturn of downstream market demand will also lead to decline in the demand for IC products, which will in turn affect the profitability of IC wafer foundry enterprises. The macroeconomic environment and the overall fluctuation of the downstream market may have a certain impact on the Company's operating results.

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

At the beginning of 2020, the outbreak of COVID-19 has affected most countries and regions around the world to varying degrees. In response to the epidemic, the Company has formulated an effective emergency prevention and control plan for the epidemic and implemented various protective measures to ensure safe production while fighting the epidemic. The epidemic has not yet caused significant adverse effects on the Company's production and operation.

However, the reduction of international flights and the shortage of transportation capacity have made the delivery cycle of equipment and material longer. The increase in transportation prices will increase the Company's subsequent procurement costs. The requirement of personnel quarantine also restricts the supplier's engineers from providing multinational technical support services. Therefore, in the future, if the epidemic cannot be controlled in a timely and effective manner on a global scale or recurs, the Company remains exposure to the risk of supply disruption. In addition, factors such as the number of flights, shipping time, and freight may also have a certain adverse effect on the Company's export sales.

3. The risk of trade friction

During the reporting period and corresponding period of previous year, revenue contribution from countries and regions outside of Mainland China and Hong Kong represented 36.5% and 40.6%, respectively. In particular, contribution from the North America represented 23.2% and 26.4%. Meanwhile, most of the Company's major material and equipment suppliers are overseas companies.

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

On December 3, 2020 U.S. eastern standard time ("EST"), the U.S. Department of Defense placed the Company on the Communist Chinese Military Companies List. Any transaction on the publicly traded securities, or any securities that are derivative of such securities of the Company by any U.S. person is restricted.

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

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

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

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

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

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

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

5. The risk of exchange rate fluctuations

The functional currency of SMIC and its subsidiaries is mainly U.S. dollars, and some transactions are denominated in RMB and foreign currencies such as Euro and Japanese Yen. Monetary items in foreign currencies are converted into the functional currency for bookkeeping at the spot exchange rate on the balance sheet date to form exchange differences. The Company's exchange gains were US$89.8 million and US$9.5 million respectively during the reporting period and corresponding period of previous year. The Company has adopted foreign-currency forward exchange contracts, cross currency swap contracts, and etc to hedge against exchange rate fluctuations. However, if the exchange rate of local and foreign currency fluctuates significantly as a result of the changes in domestic and foreign economic environment, political situation, monetary policy and other factors in the future, there remains the risk of exchange loss of the Company.

(V) OTHER MATERIAL RISKS

1. Financial Risk

(1) The risk of further increase in depreciation of the Company in foreseeable future

As of the end of the reporting period, the total carrying amount of the Company's construction in progress was US$4,240.7million, accounted for 13.5% of the total assets. Such construction in progress would be transferred to fixed assets and would start to accrue depreciation when it reaches the expected usable status. In addition, the Company will further expand its production capacity in the future, and will also increase the amount of construction in progress within a certain period of time. As the projects under construction reaches their intended usable status and are transferred to fixed assets, the Company would expose to the risk of further increase in depreciation in a certain period of time.

In addition, as SMSC went into production, the construction in progress gradually transferred to fixed assets since the second half of year 2020, SMSC could be exposed to greater pressure of depreciation in a certain period of time, resulting in a decline in SMSC's net profit (net of non-recurring profit or loss), or even the risk of material losses in net profit (net of non-recurring profit or loss), which may have a great impact on the Company's overall net profit attributable to owners of the Company (net of non-recurring profit or loss).

(2) The risk of lower gross profit margin

During the reporting period and the corresponding period of last year, the Company's comprehensive gross profit margin was 23.6% and 20.6%, of which, the gross profit margin of integrated circuit foundry was 21.0% and 18.9%, respectively.

In the future, if there are adverse changes in the overall condition of the integrated circuit industry, demand from domestic and foreign customers falling under expectations which may affect the sales and prices of the Company's products, sharp rise of the price of major raw materials, the acceleration of the Company's production capacity expansion, and the expansion of FinFET process production line which may lead to significant increase of the Company's depreciation in certain period of time, as a result, the Company may expose to the risk of gross profit margin fluctuations in a certain time.

(3) The risk of financial performance fluctuations

During the reporting period and the corresponding period of last year, the Company's revenue was US$3,907.0 million and US$3,115.7 million, respectively. However, the Company's investment in R&D and depreciation after the new production line commenced production were relatively high, making the net profit attributable to owners of the Company as US$715.6 million and US$234.7 million, respectively. The Company's net profit(loss) attributable to owners of the Company (net of non-recurring profit or loss) were US$326.7 million and US$-102.7 million, respectively.

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

(4) The risk of changes in tax preferential policies

In 2020, SMIS, SMIT, SMIB, SMNC, SJ Semi and SMIZ are all qualified as high-tech enterprises. Among them, SMIS is entitled to a 15% preferential corporate income tax rate for high-tech enterprise during the reporting period; SMIT and SMIB began to make profits in 2013 and 2015, respectively, and are currently in the preferential period of corporate income tax entitlement for integrated circuit manufacturing enterprises with the "five-year exemption and five-year half rate"; SMNC, SJ Semi and SMIZ are in accumulative tax loss positions.

(5) The risk of impairment on assets

As a capital-intensive enterprise, the Group has a relatively large scale of fixed assets. As of the end of the reporting period, the carrying amount of fixed assets and construction in progress accounted for 38.8% of total assets. In the future, if there is a sharp decline in the market price of assets in the period and the decline is remarkably greater than the expected decline due to the passage of time or normal use, or the economic, technological or legal environment where the Company is in, and the market where the asset is located experience significant changes in the period or in the near future, or the market interest rates or other market investment returns have increased in the period, which affects the Company's calculation of the discount rate applicable for the calculation of the net present value of future cash flows of the assets, it may cause insufficient asset utilization, termination of use or early disposal of assets, or cause recoverable amount of assets to be lower than the carrying amount, resulting in impairment, which may adversely affect the Group's income statement in the period.

During the reporting period, the Company's major customers are well-known integrated circuit design companies and IDM companies at home and abroad, with large scale, high credit standards, and good payment record. Although the Company's major customers are currently less likely to have bad debts, if there are adverse changes in the business conditions of some customers in the future, the Company may still expose to the risk of bad debt losses caused by the uncollectible accounts receivable.

With the steady growth of the Company's sales, the balance of various types of inventory at the end of each period, such as raw materials, products in progress, and goods in stock, has also shown an increasing trend. In the future, if market demand changes such that the selling price of part of the inventory fails to cover the cost, the Company will expose to the risk of an increase in inventory provision.

2. *Internal Control Management Risk*

(1) The risk of no controlling shareholder or de facto controller

During the reporting period, every single shareholder of the Company held less than 30% of the Company's shares. As of December 31, 2020, the Company's largest shareholder CICT and its related stakeholders, and the second largest shareholder Xinxin HK held 12.10% and 8.07% of the Company's shares respectively. There are currently 15 Directors on the Board. The number of Directors nominated by each shareholder is lower than one-half of the total number of Directors, no single shareholder may decide the selection of more than half of members of the Company's Board or has significant impact on the resolutions of the general meeting through actually controlling the voting rights of the Company's shares, and there is no associated relationship or concerted action among the major shareholders of the Company. Therefore, the Company has no controlling shareholder or de facto controller.

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

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

As of December 31, 2020, the Company has a total of 31 subsidiaries, including 18 domestic subsidiaries and 13 overseas subsidiaries, distributed in multiple countries and regions. In the future, if a subsidiary exposes to operating, compliance, tax and other risks, it may have an adverse impact on the Company's operating performance.

In addition, the Company's holding subsidiaries, SMNC and SMSC are sino-foreign joint ventures. SMNC's and SMSC's dividend distributions shall be approved by more than two-thirds of all directors. Therefore, the Company cannot unilaterally decide on major matters such as the dividend distribution of SMNC and SMSC.

3. *Legal Risk*

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

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

(2) The risk of litigation and arbitration

As of the publication date of this report, the Company's pending litigations and arbitrations which are relatively large include: 1) Innovative Foundry Technologies LLC's patent litigation against the Company and its subsidiaries' downstream customers. The litigation claims are mainly for economic compensation (but do not involve exact claim amount); 2) PDF SOLUTIONS, INC. initiated an arbitration on a series of technical service agreements such as the Project Agreement signed with SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC New Technology"), requiring SMIC New Technology to pay fixed fees and rewards under the Technical Service Agreement and overdue fees (settled until April 30, 2020) of approximately US$20.72 million in total, and follow-up floating fees charged in accordance with the highest standards agreed in the Technical Service Agreement; 3) the announcement dated December 15, 2020 in relation to U.S. litigation states that the Company and certain of its Directors are listed as defendants. It seeks unquantified financial compensation for alleged violations of sections 10(b) and 20(a) of the United States ("U.S.") Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the U.S. Securities and Exchange Commission, which prohibit certain misrepresentations and omissions in connection with the purchase or sale of securities, in respect of certain statements or documents published by the Company.

The IC foundry industry where the Company is operated is a key link in driving the integration of the IC industry, and the Company has a relatively large scale of operations and a large number of customers and suppliers. In its future business development process, the Company cannot rule out disputes and lawsuits with third parties such as customers, suppliers, etc. due to matters such as intellectual property rights and contract performance that may consume the Company's manpower, material resources and distract management efforts. The Company may be exposed to the risk of losing the lawsuit, which may in turn adversely affect the Company's production and operation.

III. MAIN OPERATION RESULTS DURING THE REPORTING PERIOD

In 2020, the Group's sales totaled US$3,907.0 million, compared to US$3,115.7 million in 2019. The Group recorded a net profit of US$669.1 million in 2020, an increase of 321.2% from US$158.9 million in 2019. During the year, we generated US$1,660.4 million in net cash from operating activities, an increase of 62.9% from US$1,019.1 million in 2019. In 2020, payments for fixed assets, intangible assets and other long-lived assets totaled US$5,309.3 million, compared to US$1,883.5 million in 2019. Looking ahead, our objective is to continue sustained profitability over the long term. To achieve this, we intend to focus on precision execution, efficiency improvement, customer service excellence and fostering innovation.

(I) ANALYSIS OF PRINCIPAL BUSINESSES

1. Analysis of changes in relevant items in the income statement and cash flow statement

in USD'000

	Year ended		
	12/31/20	12/31/19	12/31/20 as compared with 12/31/19 (%)
Revenue	**3,906,975**	3,115,672	25.4
Cost of sales	**(2,986,062)**	(2,473,213)	20.7
Gross profit	**920,913**	642,459	43.3
Sales and marketing expenses	**(29,466)**	(26,836)	9.8
General and administrative expenses	**(266,376)**	(254,924)	4.5
Research and development expenses	**(677,413)**	(687,369)	-1.4
Finance costs, net	**187,378**	85,023	120.4
Other gains, net	**50,741**	42,981	18.1
Share of gain of investment accounted for using equity method	**187,343**	5,362	3,393.9
Net cash from operating activities	**1,660,410**	1,019,057	62.9
Net cash used in investing activities	**(7,071,383)**	(1,948,507)	262.9
Net cash from financing activities	**12,704,215**	1,376,278	823.1

(1) Revenue

The Group's revenue increased by 25.4% from US$3,115.7 million for last year to US$3,907.0 million for this year, primarily due to an increase in the wafer shipments and the product-mix change during this year. The number of wafer shipments increased by 13.3% from 5.0 million 8-inch wafer equivalents for last year to 5.7 million 8-inch wafer equivalents for this year. The average selling price, calculated as the revenue divided by total shipments of the wafers, increased from US$620 per wafer for last year to US$686 per wafer for this year.

(2) Cost of sales

Cost of sales increased by 20.7% from US$2,473.2 million for last year to US$2,986.1 million for this year, primarily due to the increase in the volume of wafer shipments.

(3) Gross profit

Gross profit increased by 43.3% from US$642.5 million for last year to US$920.9 million for this year, primarily due to the product-mix change and the increase in wafer shipments.

(4) Profit from operations for the year

Profit from operations increased from US$48.9 million profit for last year to US$311.9 million profit for this year, primarily due to the combined effect of the changes of revenue, cost of sales and gross profit mentioned above, and the below following changes:

Research and development expenses was US$677.4 million for this year, compared to US$687.4 million for last year.

Sales and marketing expenses were US$29.5 million for this year, compared to US$26.8 million for last year.

General and administrative expenses increased from US$254.9 million for the last year to US$266.4 million for this year. The change was primarily due to the effectively-controlling 12-inch wafer fab in Shanghai commenced mass production from June 2020 and the initial expenses prior to mass production increased.

(5) Net profit for the year

Finance costs, net includes interest income, finance costs and foreign exchange gain. The change of finance costs, net was mainly due to the change of foreign exchange gain from the net impact of the appreciation of RMB against USD for this year.

The increase in other gains, net for this year was mainly caused by the gain of the fair value change of the investments in equity securities invested by the Group recognized as financial assets at fair value through profit or loss.

The change in share of gain of investment accounted for using equity method was due to the investment income and passively diluted equity income of associates for this year. Certain associates of the Group are fund management institutions with a number of investment portfolios. The gain on the investment of associates was a result of the fair value change of the investment portfolios and the increase in the operating income of certain associates for this year.

The Group had a net profit of US$669.1 million during the reporting period, compared to a net profit of US$158.9 million for the last year, representing an increase of 321.2%, which mainly due to the impact of the factors described above.

(6) Cash Flow

Cash and cash equivalents increased by US$7,293.2 million in 2020. These cash and cash equivalents were held in the form of U.S. dollars, Japanese Yen, Euro and RMB.

Net cash generated from operating activities increased from US$1,019.1 million for last year to US$1,660.4 million for this year, primarily due to (i) the increase in received cash from sales of goods, partially deducted by (ii) the increase in payment of raw materials.

Net cash used in investing activities was US$7,071.4 million for this year, primarily attributable to (i) purchases of plant and equipment and (ii) the net cash outflow from selling and payments for financial assets.

Net cash generated from financing activities was US$12,704.2 million for this year, which was primarily due to (i) proceeds from issuance of RMB shares, (ii) the net result from new financing and repayments of bank borrowings, (iii) the proceeds from issuance of bonds, and (iv) the proceeds from the capital contribution of minority interests.

2. Analysis of revenue and cost

(1) Principal business by industry, by product or by region

in USD'000

Principal business by industry

By industry	Revenue	Cost of sales	Gross profit margin(%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
IC Industry	3,906,975	2,986,062	23.6	25.4	20.7	Increased by 3.0 percentage points

Principal businesses by product

By Service Type	Revenue	Cost of sales	Gross profit margin(%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
IC wafer foundry	3,474,502	2,744,211	21.0	19.9	16.8	Increased by 2.2 percentage points
Others	432,473	241,851	44.1	97.7	97.0	Increased by 0.2 percentage points

Percentage of revenue

Principal businesses by region

By region	Year ended 12/31/20	Year ended 12/31/19
North America[(1)]	**23.2%**	26.4%
Mainland China and Hong Kong	**63.5%**	59.4%
Eurasia[(2)]	**13.3%**	14.2%

(1) Presenting the revenue to those companies whose headquarters are in North America, but ultimately selling and shipping the products to their global customers.

(2) Excluding Mainland China and Hong Kong.

Percentage of revenue from wafers

Analysis on revenue from wafers

By application	Year ended 12/31/20	Year ended 12/31/19
Smart phone	**44.4%**	43.8%
Smart home	**17.1%**	16.8%
Consumer electronics	**18.2%**	20.4%
Others	**20.3%**	19.0%

Percentage of revenue from wafers

By technology nodes	Year ended 12/31/20	Year ended 12/31/19
14/28 nm	9.2%	4.3%
40/45 nm	15.6%	17.4%
55/65 nm	30.5%	27.3%
90 nm	2.8%	1.6%
0.11/0.13 micron	5.3%	6.6%
0.15/0.18 micron	32.6%	38.6%
0.25/0.35 micron	4.0%	4.2%

(2) Analysis of production and sales volumes

Principal Service Type	Unit	Production volume	Sales volume	Inventory	Change in production volume as compared with last year (%)	Change in sales volume as compared with last year (%)	Change in inventory as compared with last year (%)
Wafer	piece	5,659,939	5,698,624	96,773	14.2	13.3	-28.6

(3) Costs analysis

in USD'000

By industry

By industry	Cost structure	Year ended 12/31/20	The reporting period accounting for total costs (%)	Year ended 12/31/19	The corresponding period last year accounting for total costs (%)	Year ended 12/31/20 as compared with 12/31/19 (%)
IC industry	Cost of production	2,986,062	100	2,473,213	100	20.7

By product

By Service Type	Cost structure	Year ended 12/31/20	The reporting period accounting for total costs (%)	Year ended 12/31/19	The corresponding period last year accounting for total costs (%)	Year ended 12/31/20 as compared with 12/31/19 (%)
IC wafer foundry	Direct material	283,056	9.5	220,593	8.9	28.3
IC wafer foundry	Direct labor	89,637	3.0	76,839	3.1	16.7
IC wafer foundry	Manufacturing expenses	2,371,518	79.4	2,053,015	83.0	15.5
Others	Cost of production	241,851	8.1	122,766	5.0	97.0

(4) Major customers and suppliers

i. Information about the major customers of the Company

In this year, sales to the largest customer and the five largest customers amounted to US$809.7 million and US$1,808.4 million, respectively, accounting for 20.7% and 46.3% of the total sales for the year, respectively; no related-party sales were transacted to the five largest customers.

To the best of the Company's knowledge, China IC Fund, which indirectly owned more than 5% of the Company's issued share capital, owned 7.31% interests in one of the Company's five largest customers in 2020. Save as disclosed above and to the best of the Company's knowledge, none of the other Directors or shareholders (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) or their respective associates had interests in any of the Group's five largest customers.

ii. Information about the major suppliers of the Company

In this year, purchases from the largest supplier and the five largest suppliers amounted to US$1,219.7 million and US$3,768.8 million, respectively, accounting for 14.1% and 43.5% of the total purchases for the year, respectively; there were no related-party purchases among such purchases from the five largest suppliers.

None of the Company's Directors or other shareholders (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) or their respective associates had interests in any of the Group's five largest suppliers.

3. Expenses

For details of changes in the Company's expenses for this year, please refer to "III. (I) 1. Analysis of changes in relevant items in the income statement and cash flow statement" in "Section 5 Management Discussion and Analysis" of this report.

4. Liquidity and capital sources

(1) Cash flows

in USD'000

	Year ended		
	12/31/20	12/31/19	12/31/20 as compared with 12/31/19 (%)
Net cash from operating activities	**1,660,410**	1,019,057	62.9
Net cash used in investing activities	**(7,071,383)**	(1,948,507)	262.9
Net cash from financing activities	**12,704,215**	1,376,278	823.1
Net change in cash and cash equivalent	**7,293,242**	446,828	1,532.2

(2) Net debts

in USD'000

	12/31/20	**12/31/19**
Borrowings	**5,290,833**	2,566,669
Lease liabilities	**245,270**	247,732
Bonds payable	**596,966**	—
Convertible bonds	**11,131**	630,428
Medium-term notes	**229,217**	214,193
Short-term notes	—	286,512
Subtotal	**6,373,417**	3,945,534
Cash and cash equivalents	**(9,826,537)**	(2,238,840)
Restricted cash – current	**(575,258)**	(804,547)
Financial assets at FVPL – current[1]	**(111,477)**	(42,985)
Financial assets at amortized cost[2]	**(4,445,238)**	(2,276,370)
Net debts	**(8,585,093)**	(1,417,208)

(1) Mainly include structured deposits.

(2) Mainly include bank time deposits over three months.

At the end of this year, the Group's outstanding debts amounted to US$6,373.4 million, and primarily consisted of secured bank loans of US$780.2 million, unsecured bank loans of US$4,510.6 million, lease liabilities and bonds payable. Debt due within one year amounted to US$1,355.0 million.

Please refer to Note 31 to the consolidated financial statements for details of debt arrangements.

(3) Capital expenditures and funding sources

The Group's capital expenditures for 2020 was mainly for the capacity expansion in effectively controlled of Shanghai 300mm fab, major-owned Beijing 300mm fab and Tianjin 200mm fab.

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

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

(4) Expenditure commitments

At the end of this year, the Group had expenditure commitments of US$79.3 million for facilities construction obligations in connection with the Group's facilities, US$2,031.7 million to purchase machinery and equipment mainly for its fabs and US$25.6 million to purchase intellectual property.

(5) Exchange rate and interest rate risks

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

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

Details of the Group's exchange rate risk and interest rate risk are set out in Note 39 to the consolidated financial statements.

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

in USD'000

Item	Amount	Percentage of net profits (%)	Explanation for the cause	If there is any sustainability
Other operating income	364,487	54.5	Primarily due to the government project funds received during the reporting period	No
Share of gain of investment accounted for using equity method	187,343	28.0	Primarily due to the investment income and passively diluted equity income of the associates during the reporting period	No

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. *Assets and liabilities*

in USD'000

Items	12/31/20	The closing balance to the total assets (%)	12/31/19	The opening balance to the total assets (%)	12/31/20 as compared with 12/31/19 (%)	Explanations
Cash and cash equivalents	9,826,537	31.4	2,238,840	13.6	338.9	Increase in cash inflow from operating activities with sales growth and additional proceeds from issuance of RMB shares.
Prepayments and prepaid operating expenses	48,176	0.2	34,256	0.2	40.6	Increase in the prepayments for purchase of equipment for the year.
Trade and other receivables	975,927	3.1	836,143	5.1	16.7	Increase in the deductible input tax balance at the end of the year.
Assets classified as held-for-sale	23,796	0.1	11,815	0.1	101.4	The completion of the living quarters to be sold to employees and transfer into assets held for sale.
Property, plant and equipment	12,138,021	38.8	7,757,247	47.2	56.5	Increase in investment in equipment due to capacity expansion in the year.
Right-of-use assets	491,238	1.6	376,867	2.3	30.3	Addition of land use rights in the year.
Financial assets at fair value through profit or loss – non-current	156,367	0.5	90,067	0.5	73.6	Increase in the fair value of the investments in equity securities.
Financial assets at amortized cost – non-current	1,638,721	5.2	—	—	N/A	New bank deposits with more than 1 year.
Restricted cash – non-current	114,811	0.4	—	—	N/A	New bank time deposit pledged against for long-term borrowings.
Deferred income tax assets	24,900	0.1	62,975	0.4	(60.5)	Increase in the taxable temporary difference that can be used to offset this year.
Borrowings – current	1,260,057	4.0	562,833	3.4	123.9	Increase in long-term borrowings due within one year in the year.
Derivative financial instruments (net liabilities)	120,577	0.4	61,153	0.4	97.2	Change in fair value of cross currency swap contracts during the reporting period.
Trade and other payables	1,648,556	5.3	1,034,079	6.3	59.4	Increase in equipment and raw materials procurement during the reporting period.
Contract liabilities	181,425	0.6	92,333	0.6	96.5	Increase in prepayments relevant to business activities during the reporting period.
Accrued liabilities	253,690	0.8	151,178	0.9	67.8	Increase in prepaid water, electricity and gas expenses and unpaid bonuses during the reporting period.
Short-term notes	—	—	286,512	1.7	(100.0)	Repayment of short-term financing bonds in the year.
Convertible bonds – current	—	—	630,428	3.8	N/A	Conversion options of convertible bonds exercised in the year.
Borrowings – non-current	4,030,776	12.9	2,003,836	12.2	101.2	Increase in the demand for capital financing due to capacity expansion.
Bonds payable	596,966	1.9	—	—	N/A	Issuance of new bonds in the year.
Ordinary shares	30,814	0.1	20,227	0.1	52.3	Issuance of RMB ordinary shares, convertible bonds and perpetual shares converted from bonds in the year.
Share premium	13,512,397	43.1	5,011,915	30.5	169.6	Issuance of RMB ordinary shares, convertible bonds and perpetual shares converted from bonds in the year.
Perpetual subordinated convertible securities	299,388	1.0	563,848	3.4	(46.9)	Issuance of perpetual subordinated convertible securities in the year.
Non-controlling interests	6,507,144	20.8	3,964,617	24.1	64.1	Capital contribution by non-controlling interests in the year.

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

(1) Assets pledged as security

At the end of this year, buildings, machinery and equipment and land use rights with a carrying amount of approximately US$111.1 million have been mortgaged to secure borrowings of the Group. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to other entities.

(2) Restricted cash

At the end of this year, restricted cash comprise government project fundings of US$373.9 million and bank time deposits of US$316.2 million pledged for letter of credit and borrowings.

3. Other explanations

(1) Capital management

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

The Group manages its capital through issuing or repurchasing shares, and through raising or repayment of debts, and reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associate, with each class of capital. The Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The gearing ratio at the end of this year was as follows.

in USD'000

Gearing ratio	12/31/20	12/31/19
Net debt	(8,585,093)	(1,417,208)
Equity	21,681,738	10,197,862
	-39.6%	-13.9%

(2) Capitalized interest

Interest incurred on borrowed funds used to construct plant and equipment during the active construction period is capitalized. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for the assets under construction during the period. Capitalized interest is added to the cost of the underlying assets and is amortized over as accounting policy. Capitalized interests of US$50.9 million and US$61.8 million during the reporting period and the corresponding period last year, respectively, were added to the cost of the underlying assets and were amortized as accounting policy. For this year and last year, the Group recorded depreciation expenses relating to the capitalized interest of US$43.3 million and US$33.4 million, respectively.

(IV) ANALYSIS ON INDUSTRY OPERATING INFORMATION

Please refer to "I. (III) Industry overview" of "Section 4 Business Profile" for details.

(V) ANALYSIS ON INVESTMENTS

1. Overall analysis on external equity investment

(1) Significant equity investments

i. Capital Contribution in SMSC

On May 15, 2020, SMIC Holdings entered into the joint venture agreement (the "New JV Agreement") and the capital contribution agreement (the "New Capital Contribution Agreement") with China IC Fund, China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. ("China IC Fund II"), Shanghai Integrated Circuit Industry Investment Fund Co., Ltd. ("Shanghai IC Fund") and Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. ("Shanghai IC Fund II") to amend the previous joint venture agreement. Pursuant to the New JV Agreement and the New Capital Contribution Agreement, SMIC Holdings agreed to make further capital contribution and China IC Fund II and Shanghai IC Fund II, as new shareholders of SMSC, agreed to make capital contributions of US$1.5 billion and US$750 million, respectively, into the registered capital of SMSC.

As a result of the capital contribution: (i) the registered capital of SMSC increased from US$3.5 billion to US$6.5 billion; (ii) the Company's equity interest in SMSC, through SMIC Holdings, decreased from 50.1% to 38.515%; (iii) SMSC was owned as to 14.562%, 23.077%, 12.308% and 11.538% by China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively.

Following the completion, the Company has effective control over SMSC and accordingly the financial results of SMSC has been included in the consolidated financial statements of the Group under the relevant accounting policy. For further details, please refer to the announcement of the Company dated May 15, 2020 published on the website of Hong Kong Stock Exchange.

ii. Establishment of Semiconductor Manufacturing Beijing Corporation ("SMBC")

On December 4, 2020, SMIC Holdings, China IC Fund II and Beijing E-Town International Investment & Development Co., Ltd. ("E-Town Capital") entered into the Joint Venture Agreement to jointly establish a joint venture company. The registered capital of the joint venture company is US$5 billion, of which SMIC Holdings, China IC Fund II and E-Town Capital agreed to contribute US$2.55 billion, US$1,224.5 million and US$1,225.5 million, respectively, representing 51%, 24.49% and 24.51% of the registered capital of the joint venture company, respectively. Among the five members of the board of directors, three come from SMIC Holdings. SMBC will focus on production and manufacturing of integrated circuit on 12 inch wafers. On December 31, 2020, the paid-in registered capital amounts to US$1.133 billion.

Upon completion, the Company has control over SMBC, pursuant to which, the financial statements of SMBC will be incorporated in the Group's consolidated statements in accordance with relevant accounting policy. Please refer to the Company's announcement dated December 4, 2020 published on the website of Hong Kong Stock Exchange for details.

(2) Financial assets at fair value

in USD'000

Items	**12/31/20**	12/31/19	Changes in the reporting period	Impact on profit for the reporting period
Equity investment	**156,367**	90,067	66,300	45,463
Structured deposits and monetary funds	**111,477**	42,985	68,492	8,499

(VI) ANALYSIS OF PRINCIPAL CONTROLLED AND INVESTEE COMPANIES

1. Major subsidiaries

in USD'000

Name of company	Business nature	Registered capital	Percentage of shareholding	Total assets	Net assets	Operating revenue	Profits from operations	Net profit
SMIS	Manufacturing and trading of semiconductor products	2,190,000	100.00%	8,752,771	2,498,954	1,349,642	105,546	214,375
SMIB	Manufacturing and trading of semiconductor products	1,000,000	100.00%	21,898,581	2,497,563	1,810,199	358,759	322,986
SMIT	Manufacturing and trading of semiconductor products	1,290,000	100.00%	1,943,077	1,263,283	449,993	97,077	79,459
SMNC	Manufacturing and trading of semiconductor products	4,800,000	51.00%	5,890,031	4,558,833	967,886	130,115	190,834
SMIZ	Manufacturing and trading of semiconductor products	700,000	100.00%	1,314,084	214,987	216,891	(75,552)	(134,448)
SMSC	Manufacturing and trading of semiconductor products	6,500,000	38.515%	9,463,534	6,142,402	139,158	(305,224)	(250,777)

2. Major associates

Name of company	Place of registration/Principal place of business	Business	Percentage of voting rights	Accounting treatment
JCET Group Co., Ltd.	No. 78 Changshan Road, Chengjiang Town, Jiangyin City	Microsystem integration packaging and testing services	14.28%	Equity method
Sino IC Leasing Co., Ltd.	Room 3205F, 32/F, No. 707 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	Finance leases in IC industry	8.17%	Equity method

IV. DISCUSSION AND ANALYSIS OVER THE FUTURE DEVELOPMENT OF THE COMPANY

(I) INDUSTRY LANDSCAPE AND TRENDS

Through years of development, the IC industry has formed a relatively fixed oligopoly situation with relatively stable sectors and models. In line with the continuous changes in technological advancement, industry competition and market demands, the IC industry has, after several structural reforms, gradually evolved from the IDM model, which systematically completes IC design, manufacturing, packaging and testing only within a company, to one which comprises several professional industry segments with vertical division of work. IC industry chain includes core industry chain, supporting industry chain and demand industry chain. Core industry chain includes IC design, manufacturing, packaging and testing, supporting industry chain includes IC materials, equipment, EDA, IP core, etc., and demand industry chain includes Smart phone, smart home, consumer electronics and other fields.

IC manufacturers mainly adopt two business models: one is IDM model, namely the vertically integrated design and manufacture model, which covers all links of industry chain from IC design, manufacturing, packaging to testing; and the other is foundry model, which only focuses on IC manufacturing link.

IC manufacturers under the IDM model have IC design department, fab, packaging and testing facilities, which belongs to typical heavy-asset model and has high requirements on R&D capability, capital strengths and technological level.

Foundry model comes from the professional division of work of the IC industry chain, forming fabless companies, foundries, packaging and testing enterprises. In particular, fabless companies are engaged in IC design and sales business, serving market demands; foundries, packaging and testing enterprises serve such fabless companies.

IC is fundamental to the information industry and involves almost all of the electronic equipment fields, including computer, home appliances, digital electronics, electrical equipment, communication devices, transportation equipment, medical devices, etc. In recent years, with technological advancement, the IC application fields have continued to extend, and IoT, AI, smart driving, cloud computing and big data, robots, UAV and other emerging fields have boomed, presenting new opportunities for the IC industry.

(II) DEVELOPMENT STRATEGIES OF THE COMPANY

The integrated circuit industry is a capital-intensive, technology-intensive, and talent-intensive high-tech industry, and integrated circuit manufacturing is the core link of the integrated circuit industry. SMIC is one of the world's leading integrated circuit foundry companies, and it is also an integrated circuit manufacturing group with the most advanced technology, the most complete supporting facilities, the largest scale in Mainland China with multinational operations. SMIC adheres to the direction of internationalization and marketization, is committed to the research and development and production capacity layout of high-quality specialty process technology platform and FinFET logic process, and is committed to continuous optimization and efficiency improvement of production, operation and related services, to provide better service to customers and create greater value for shareholders and achieve its own healthy growth.

In addition to the integrated circuit foundry business, SMIC is also committed to creating a platform-based ecological service model, providing customers with one-stop supporting services such as design services and IP support, photomasks manufacturing, bump processing and testing, and promoting the upstream and downstream cooperation of the integrated circuit industry chain, so as to provide customers with a full range of integrated circuit solutions together with partners in all links of the industry chain.

(III) BUSINESS PLAN

Looking forward to 2021, opportunities and challenges coexist. On the one hand, the rise of new formats, new models and new applications, such as AI and Internet of things, drives demand for chips. At present, worldwide foundry capacity remains tight, customer demand is growing, but capacity expansion cannot keep up. On the other hand, the Company still faces the impact of uncertainties from the U.S. "Entity List", the delivery time of equipment procurement will be longer than in the past, and the progress of capacity building may not be as expected. Although we cannot completely control the irresistible external factors, we can cultivate new opportunities amidst crisis, open new frontiers in the changing landscape, and explore a more suitable path for SMIC's sustainable development. The key focus in 2021, while continue to persist to be in compliant with the relevant laws and regulations of all jurisdictions, is as follows: first, to continue to work closely and actively communicate with suppliers, customers and relevant government departments, to promote the application of export licenses, and do our best to ensure the continuity of operation. Second, to strive to expand production capacity as soon as possible to meet customer demand.

The annual forecast we give assumes that operational continuity is not significantly adversely affected. The forecast does not represent the Company's performance commitment for 2021. Whether the forecast can be realized is subject to uncertainties such as changes to: the market conditions, the international geopolitical situation, the global supply chain, the Company's operations and other factors.

Based on the above, our targets and plan for 2021 are as follows:

Our revenue target is mid-to-high single digit percentage growth. Revenue target for 1st half is around US$2.1 billion. Our annual gross margin target is in the mid-teens range.

Capex is US$4.3 billion, majority for Non FinFET capacity expansion, and remaining for FinFET, the infrastructure of the new Beijing joint venture project, and etc.

SECTION 6 REPORT OF THE DIRECTORS

I. BUSINESS OVERVIEW

Despite a challenging environment in 2020, the Group's sales revenue increased from US$3,115.7 million in 2019 to US$3,907.0 million in 2020. The Group recorded a profit of US$669.1 million in 2020, an increase from US$158.9 million in 2019.

The Group continues to serve a broad global customer base comprised of leading IDMs, fabless semiconductor design companies and system design companies. Looking ahead, our long-term goal is to achieve sustained profitability through optimal efficiency and utilization of existing assets, harnessing of market advantages.

The Group has implemented internal controls and other risk management measures designed to mitigate the principal risks which the Group faces in its financial condition and operations. For further details, please see "II. RISK FACTORS" in "Section 5 Management Discussion and Analysis" of this annual report.

We are committed to protecting the environment and have in place various environmental protection, safety and health policies, as well as international standards certifications. We have complied with all relevant laws and regulations, such as the European Union's Restriction of Hazardous Substances (RoHS) Directive. For further details, please see "Section 11 Social Responsibility" of this annual report. The Company will publish a separate environmental, social and governance report on the websites of Hong Kong Stock Exchange, SSE and the Company in accordance with the relevant Hong Kong Listing Rules.

II. BOARD OF DIRECTORS

Members of the Board are elected or re-elected by the shareholders of the Company. The Board 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, to hold office until the next annual general meeting of the Company after such appointment and shall then be eligible for re-election at that meeting.

Please refer to "I. CHANGES IN SHAREHOLDING AND REMUNERATION" in "Section 9 Directors, Senior Management and Employees" for details of members of the Board.

III. SUBSIDIARIES

Please refer to note 19 to the consolidated financial statements for details of the Company's interests in major subsidiaries as of December 31, 2020.

IV. DIVIDENDS AND DIVIDEND POLICY

As of December 31, 2020, the Company's retained earnings increased to US$1,258.1 million from US$550.5 million as of December 31, 2019. The Company has not declared or paid any cash dividends on the Ordinary Shares. For details please refer to "I. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL" in "Section 7 Significant Events".

V. SHARE CAPITAL

Movements in the share capital of the Company during the reporting period are set out in "Section 8 Changes in Shares and Information of Shareholders".

VI. DISTRIBUTABLE RESERVE

The Company's reserves available for distribution to shareholders as of December 31, 2020 amounted to US$952.8 million.

VII. ISSUANCE OF EQUITY SECURITIES

Please refer to "II. ISSUE AND LISTING OF SECURITIES" in "Section 8 Changes in Shares and Information of Shareholders" for details of issuance of equity securities during the reporting period.

VIII. REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities in 2020. Please refer to "Section 8 Changes in Shares and Information of Shareholders" for further details.

IX. EQUITY-LINKED AGREEMENTS

The Company has made various stock incentive plans which subsist as of December 31, 2020 as set out in note 38 to the consolidated financial statements.

X. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

Please refer to "III. (V) ANALYSIS ON INVESTMENTS" in "Section 5 Management Discussion and Analysis" for details of the Company's material investment, acquisition and disposal during the reporting period.

XI. CONNECTED TRANSACTIONS

Please refer to "VI. SUBSTANTIAL CONNECTED AND RELATED TRANSACTIONS" in "Section 7 Significant Events" for details of the Company's connected transactions.

XII. RELATED PARTY TRANSACTIONS

Save as "XI. CONNECTED TRANSACTIONS" in this section, the Group entered into several transactions with multiple parties that are considered "related parties" under the applicable accounting standards, and these transactions are not regarded as connected transactions under the Listing Rules of Hong Kong Stock Exchange.

Please refer to Note 41 to the consolidated financial statements for details of related party transactions.

XIII. SUBSTANTIAL SHAREHOLDERS

Please refer to "IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER" in "Section 8 Changes in Shares and Information of Shareholders" for details.

XIV. TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

XV. DIRECTOR'S INTERESTS IN SECURITIES

Please refer to "III. REMUNERATIONS OF DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS" in "Section 9 Directors, Senior Management and Employees" for details.

XVI. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in "VI. SUBSTANTIAL CONNECTED AND RELATED TRANSACTIONS" in "Section 7 Significant Events", no Director or entity connected with the Directors had a material interest, directly or indirectly, in any transaction, arrangement or contract of the Company or any of its subsidiaries of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2020.

XVII. DIRECTOR'S SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has or proposes to have a service contract which is not determinable by the Group with the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

XVIII. PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, subject to the provisions under relevant laws and regulations, every Director shall be indemnified out of the assets of the Company against all losses or liabilities which the Directors may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors of the Company.

XIX. EMOLUMENTS TO THE DIRECTORS

Please refer to "III. REMUNERATIONS OF DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS" in "Section 9 Directors, Senior Management and Employees" for details.

XX. EMOLUMENTS TO THE KEY MANAGEMENT

Please refer to "III. REMUNERATIONS OF DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS" in "Section 9 Directors, Senior Management and Employees" for details.

XXI. EMPLOYEES

Please refer to "V. PARTICULARS OF EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES" in "Section 9 Directors, Senior Management and Employees" for details.

XXII. REMUNERATION POLICY

Please refer to "V. PARTICULARS OF EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES" in "Section 9 Directors, Senior Management and Employees" for details.

XXIII. STOCK INCENTIVE SCHEMES

Please refer to "V. INFORMATION ABOUT THE COMPANY'S STOCK INCENTIVE PLANS, EMPLOYEE EQUITY INCENTIVE PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS" in "Section 7 Significant Events" for details.

XXIV. PRE-EMPTIVE RIGHTS

The Company confirms there are no statutory pre-emptive rights under the law of the Cayman Islands.

XXV. PUBLIC FLOAT

Based on publicly available information and within the Directors' knowledge, more than 25% of the Company's issued share capital was held by the public as at the date of this annual report.

XXVI. MAJOR SUPPLIERS AND CUSTOMERS

Please refer to "III. (I) ANALYSIS OF PRINCIPAL BUSINESSES" in "Section 5 Management Discussion and Analysis" for details of the Company's major suppliers and customers.

XXVII. AUDITORS

The financial statements of the Company have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

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

Shanghai, China
March 31, 2021

SECTION 7 SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL

(I) FORMULATION, IMPLEMENTATION AND ADJUSTMENT OF CASH DIVIDEND POLICIES

1. Formulation and adjustment of profit distribution policy:

To further improve the profits distribution mechanism, ensure the stability of the Company's profit distribution policy, enhance the transparency and operability of profit distribution decisions and protect the rights and interests of shareholders, the Company considered and approved the "Profit Distribution Policy and Dividend Return Plan for the Three Years after the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation" at a special general meeting held on June 1, 2020 in accordance with relevant provisions of relevant laws, regulations and regulatory documents, including the Securities Law of the People's Republic of China, the Notice of CSRC- Shanghai Branch on Further Implementation of Cash Dividends of Listed Companies (關於進一步落實上市公司現金分紅有關事項的通知), Guidelines No. 3 on the Supervision and Administration of Listed Companies — Distribution of Cash Dividends of Listed Companies and the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange, in combination with the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation and the Company's own conditions.

2. Implementation of the profit distribution:

During the reporting period, the Company strictly followed the Company's profit distribution policy.

(II) PLAN OR PROPOSAL FOR DISTRIBUTION OF DIVIDEND ON ORDINARY SHARES OR FOR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL OF THE COMPANY FOR THE LAST THREE YEARS (INCLUDING THE REPORTING PERIOD)

in USD'000

Dividend year	Bonus shares for every 10 shares (shares)	Dividend for every 10 shares (tax inclusive)	Conversion into share capital for every 10 shares (shares)	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary shareholders of the listed company in the consolidated statements for the dividend year	Percentage of net profit attributable to ordinary shareholders of the listed company in the consolidated statements (%)
2020	—	—	—	—	760,639	—
2019	—	—	—	—	188,831	—
2018	—	—	—	—	133,977	—

(III) PROVIDED THAT THE COMPANY HAS MADE PROFITS AND ITS PROFITS DISTRIBUTABLE TO ORDINARY SHAREHOLDERS ARE POSITIVE DURING THE REPORTING PERIOD, BUT NO CASH PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES HAS BEEN PROPOSED, THE COMPANY SHALL DISCLOSE IN DETAIL THE REASONS THEREFOR AND THE PLAN FOR THE USE OF UNDISTRIBUTED PROFITS

The relevant provisions of the Company's profit distribution policy are as follows: "The Company shall satisfy the following conditions when distributing cash dividends: 1) the undistributed profits of the Company is positive; the profits and distributable profits (i.e. after-tax profits after the Company has covered the deficits and withdrawn for the reserved funds) of the Company in the relevant year are positive; the Company's cash flow will still be able to meet the needs of going concern and long-term development after distributing cash dividends; 2) the auditor issues a standard unqualified audit report in respect of the financial statements of the Company for the relevant year; 3) the Company does not have any major investment plan or major cash expenditure (except the projects to be invested with proceeds raised from the A Share Issue) in the coming twelve months. Major investment plan or major cash expenditure means that the cumulative expenditure of the proposed development projects, investments, acquisitions of assets or equipment in the coming twelve months reaches or exceeds 10% of the Company's latest audited net asset value; 4) such other cash dividend conditions specified in laws, regulations and regulatory documents."

The Company expected that the capital expenditure in 2021 will be US$4.3 billion, which exceeded 10% of the Company's latest audited net assets, due to the large capital needs, thus the Company proposed not make profit distribution for 2020 as considered by the Board.

Most of the planned capital expenditure in 2021 are used for the expansion of Non FinFET technology, a small part is used for FinFET technology, the construction of the new Beijing joint venture project and others.

The independent non-executive Directors believe that, the Company's plan not to distribute profits in 2020 takes into account the Company's current operating situation, CAPEX needs, future development and other factors, which is in line with the Company's long-term development needs and the long-term interests of shareholders, and in accordance with relevant laws and regulations, regulatory documents and the Company's profit distribution policy. There are no circumstances that harms the interests of the Company and its shareholders, especially small and medium shareholders. Therefore, they unanimously agree to the proposal of Company's Non-profits Distribution for fiscal year 2020.

II. PERFORMANCE OF UNDERTAKINGS

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

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

Note 1:

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

1. As of the date of this undertaking, the Company and affiliates directly or indirectly controlled by the Company have not, directly or indirectly, engage in any business in any way within or outside China that constitutes peer competition or potential peer competition with the principal business of the issuer or its subsidiaries, including but not limited to develop, operate or assist in operating, participating in, and engaging in relevant businesses, not independently or in conjunction with, on behalf of any person, firm or company (enterprise, unit).

2. As of the date of this undertaking, the Company undertakes that it will not: (1) independently or with a third party, in the form of direct or indirect control, engage in a business or activity that constitutes peer competition or potential peer competition with issuer's or its affiliates' principal business that has a significant adverse impact ("competitive business"); (2) if the Company and its affiliates directly or indirectly controlled by the Company obtained new investment opportunities in any way to own the controlling shares, equity or interests of companies engaged in competitive business with the issuer and its affiliates, the Company will notify the issuer in writing. If within the reasonable period specified in the notice, the issuer makes a written reply that it is willing to accept the new investment opportunity, the Company or its affiliates directly or indirectly controlled by the Company (except the issuer and its affiliates) will procure as permitted by law that these new investment opportunities to be first provided to the issuer or its affiliates on reasonable and fair terms and conditions.

3. The undertaking takes effect from the date of making the undertaking until any of the following occurs: (1) the Company and parties acting in concert (if any) directly or indirectly hold less than 5% (exclusive) of the issuers' shares; (2) the issuer's shares are terminated from listing on the Shanghai Stock Exchange (except for the suspension of trading of the issuer's shares for any reason); (3) when there is no statutory requirement for the content of a certain undertaking, the relevant part shall be automatically terminated.

4. For any party of the letter of undertaking, "affiliates" shall mean any other enterprise or entity (1) holds or controls 50% or more issued share capital or 50% or more voting rights, if applicable; or (2) is entitled 50% or more profits after tax; or (3) has the right to control the composition of the board of directors or control in any other form, regardless of whether it has legal personality or not, and the affiliates of the enterprise or entity.

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

Note 2:

Commitments by the Company

1. To implement the statutory approval procedures for related (connected) transaction in strict accordance with the relevant laws and regulations of the place of listing, and strictly implement the related (connected) transaction avoidance system;

2. To ensure that independent non-executive Directors exercise their powers according to law, ensure the fairness of prices of related (connected) transactions and the compliance of approval procedures, and protect the interests of other shareholders to the maximum;

3. Where there are related (connected) transactions between the Company's substantial shareholders and affiliates and the Company, it will perform related (connected) transaction decision-making procedures, and disclose information in a timely manner to ensure not to harm the legitimate rights and interests of the Company and other shareholders by virtue of such related (connected) transactions in accordance with the requirements of relevant laws, regulations and regulatory documents.

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

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

1. Without adversely affecting the interests of the issuer and other shareholders, the Company will take measures to regulate and minimize related (connected) transactions with the issuer.

2. For related (connected) transactions required in normal course of business, the Company will sign a standardized transaction agreement with the issuer according to law, fulfill or cooperate with the issuer to perform review and approval procedures and avoidance of voting and information disclosure obligations in accordance with relevant laws, regulations, regulatory documents and the requirements of issuer's internal control systems including the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering, and guarantee such related (connected) transactions will be implemented based on the basic principles of related (connected) transactions, such as fairness, impartiality and openness.

3. Undertakes not to harm the interests of the issuer and other shareholders by virtue of the related (connected) transactions.

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

Commitments by Directors and senior management personnel

1. Without adversely affecting the interests of the issuer and other shareholders, I will take measures to regulate and minimize related (connected) transactions with the issuer.

2. For related (connected) transactions in normal course of business or unavoidable for other reasonable reasons, I will sign a regulated transaction agreement with the issuer according to law, fulfill review and approval procedures and avoidance of voting and information disclosure obligations in accordance with relevant laws, regulations, regulatory documents, the issuer's Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering and the requirements of relevant internal control systems, and guarantee such related (connected) transactions will be implemented based on the principles of related (connected) transactions.

3. Undertakes not to harm the interests of the issuer and other shareholders by virtue of the related (connected) transactions.

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

SECTION 7 SIGNIFICANT EVENTS

Note 3:

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

Triggering condition for stabilization of share price

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

Main measures and procedures of price stabilization

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

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

2. After taking the measure specified in item (1) above, if the closing price of the Company's shares is still lower than the latest audited net asset value per share, the Company shall request its salaried Directors (except for independent non-executive Directors) and senior management personnel to increase their holding of shares (provided that they are qualified to purchase shares);

3. Other means of price stabilization as specified by laws, regulations and regulatory documents, or as permitted by the China Securities Regulatory Commission or the Shanghai Stock Exchange.

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

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

Note 4:

Commitments by the Company

1. If securities regulatory departments or other competent departments determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus for the A Share offering such that there is a material and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, and the Company has obtained registration of the issuance by fraud and has the shares listed, the Company hereby undertakes to repurchase all new shares issued under the A Share offering.

2. When the triggering condition for stabilizing the share price as specified in the Company's plan for Stabilization of the Price of RMB Ordinary Shares (A Shares) for the Three Years after the Initial Public Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation is satisfied, the Company will perform its obligations to repurchase the shares in accordance with the provisions in such plan.

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

Note 5:

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

1. The Company undertakes that the A Share offering by issuer is not fraudulent.

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

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

Note 6:

Commitments by the Company

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

Commitments by Directors and senior management personnel

1. I will not transfer any interests to other entities or individuals without consideration or with unfair conditions, nor otherwise damage the interests of the Company.

2. I will impose constraints on position-related consumption behavior.

3. I will not make any investment or consumption activity irrelevant to my performance of duties using the Company's assets.

4. I will propel to link the remuneration policy formulated by the Board or the Remuneration Committee with the implementation of the issuer's remedial measures for returns.

5. In the case that any equity incentive scheme (if any) is introduced hereafter, I will actively support to link the vesting conditions of equity incentive with the implementation of the issuer's remedial measures for diluted immediate returns.

6. During the date of this commitment to the completion of the A Share offering, if China Securities Regulatory Commission or the Shanghai Stock Exchange issue other new regulatory provisions on the remedial measures for diluted immediate returns and its commitments, and when the above commitments fail to meet the aforementioned requirements, I will make supplementary commitments in accordance with the aforementioned provisions.

7. I undertakes to conscientiously fulfill the measures formulated by the issuer's remedial measures for returns and any commitments made thereon regarding remedial measures for diluted immediate returns, in breach of such commitments and resulting in losses to the issuer or investors, I am willing to bear the compensation liability to the issuer or investor according to law.

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

Note 7:

Commitments by the Company

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

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

Note 8:

Commitments by the Company

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.

2. If the China Securities Regulatory Commission or other competent departments determine(s) that there is any misrepresentation, misleading statement or material omission in the contents contained in the prospectus such that there is a material and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, and the Company has obtained registration of the issuance by fraud and has the shares listed, the Company hereby undertakes to repurchase all new shares issued under the A Share offering.

3. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:

(1) When securities regulatory departments or other competent departments determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within five working days after receiving such written confirmation;

(2) The Company will communicate with relevant intermediaries and the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;

(3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or other competent departments, the Company will make compensation in the form confirmed through the above-mentioned method or such other forms required by laws.

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

Commitments by substantial shareholders

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.

2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:

   (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within ten working days after receiving such written confirmation;

   (2) The Company will communicate with relevant intermediaries and the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;

   (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, the Company will make compensation accordingly.

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

Commitments by domestic shareholders indirectly holding over 5% of shares

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.

2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:

   (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation;

   (2) The Company will communicate with relevant intermediaries and the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;

   (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, the Company will make compensation accordingly.

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

Commitments by Directors and senior management personnel

1. Contents contained in the Prospectus for the A Share offering and other application documents have no misrepresentation, misleading statement or material omission, and I will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.

2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus and other application documents leads to any losses of investors in securities transactions, I will compensate for their losses in accordance with laws. The specific procedures are as follows:

   (1) When securities regulatory departments or other competent authorities determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus and other application documents such that I shall be liable, I will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation;

   (2) I will communicate with the issuer, other intermediaries and the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;

   (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, I will make compensation in the form confirmed through the above-mentioned method or such other forms required by laws.

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

Note 9:

Commitments by the Company

1. All public commitments made by the Company in the course of the A Share offering (hereinafter referred to as ''Commitments'') are true and binding on the Company. The Company voluntarily accepts the supervision by regulatory authorities, self-regulatory organizations and the public. The Company will perform all obligations and take all responsibilities under the Commitments strictly.

2. If the Company fails to fulfill the Commitments fully and effectively for reasons except force majeure, the Company hereby undertakes to adopt the following binding measures:

   (1) Take corresponding remedial measures or making new commitments (such commitments shall fulfill relevant approval and information disclosure procedure in accordance with laws, regulations, regulatory documents, the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation, and the provisions in relevant internal control policy);

   (2) Within 30 days after securities regulatory departments or other competent departments determine that the Company breaks or fails to fulfill the Commitments, or 30 days after determining that the investors suffer losses in securities transactions due to the Company's breaking of or failure to fulfill the Commitments, the Company will compensate for the losses of the investors in accordance with laws. The compensation amounts shall be negotiated and confirmed by and between the Company and the investors, or decided or determined by means as permitted by securities regulatory departments or other competent departments.

Commitments by Directors and senior management personnel

1. All public commitments made by me in the course of the A Share offering (hereinafter referred to as "Commitments") are true and binding on me. I voluntarily accept the supervision by regulatory authorities, self-regulatory organizations and the public. I will perform all obligations and take all responsibilities under the Commitments strictly.

2. If I fail to fulfill the Commitments fully and effectively for reasons except force majeure, I hereby undertake to adopt the following binding measures:

   (1) Take corresponding remedial measures or making new commitments (such commitments shall fulfill relevant approval and information disclosure procedure in accordance with laws, regulations, regulatory documents, the Memorandum of Association and Articles of Association of Semiconductor Manufacturing International Corporation, and the provisions in relevant internal control policy);

   (2) Within 30 days after securities regulatory departments or other competent departments determine that I break or fail to fulfill foregoing Undertakings, or 30 days after determining that the investors suffer losses in securities transactions due to my breaking of or failure to fulfill the Commitments, I voluntarily compensate investors in advance from all salary and/or allowances I received from the issuer.

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

1. All public commitments made by the Company in the course of the A Share offering (hereinafter referred to as "Commitments") are true and binding on the Company. The Company voluntarily accepts the supervision by regulatory authorities, self-regulatory organizations and the public. The Company will perform all obligations and take all responsibilities under the Commitments strictly.

2. If the Company fails to fulfill the Commitments fully and effectively for reasons except force majeure, the Company hereby undertake to adopt the following binding measures:

   (1) Take corresponding remedial measures or making new commitments (such commitments shall fulfill relevant approval and information disclosure procedure in accordance with laws, regulations, regulatory documents, the Articles of Association, and the provisions in relevant internal control policy);

   (2) If securities regulatory departments or judicial authority determine that the Company break or fail to fulfill foregoing Commitments and shall assume corresponding responsibility, the Company will assume corresponding responsibility in accordance with laws.

Note 10

Commitments by the Company

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

2. The "disputes" stipulated in foregoing paragraph 1 shall include: (1) where Directors or senior management personnel violate laws and regulations or the Company's Articles of Association in performing their duties and cause losses to the Company, or others infringe on the legal rights and interests of the Company and cause losses to the Company, derivative litigation filed by shareholders who individually or collectively hold more than 1% of the Company's RMB ordinary shares (A Shares) for more than 180 consecutive days; (2) where the company fails to disclose information in accordance with regulations, or there is misrepresentation, misleading statement or material omission in securities issuance documents, regular reports, interim reports and other information disclosure materials, which causes holders of RMB ordinary shares (A Shares) to suffer losses in securities transactions, civil lawsuits filed by holders of RMB ordinary shares (A Shares) against the issuer and other responsible persons.

Commitments by directors and senior management personnel

1. Any dispute arising from and during the A Share offering and listing and during the listing period of the Company on STAR Market shall be governed by the laws of the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) (hereinafter referred to as "China"), and be adjudicated by competent courts in China.

2. I will not raise any objection to the above-mentioned applicable law and competent court.

III. THE APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

in USD'000

	Current appointment
Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of the domestic accounting firm	560
Duration of the domestic accounting firm	7 years
Name of the overseas accounting firm	PricewaterhouseCoopers
Remuneration of the overseas accounting firm	1,093
Duration of the overseas accounting firm	7 years

IV. MATERIAL LITIGATION AND ARBITRATION

The Company was involved in material litigation or arbitration in the year as described below

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

Summary and type of the event	Inquiry index
The Company noted that on December 10, 2020 (U.S. eastern standard time), a civil complaint was filed with the United States District Court, Central District of California relating to certain securities of the Company (the "Complaint"). The plaintiff filed the Complaint on behalf of herself and other persons alleged to have acquired certain Company securities publicly traded on the OTCQX market. The Complaint lists the Company and certain of its directors as defendants. It seeks unquantified financial compensation for alleged violations of sections 10(b) and 20(a) of the United States ("U.S.") Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the U.S. Securities and Exchange Commission, which prohibit certain misrepresentations and omissions in connection with the purchase or sale of securities, in respect of certain statements or documents published by the Company.	For details, please refer to the Announcement In Relation To Litigation published on the Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and the website of SSE (http://www.sse.com.cn) dated December 16, 2020, and Announcement In Relation To Lawsuit Filed In The United States published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) dated December 15, 2020.

(II) OTHER LITIGATION

1. *Patent Litigation with Innovative Foundry Technologies LLC*

On December 20, 2019, Innovative Foundry Technologies LLC ("IFT") filed a patent lawsuit against the Company with the United States District Court for the Western District of Texas. On April 2, 2020, the Company's related subsidiaries, as plaintiffs, voluntarily initiated a lawsuit for confirmation of non-infringement against IFT with the United States District Court for the Northern District of California, requesting the court to confirm that the Company's related subsidiaries did not infringe the subject patents. On April 14, 2020, IFT amended the complaint to add the Company's related subsidiaries as defendants. On September 18, 2020, the parties attended the first hearing. In addition, the Company's related subsidiaries also filed a Petition for Inter Partes Review with the United States Patent and Trademark Office for the subject patents in litigation. The lawsuit is still ongoing.

2. *Arbitration of Contract Dispute with PDF SOLUTIONS, INC*

On May 7, 2020, SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC New Technology"), a subsidiary of the Company, received an arbitration notice issued by the Hong Kong International Arbitration Center, whereby PDF SOLUTIONS, INC. ("PDF") filed an arbitration request with the Hong Kong International Arbitration Center. PDF disputed the rights and obligations of both parties under a series of agreements it entered into with SMIC New Technology, such as the Professional Service Agreement and the 14nm Project Agreement ("14nm Project-related Agreements"). PDF demanded SMIC New Technology to pay a fixed fee, incentive fees and overdue payment in a total of approximately US$20.72 million (accumulated up to April 30, 2020) under the 14nm Project-related Agreements. In addition, PDF also proposed to charge subsequent variable fees in accordance with the highest standards agreed under the 14nm Project-related Agreements, and SMIC shall bear the arbitration fees and interest expenses related to this case. According to the applicable rules of the Hong Kong International Arbitration Center, SMIC New Technology shall make a preliminary response within 30 days upon receiving the arbitration notice. As of June 5, 2020, SMIC New Technology has formally responded to the Hong Kong International Arbitration Center and opined that the fees it owed to PDF had already been fully paid in accordance with the contractual obligations and no additional fee is required. On December 9, 2020, under the coordination of the Hong Kong International Arbitration Centre, the parties agreed to start a 60-day "standstill period" during which friendly negotiations would be conducted.

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

(I) THE OVERALL INFORMATION OF STOCK INCENTIVE

1. Stock incentive plans during the reporting period

Name of plan	Incentive method	Number of target shares	Percentage of target shares (%)	Number of participants	Percentage of participants (%)	Price of target shares granted (USD)
20200525 RSU	RSU	3,872,630	0.05%	302	2.01%	0.004
20200525 Share Option	Share option	9,464,602	0.12%	302	2.01%	2.33
20200909 RSU	RSU	42,489	0.00%	2	0.00%	0.004
20200909 Share Option	Share option	108,851	0.00%	2	0.00%	2.84
20201123 RSU	RSU	1,650,678	0.02%	406	2.71%	0.004
20201123 Share Option	Share option	3,574,049	0.05%	406	2.71%	2.97

2. Implementation progress of the stock incentive during the reporting period

All the shares under the stock incentive schemes implemented during the reporting period have all been granted, announced on the Hong Kong Stock Exchange, and have been or will be vested in accordance with the vesting plan.

3. Share-based payment recognised during the reporting period in respect of stock incentive

in USD'000

Total share-based payment recognised in the current period	10,460

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

Summary of the event	Inquiry index
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on January 13, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: January 13, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on February 27, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: February 27, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on March 27, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: March 27, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on April 9, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: April 9, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on April 29, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: April 29, 2020
Issue of ordinary shares pursuant to exercise of share options granted under the 2004 Stock Option Plan (adopted on March 10, 2004) by directors of the Company on May 19, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: May 19, 2020
Grant of share options	Announcement and notice on the Hong Kong Stock Exchange: May 26, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on June 3, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: June 3, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on June 30, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: June 30, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on July 28, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: July 28, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by directors of the Company on September 1, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: September 1, 2020

Summary of the event	Inquiry index
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on September 4, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: September 4, 2020
Grant of share options	Announcement and notice on the Hong Kong Stock Exchange: September 9, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on September 29, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: September 29, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on October 29, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: October 29, 2020
Grant of share options	Announcement and notice on the Hong Kong Stock Exchange: November 23, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on November 27, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: November 27, 2020
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) by non-directors of the Company on December 29, 2020	Next Day Disclosure Return on the Hong Kong Stock Exchange: December 29, 2020

1. 2004 Stock Option Plan

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

Movement of the 2004 Stock Option Plan during the year ended December 31, 2020 is as follows:

Name/eligible employee	Date Granted	Exercise period	Number of share options granted	Exercise price per share (USD)	Outstanding share options as at December 31, 2019	Share options additionaly granted during the period	Share options lapsed during the period	Share options lapsed due to repurchase of ordinary shares during the period	Share options exercised during the period	Share options cancelled during the period	Outstanding share options as at December 31, 2020	Weighted average closing price of shares immediately prior to the exercise date of the share options (USD)	Weighted average closing price of shares immediately prior to the grant date of the share options (USD)
Employee	2/23/2010	2/23/2010-2/22/2020	337,089,466	0.99	2,403,429	–	955,798	–	1,447,631	–	–	1.87	0.99
Chen Shanzhi	5/24/2010	5/24/2010-5/23/2020	3,145,319	0.82	314,531	–	–	–	314,531	–	–	2.31	0.72
Employee	5/24/2010	5/24/2010-5/23/2020	18,251,614	0.82	6,000	–	–	–	6,000	–	–	2.24	0.72
Employee	9/8/2010	9/8/2010-9/7/2020	46,217,577	0.67	135,600	–	2,100	–	133,500	–	–	1.83	0.68
Employee	11/12/2010	11/12/2010-11/11/2020	39,724,569	0.83	234,165	–	17,410	–	216,755	–	–	2.31	0.78
Employee	5/31/2011	5/31/2011-5/30/2021	148,313,801	0.85	1,808,789	–	8,000	–	1,024,384	–	776,405	2.69	0.83
Employee	9/8/2011	9/8/2011-9/7/2021	21,746,883	0.58	244,688	–	–	–	244,688	–	–	1.56	0.56
Employee	9/8/2011	9/8/2011-9/7/2021	42,809,083	0.58	194,202	–	1,777	–	113,959	–	78,466	2.56	0.56
Employee	11/17/2011	11/17/2011-11/16/2021	16,143,147	0.51	116,750	–	–	–	35,555	–	81,195	2.24	0.51
Employee	5/22/2012	5/22/2012-5/21/2022	252,572,706	0.45	4,280,882	–	12,416	–	1,933,488	–	2,334,978	2.57	0.45
Employee	9/12/2012	9/12/2012-9/11/2022	12,071,250	0.37	59,300	–	1,800	–	21,700	–	35,800	2.35	0.37
Employee	11/15/2012	11/15/2012-11/14/2022	18,461,000	0.47	162,116	–	–	–	50,700	–	111,416	3.50	0.47
Employee	5/7/2013	5/7/2013-5/6/2023	24,367,201	0.76	334,318	–	83	–	234,020	–	100,215	2.29	0.77
Employee	6/11/2013	6/11/2013-6/10/2023	102,810,000	0.82	2,278,417	–	7,563	–	942,232	–	1,328,622	2.80	0.79
Zhao Haijun	6/11/2013	6/11/2013-6/10/2023	74,755,756	0.82	188,233	–	–	–	–	–	188,233	–	0.79
Gao Yonggang	6/17/2013	6/17/2013-6/16/2023	13,608,249	0.80	1,360,824	–	–	–	–	–	1,360,824	–	0.78
Employee	9/6/2013	9/6/2013-9/5/2023	22,179,070	0.72	219,412	–	8,800	–	81,887	–	128,725	2.94	0.73
Employee	11/4/2013	11/4/2013-11/3/2023	19,500,000	0.74	212,241	–	4,800	–	102,441	–	105,000	2.05	0.72
Total					14,553,897	–	1,020,547	–	6,903,471	–	6,629,879		

SECTION 7 SIGNIFICANT EVENTS

Summary of the 2004 Stock Option Plan is as follows:

(1) Purpose

The purposes of the 2004 Stock Option Plan are to attract, retain and motivate employees and Directors of, and other service providers to, the Company, to provide a means on and after the public offering of compensating them for their contributions to the growth and profits of the Company, and to allow such employees, Directors and service providers to participate in such growth and profitability.

(2) Participants

The Company's 2004 Stock Option Plan is administered by the Company's compensation committee or by the Board acting in place of the Company's compensation committee. The Company's 2004 Stock Option Plan provides for the grant of options to the Company's employees, officers or other service providers located in China, the United States or elsewhere, or to a trust established in connection with any employee benefit plan of the Company.

Options granted under the 2004 Stock Option Plan may not be transferred in any manner other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order or as determined by the compensation committee.

(3) Maximum number of shares

The number of the Ordinary Shares that may be issued pursuant to our 2004 Stock Option Plan shall not, in aggregate, exceed 243,466,873 Ordinary Shares as adjusted according to the impact of the Share Consolidation, representing 3.16% of the issued Ordinary Shares as at December 31, 2020.

In no event may the number of Ordinary Shares that may be issued pursuant to any outstanding purchase right granted under the all Company's stock incentive schemes, in aggregate, exceed 30% of the then issued and outstanding Ordinary Shares in issuance from time to time.

(4) Maximum entitlement of each participant

The total number of Ordinary Shares issued and to be issued upon exercise of the options (including both exercised and outstanding) granted in any 12-month period to each participant may not at any time exceed 1% of the Ordinary Shares then issued and outstanding.

(5) Option period

Options granted under the 2004 Stock Option Plan vest over a four-year period. Options may vest based on time or achievement of performance conditions. The Company's compensation committee may provide for options to be exercised only as they vest, or to be immediately exercisable with any Ordinary Shares or American depositary shares issued subject to the Company's right of repurchase that lapses as the shares vest. The maximum term of options granted under the 2004 Stock Option Plan is ten years, subject to changes under the Hong Kong Stock Exchange Listing Rules, as determined by the compensation committee of the Company.

Options to purchase Ordinary Shares issued to new employees and then-existing employees generally vest at a rate pursuant to which 25% of the shares shall vest on the first anniversary of the vesting commencement date, and additional 1/36 of the remaining shares shall vest monthly upon the second, third, and fourth anniversaries of the vesting commencement date.

(6) Acceptance and payments

2004 Stock Option Plan does not provide for any payment upon application or acceptance of an option.

(7) Exercise price

The exercise price of stock options must be at least equal to the fair market value of the Ordinary Shares on the date of grant.

(8) Remaining life of the scheme

The 2004 Stock Option Plan and its amendment were terminated on November 15, 2013. The stock options granted before such termination remains outstanding and continue to vest and become exercisable in accordance with, and subject to, the terms of the 2004 Stock Option Plan.

2. *2014 Stock Option Plan*

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

Movement of the 2014 Stock Option Plan during the year ended December 31, 2020 is as follows:

Name/eligible employee	Date Granted	Exercise period	Number of share options granted	Exercise price per share (USD)	Outstanding share options as at December 31, 2019	Share options additionally granted during the period	Share options lapsed during the period	Share options lapsed due to repurchase of ordinary shares during the period	Share options exercised during the period	Share options cancelled during the period	Outstanding share options as at December 31, 2020	Weighted average closing price of shares immediately prior to the exercise date of the share options (USD)	Weighted average closing price of shares immediately prior to the grant date of the share options (USD)
Gao Yonggang	6/12/2014	6/12/2014-6/11/2024	2,886,486	0.82	288,648	–	–	–	–	–	288,648	–	0.82
Employee	6/12/2014	6/12/2014-6/11/2024	26,584,250	0.82	330,562	–	–	–	68,333	–	262,229	2.46	0.82
Employee	11/17/2014	11/17/2014-11/16/2024	119,640,012	1.09	3,522,753	–	35,617	–	2,054,118	–	1,433,018	2.64	1.10
Employee	2/24/2015	2/24/2015-2/23/2025	12,293,017	0.91	325,749	–	–	–	195,249	–	130,500	2.16	0.88
Employee	5/20/2015	5/20/2015-5/19/2025	12,235,000	1.06	254,239	–	–	–	218,323	–	35,916	2.20	1.05
Zhou Zixue	5/20/2015	5/20/2015-5/19/2025	25,211,633	1.06	2,521,163	–	–	–	–	–	2,521,163	–	1.05
Employee	9/11/2015	9/11/2015-9/10/2025	1,120,000	0.89	52,400	–	–	–	52,400	–	–	2.53	0.91
Employee	5/25/2016	5/25/2016-5/24/2026	5,146,000	0.82	82,888	–	–	–	42,438	–	40,450	2.99	0.83
Chen Shanzhi	5/25/2016	5/25/2016-5/24/2026	989,583	0.82	98,958	–	–	–	–	–	98,958	–	0.83
Chen Shanzhi	9/12/2016	9/12/2016-9/11/2026	11,986	1.12	1,198	–	–	–	–	–	1,198	–	1.13
Tong Guohua	4/5/2017	4/5/2017-4/4/2027	187,500	1.26	187,500	–	–	–	–	–	187,500	–	1.24
Cong Jingsheng Jason	4/5/2017	4/5/2017-4/4/2027	187,500	1.26	187,500	–	–	–	–	–	187,500	–	1.24
Chen Shanzhi	4/5/2017	4/5/2017-4/4/2027	62,500	1.26	62,500	–	–	–	–	–	62,500	–	1.24
Employee	5/22/2017	5/22/2017-5/21/2027	345,000	1.09	77,000	–	–	–	63,063	–	13,937	2.68	1.07
Zhao Haijun	9/7/2017	9/7/2017-9/6/2027	1,687,500	1.01	1,687,500	–	–	–	–	–	1,687,500	–	1.00
Employee	5/23/2018	5/23/2018-5/22/2028	18,493,834	1.34	13,264,769	–	1,112,325	–	3,084,222	–	9,068,222	2.86	1.33
Chen Shanzhi	5/23/2018	5/23/2018-5/22/2028	125,000	1.34	125,000	–	–	–	–	–	125,000	–	1.33
WILLIAM TUDOR BROWN	5/23/2018	5/23/2018-5/22/2028	87,500	1.34	87,500	–	–	–	–	–	87,500	–	1.33
Fan Ren Da Anthony	9/13/2018	9/13/2018-9/12/2028	187,500	1.09	187,500	–	–	–	–	–	187,500	–	1.07
LAU Lawrence Juen-Yee	9/13/2018	9/13/2018-9/12/2028	187,500	1.09	187,500	–	–	–	–	–	187,500	–	1.07
Employee	11/19/2018	11/19/2018-11/18/2028	138,000	0.87	138,000	–	57,000	–	19,000	–	62,000	3.43	0.84
Chen Shanzhi	5/21/2019	5/21/2019-5/20/2029	62,500	1.09	62,500	–	–	–	–	–	62,500	–	1.11
WILLIAM TUDOR BROWN	5/21/2019	5/21/2019-5/20/2029	62,500	1.09	62,500	–	–	–	–	–	62,500	–	1.11
Guo Guangli	9/12/2019	9/12/2019-9/11/2029	100,000	1.25	100,000	–	–	–	25,000	–	75,000	4.08	1.25
Employee	9/12/2019	9/12/2019-9/11/2029	648,000	1.25	648,000	–	75,000	–	44,000	–	529,000	2.91	1.25
Young Kwang Leei	9/12/2019	9/12/2019-9/11/2029	187,500	1.25	187,500	–	–	–	–	–	187,500	–	1.25
Employee	11/26/2019	11/26/2019-11/25/2029	70,000	1.29	70,000	–	–	–	–	–	70,000	–	1.30
Employee	5/25/2020	5/25/2020-5/24/2030	6,794,803	2.33	–	6,794,803	520,743	–	142,157	–	6,131,903	3.45	2.18
Chen Shanzhi	5/25/2020	5/25/2020-5/24/2030	62,500	2.33	–	62,500	–	–	–	–	62,500	–	2.18
WILLIAM TUDOR BROWN	5/25/2020	5/25/2020-5/24/2030	62,500	2.33	–	62,500	–	–	–	–	62,500	–	2.18
Tong Guohua	5/25/2020	5/25/2020-5/24/2030	54,966	2.33	–	54,966	–	–	–	–	54,966	–	2.18
Zhao Haijun	5/25/2020	5/25/2020-5/24/2030	219,706	2.33	–	219,706	–	–	–	–	219,706	–	2.18
Cong Jingsheng Jason	5/25/2020	5/25/2020-5/24/2030	54,966	2.33	–	54,966	–	–	–	–	54,966	–	2.18
Guo Guangli	5/25/2020	5/25/2020-5/24/2030	29,042	2.33	–	29,042	–	–	–	–	29,042	–	2.18
Zhou Meisheng	5/25/2020	5/25/2020-5/24/2030	281,092	2.33	–	281,092	–	–	–	–	281,092	–	2.18
Liang Mong Song	5/25/2020	5/25/2020-5/24/2030	659,117	2.33	–	659,117	–	–	–	–	659,117	–	2.18
Gao Yonggang	5/25/2020	5/25/2020-5/24/2030	586,793	2.33	–	586,793	–	–	–	–	586,793	–	2.18
Zhou Zixue	5/25/2020	5/25/2020-5/24/2030	659,117	2.33	–	659,117	–	–	–	–	659,117	–	2.18
Employee	9/9/2020	9/9/2020-9/8/2030	108,851	2.84	–	108,851	–	–	–	–	108,851	–	2.43
Employee	11/23/2020	11/23/2020-11/22/2030	3,574,049	2.97	–	3,574,049	31,092	–	–	–	3,542,957	–	2.93
Total					24,801,327	13,147,502	1,831,777	–	6,008,303	–	30,108,749		

SECTION 7 SIGNIFICANT EVENTS

Summary of the 2014 Stock Option Plan is as follows:

(1) Purpose

The purposes of the 2014 Stock Option Plan are to attract, retain and motivate employees and Directors of, and other service providers to, the Company; to provide a means on and after the public offering of compensating them for their contributions to the growth and profits of the Company; and to allow such employees, Directors and service providers to participate in such growth and profitability.

(2) Participants

The Company's 2014 Stock Option Plan is administered by the Company's compensation committee or by the Board acting in place of the Company's compensation committee. The Company's 2014 Stock Option Plan provides for the grant of options to the Company's employees, officers or other service providers located in China, the United States or elsewhere, or to a trust established in connection with any employee benefit plan of the Company.

Options granted under the 2014 Stock Option Plan may not be transferred in any manner other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order or as determined by the compensation committee.

(3) Maximum number of shares

The number of Ordinary Shares that may be issued pursuant to the 2014 Stock Option Plan shall not, in the aggregate, exceed 320,737,712 Ordinary Shares adjusted as impact of the Share Consolidation, representing 4.16% of the issued Ordinary Shares as at December 31, 2020.

In no event may the number of Ordinary Shares that may be issued pursuant to any outstanding purchase right granted under all the Company's stock incentive schemes, in the aggregate, exceed 30% of the then issued and outstanding Ordinary Shares in issuance.

(4) Maximum entitlement of each participant

The total number of Ordinary Shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted in any 12-month period to each participant may not exceed at any time 1% of the then issued and outstanding Ordinary Shares.

(5) Option period

Options granted under the 2014 Stock Option Plan vest over a four-year period. Options may vest based on time or achievement of performance conditions. The Company's compensation committee may provide for options to be exercised only as they vest or to be immediately exercisable with any Ordinary Shares or American depositary shares issued on exercise being subject to the Company's right of repurchase that lapses as the shares vest. The maximum term of options granted under the 2014 Stock Option Plan is ten years, subject to changes under the Hong Kong Stock Exchange Listing Rules, as determined by the compensation committee of the Company.

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

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

(6) Acceptance and payments

2014 Stock Option Plan does not provide for any payment upon application or acceptance of an option.

(7) Exercise price

The exercise price of stock options must be at least equal to the fair market value of the Ordinary Shares on the date of grant.

(8) Remaining life of the scheme

The 2014 Stock Option Plan will terminate ten years from the date of registration of the Plan with the PRC State Administration of Foreign Exchange, unless it is terminated earlier by the Board. The Board may amend or terminate the 2014 Stock Option Plan at any time without necessary of asking for shareholders' approval of the amendment unless required by applicable law.

3. *2014 Equity Incentive Plan*

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

Movement of the 2014 Equity Incentive Plan during the year ended December 31, 2020 is as follows:

Name/eligible employee	Date Granted	Exercise period	Number of Restricted Share Units granted	Exercise price per share (USD)	Outstanding Restricted Share Units as at December 31, 2019	Restricted Share Units additionally granted during the period	Restricted Share Units lapsed during the period	Restricted Share Units lapsed due to repurchase of ordinary shares during the period	Restricted Share Units exercised during the period	Restricted Share Units cancelled during the period	Outstanding Restricted Share Units as at December 31, 2020	Weighted average closing price of shares immediately prior to the exercise date of the Restricted Share Units (USD)	Weighted average closing price of shares immediately prior to the grant date of the Restricted Share Units (USD)
Gao Yonggang	11/17/2014	11/17/2014-11/16/2024	2,910,836	0.004	85,505	–	–	–	–	–	85,505	–	1.10
Zhou Zixue	5/20/2015	5/20/2015-5/19/2025	10,804,985	0.004	1,080,498	–	–	–	–	–	1,080,498	–	1.05
Employee	5/25/2016	5/25/2016-5/24/2026	68,070,000	0.004	864,400	–	6,900	–	841,500	–	16,000	1.95	0.83
Chen Shanzhi	5/25/2016	5/25/2016-5/24/2026	989,583	0.004	98,958	–	–	–	–	–	98,958	–	0.83
Chen Shanzhi	9/12/2016	9/12/2016-9/11/2026	11,986	0.004	1,198	–	–	–	–	–	1,198	–	1.13
Employee	9/12/2016	9/12/2016-9/11/2026	1,560,000	0.004	16,000	–	–	–	16,000	–	–	2.71	1.13
Employee	11/18/2016	11/18/2016-11/17/2026	2,268,600	0.004	29,000	–	13,000	–	16,000	–	–	2.86	1.31
Employee	4/5/2017	4/5/2017-4/4/2027	376,000	0.004	61,000	–	18,000	–	43,000	–	–	2.36	1.24
Tong Guohua	4/5/2017	4/5/2017-4/4/2027	187,500	0.004	187,500	–	–	–	–	–	187,500	–	1.24
Cong Jingsheng Jason	4/5/2017	4/5/2017-4/4/2027	187,500	0.004	63,750	–	–	–	63,750	–	–	2.23	1.24
Chen Shanzhi	4/5/2017	4/5/2017-4/4/2027	62,500	0.004	62,500	–	–	–	–	–	62,500	–	1.24
Employee	5/22/2017	5/22/2017-5/21/2027	7,469,000	0.004	2,106,300	–	155,550	–	1,018,500	–	932,250	1.94	1.07
Employee	12/7/2017	12/7/2017-12/6/2027	364,000	0.004	114,000	–	–	–	57,000	–	57,000	2.73	1.32
Employee	5/23/2018	5/23/2018-5/22/2028	6,957,966	0.004	3,564,960	–	371,100	–	1,158,040	–	2,035,820	1.96	1.33
Chen Shanzhi	5/23/2018	5/23/2018-5/22/2028	125,000	0.004	125,000	–	–	–	–	–	125,000	–	1.33
WILLIAM TUDOR BROWN	5/23/2018	5/23/2018-5/22/2028	87,500	0.004	87,500	–	–	–	–	–	87,500	–	1.33
Employee	9/13/2018	9/13/2018-9/12/2028	344,000	0.004	219,000	–	40,000	–	65,000	–	114,000	2.49	1.07
Fan Ren Da Anthony	9/13/2018	9/13/2018-9/12/2028	187,500	0.004	187,500	–	–	–	–	–	187,500	–	1.07
LAU Lawrence Juen-Yee	9/13/2018	9/13/2018-9/12/2028	187,500	0.004	187,500	–	–	–	–	–	187,500	–	1.07
Employee	11/19/2018	11/19/2018-11/18/2028	54,000	0.004	40,500	–	22,500	–	6,000	–	12,000	3.55	0.84
Chen Shanzhi	5/21/2019	5/21/2019-5/20/2029	62,500	0.004	62,500	–	–	–	–	–	62,500	–	1.11
WILLIAM TUDOR BROWN	5/21/2019	5/21/2019-5/20/2029	62,500	0.004	62,500	–	–	–	–	–	62,500	–	1.11
Guo Guangli	9/12/2019	9/12/2019-9/11/2029	39,000	0.004	29,250	–	–	–	9,750	–	19,500	2.63	1.25
Employee	9/12/2019	9/12/2019-9/11/2029	291,000	0.004	213,000	–	29,250	–	53,250	–	130,500	2.43	1.25
Young Kwang Leei	9/12/2019	9/12/2019-9/11/2029	187,500	0.004	187,500	–	–	–	–	–	187,500	–	1.25
Employee	11/26/2019	11/26/2019-11/25/2029	70,000	0.004	70,000	–	–	–	17,500	–	52,500	3.85	1.30
Employee	5/25/2020	5/25/2020-5/24/2030	2,677,933	0.004	–	2,677,933	204,396	–	207,755	–	2,265,782	1.96	2.18
Chen Shanzhi	5/25/2020	5/25/2020-5/24/2030	62,500	0.004	–	62,500	–	–	–	–	62,500	–	2.18
WILLIAM TUDOR BROWN	5/25/2020	5/25/2020-5/24/2030	62,500	0.004	–	62,500	–	–	–	–	62,500	–	2.18
Tong Guohua	5/25/2020	5/25/2020-5/24/2030	54,966	0.004	–	54,966	–	–	–	–	54,966	–	2.18
Zhao Haijun	5/25/2020	5/25/2020-5/24/2030	86,603	0.004	–	86,603	–	–	–	–	86,603	–	2.18
Cong Jingsheng Jason	5/25/2020	5/25/2020-5/24/2030	54,966	0.004	–	54,966	–	–	–	–	54,966	–	2.18
Guo Guangli	5/25/2020	5/25/2020-5/24/2030	11,447	0.004	–	11,447	–	–	160	–	11,287	1.95	2.18
Zhou Meisheng	5/25/2020	5/25/2020-5/24/2030	110,799	0.004	–	110,799	–	–	–	–	110,799	–	2.18
Liang Mong Song	5/25/2020	5/25/2020-5/24/2030	259,808	0.004	–	259,808	–	–	–	–	259,808	–	2.18
Gao Yonggang	5/25/2020	5/25/2020-5/24/2030	231,300	0.004	–	231,300	–	–	–	–	231,300	–	2.18
Zhou Zixue	5/25/2020	5/25/2020-5/24/2030	259,808	0.004	–	259,808	–	–	–	–	259,808	–	2.18
Employee	9/9/2020	9/9/2020-9/8/2030	42,489	0.004	–	42,489	–	–	–	–	42,489	–	2.43
Employee	11/23/2020	11/23/2020-11/22/2030	1,650,678	0.004	–	1,650,678	14,748	–	–	–	1,635,930	–	2.93
Total					9,807,319	5,565,797	875,444	–	3,573,205	–	10,924,467		

Summary of the 2014 Equity Incentive Plan is as follows:

(1) Purpose

The purposes of the 2014 Equity Incentive Plan are to attract, retain and motivate employees and Directors of, and other service providers to, the Company, to provide a means on and after the public offering of compensating them for their contributions to the growth and profits of the Company, and to allow such employees, Directors and service providers to participate in such growth and profitability.

(2) Participants

The Company's 2014 Equity Incentive Plan is administered by the Company's compensation committee or by the Board acting in place of the Company's compensation committee. The Company's 2014 Equity Incentive provides for the grant of options to the Company's employees, officers or other service providers located in China, the United States or elsewhere, or to a trust established in connection with any employee benefit plan of the Company.

Awards granted under the 2014 Equity Incentive Plan may not be transferred in any manner other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order or as determined by the compensation committee.

(3) Maximum number of shares

The aggregate number of the Ordinary Shares that may be issued pursuant to the 2014 Equity Incentive Plan may not exceed 80,184,428 Ordinary Shares as adjusted according to the impact of the Share Consolidation, representing 1.04% of the issued Ordinary Shares as at December 31, 2020.

In no event may the number of Ordinary Shares that may be issued pursuant to any outstanding purchase right granted under all the Company's stock incentive schemes, in aggregate, exceed 30% of the then issued and outstanding Ordinary Shares in issuance.

(4) Maximum entitlement of each participant

The total number of Restricted Share Units issued and to be issued upon exercise of awards (including both exercised and outstanding) granted in any 12-month period to each participant may not exceed at any time 1% of the then issued and outstanding Ordinary Shares.

(5) Awards period

Awards under the 2014 Equity Incentive Plan vest over a four-year period. Awards may vest based on time or achievement of performance conditions. The Company's compensation committee may provide for awards to be exercised only as they vest, or to be immediately exercisable with any Ordinary Shares or American depositary shares issued subject to the Company's right of repurchase that lapses as the shares vest. The maximum term of grant under the 2014 Equity Incentive Plan is ten years, subject to changes under the Hong Kong Stock Exchange Listing Rules, as determined by the compensation committee of the Company.

Awards issued to new employees and existing employees generally vest at a rate of 25% of the shares upon the first, second, third, and fourth anniversaries of the vesting commencement date, respectively.

(6) Acceptance and payments

2014 Equity Incentive Plan does not provide for any payment upon application or acceptance of an option.

(7) Exercise price

The price HK$0.031 of each restricted share units was determined by the compensation committee.

(8) Remaining life of the scheme

The 2014 Equity Incentive Plan will terminate ten years from the date of registration of the Plan with the PRC State Administration of Foreign Exchange, unless it is terminated earlier by the Board. The Board may amend or terminate the 2014 Equity Incentive Plan at any time without necessary of asking for shareholders' approval of the amendment unless required by applicable law.

4. Stock Option Plan for Subsidiary

SJ Semiconductor Corporation, a subsidiary of the Company, adopted a stock option plan ("Subsidiary Share Option Plan") in respect of the eligible participants, including employees, directors and service suppliers of the subsidiary, which takes effect from January 5, 2015, and has been approved by shareholders.

Details of the movements in the Subsidiary Share Options Plan for the year ended December 31, 2020 are as follows:

Name/eligible employee	Date Granted	Exercise period	Number of share options granted	Exercise price per share (USD)	Outstanding share options as at December 31, 2019	Share options additionally granted during the period	Share options exercised during the period	Share options cancelled during the period	Share options lapsed during the period	Outstanding share options as at December 31, 2020
Employee	1/4/2015	1/4/2015-1/3/2025	4,560,000	0.05	2,880,000	—	—	—	—	2,880,000
Employee	5/4/2015	5/4/2015-5/3/2025	1,380,000	0.06	1,130,000	—	—	—	—	1,130,000
Employee	9/15/2015	9/15/2015-9/14/2025	2,390,000	0.08	1,640,000	—	250,000	—	50,000	1,340,000
Employee	12/27/2016	12/27/2016-12/26/2026	7,753,750	0.31	5,642,656	—	213,543	—	44,113	5,385,000
Employee	8/9/2018	8/9/2018-8/8/2027	1,598,750	0.31	1,032,500	—	387,917	—	125,781	518,802
Employee	3/13/2019	3/13/2019-3/12/2028	7,349,500	0.36	5,229,302	—	91,875	—	359,042	4,778,385
Employee	3/26/2020	3/26/2020-3/25/2029	5,488,832	0.36	4,894,665	—	63,541	—	299,931	4,531,193
Employee	12/03/2020	12/03/2020-12/02/2029	5,603,500	0.36	5,603,500	—	—	—	633,280	4,970,220
Employee	03/03/2020	03/03/2020-03/02/2030	3,577,833	0.45	—	3,577,833	—	—	518,333	3,059,500
Total					28,052,623	3,577,833	1,006,876	—	2,030,480	28,593,100

Summary of the Subsidiary Share Options Plan is as follows:

(1) Purpose

The purposes of the Subsidiary Share Options Plan are to attract, retain and motivate employees and directors of and other service providers to the subsidiary, to provide a means of compensating them through the grant of stock options for their contributions to the growth and profits of the subsidiary, and to allow such employees, directors and service providers to participate in such growth and profitability.

(2) Participants

The compensation committee of the board of directors of the subsidiary (the "Subsidiary Committee") may, at its discretion, invite any employee, officer or other service provider of the Group whether located in China, the United States or elsewhere to take up options to subscribe for shares ("Subsidiary Shares") in the subsidiary. The Subsidiary Committee may also grant stock options to a director who is not an employee of the subsidiary.

A subsidiary stock option is personal to the subsidiary participant and shall be exercisable by such subsidiary participant or his permitted transferee only. A subsidiary option shall not be transferred other than by will, by the laws of descent and distribution or pursuant to a domestic relations order.

(3) Maximum number of shares

The Subsidiary Plan, under which no more than 56,666,666 Subsidiaries Shares can be issued, was representing 10.00% of outstanding Subsidiaries Shares on the date of approval of Subsidiary Plan by the board of directors of the relevant subsidiary.

The number of Subsidiary Shares which may be issued pursuant to any outstanding Subsidiary Stock Options granted and yet to be exercised under the Subsidiary Plan must not exceed in aggregate 30% of the then issued and outstanding Subsidiary Shares of the subsidiary in issuance.

(4) Maximum entitlement of each participant

The total number of Subsidiary Shares underlying Subsidiary Stock Options in any 12-month period may not exceed at any time 1% (or 0.1% in the case of an independent non-executive director of the subsidiary) of the then issued and outstanding Subsidiary Shares.

(5) Option period

A Subsidiary Stock Option shall terminate or lapse automatically upon the expiry of ten years from the date of grant or the termination of a subsidiary participant's employment or service with the subsidiary.

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

(6) Acceptance and payments

The Subsidiary Share Options Plan does not provide for any payment upon application or acceptance of an option.

(7) Exercise price

In the absence of an established market for the Subsidiary Shares, the market value thereof shall be determined in good faith by the Subsidiary Committee in accordance with any applicable law, rule or regulation.

(8) Remaining life of the scheme

The form of the Subsidiary Plan shall be approved by the shareholders of the Company and of the subsidiary respectively, and shall become effective upon its approval by the board of directors of the subsidiary ("Subsidiary Board"), that is January 5, 2015. Each Subsidiary Plan shall remain in force for a period of ten years commencing on the date of Subsidiary Board approval of the Subsidiary Plan.

The Subsidiary Plan may be changed, altered, amended in whole or in part, suspended and terminated by the Subsidiary Board, subject to such prior approval by the Board of Directors of the Company.

VI. SUBSTANTIAL CONNECTED AND RELATED TRANSACTIONS

(I) NON-EXEMPT CONNECTED TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE REQUIREMENTS OF HONG KONG LISTING RULES

1. Capital Contribution in SMSC and Deemed Disposal of Equity Interest in SMSC

On May 15, 2020, SMIC Holdings entered into the New JV Agreement and the New Capital Contribution Agreement with China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II to amend the previous joint venture agreement. Pursuant to the New JV Agreement and the New Capital Contribution Agreement, SMIC Holdings agreed to make further capital contribution and China IC Fund II and Shanghai IC Fund II, as new shareholders of SMSC, agreed to make capital contributions of US$1.5 billion and US$750 million, respectively, into the registered capital of SMSC.

As a result of the capital contributions: (i) the registered capital of SMSC was increased from US$3.5 billion to US$6.5 billion; (ii) the Company's equity interest in SMSC, through SMIC Holdings, decreased from 50.1% to 38.515%; and (iii) SMSC was owned as to 14.562%, 23.077%, 12.308% and 11.538% by China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively.

Reasons for and Benefits of the Capital Contribution

SMSC is expected to build up large-scale manufacturing capacity focusing on 14-nanometer and more FinFET process and manufacturing technologies. The 14-nanometer and more advanced technology can be applied on mainstream mobile platforms, automotive and cloud computing. In anticipation of the fast development in the high-potential fields of smart phone, high-speed railway, intelligent electricity grid, ultra-high definition video and security system, there will be vast market space for the application of the 14-nanometer and more advanced technology.

The Directors (excluding independent non-executive Directors whose view was given after taking into account the advice from the independent financial adviser) consider that: it is in the best interests of the Company and the shareholders as a whole to enter into the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder; the terms of the New JV Agreement and the New Capital Contribution Agreement are fair and reasonable; and the entering into of the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders as a whole.

Implications under the Hong Kong Listing Rules

As China IC Fund holds approximately 15.02% equity interest in the Company through its wholly-owned subsidiary, Xinxin HK, on May 15, 2020, it is a connected person of the Company under the Hong Kong Listing Rules. Shanghai IC Fund is also a connected person of the Company by way of it being a substantial shareholder (as defined in the Hong Kong Listing Rules) of SMSC. The Company's entering into of the New JV Agreement and the New Capital Contribution Agreement with, among others, China IC Fund and Shanghai IC Fund constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the New JV Agreement and the New Capital Contribution Agreement, as a result of the capital contributions, the Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.515%, which constitutes a deemed disposal for the Company under Chapter 14 of the Hong Kong Listing Rules.

As certain applicable percentage ratios calculated pursuant to rules 14.07 and 14.15(2) of the Hong Kong Listing Rules in respect of the New JV Agreement and the New Capital Contribution Agreement exceed 5% but are less than 25%, the entering into the New JV Agreement, the New Capital Contribution Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company 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, which has been approved by the independent shareholders at the extraordinary general meeting of the Company on June 23, 2020.

2. Grant of Restricted Share Units to Directors

At meetings of the Board held on November 12, 2019 and February 13, 2020, the Board resolved to grant 1,072,451 Restricted Share Units (the ''Proposed RSU Grants'') under the 2014 Equity Incentive Plan.

Among the 1,072,451 Restricted Share Units, 259,808 Restricted Share Units, 86,603 Restricted Share Units, 259,808 Restricted Share Units, 231,300 Restricted Share Units, 62,500 Restricted Share Units, 62,500 Restricted Share Units, 54,966 Restricted Share Units and 54,966 Restricted Share Units were granted to Dr. Zhou, Dr. Zhao, Dr. Liang, Dr. Gao, Dr. Chen, Mr. Brown, Dr. Tong and Dr. Cong, respectively. Each of the Restricted Share Units granted to Dr. Zhou, Dr. Zhao, Dr. Liang, Dr. Gao, Dr. Chen, Mr. Brown, Dr. Tong and Dr. Cong represents the right to receive one Ordinary Share on the date it vests.

It is intended that 86,603, 86,603 and 74,016 Restricted Share Units granted to Dr. Zhou, Dr. Liang and Dr. Gao will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12 month period commencing on March 1, 2019, respectively.

It is intended that 173,205, 86,603, 173,205 and 157,284 Restricted Share Units to be granted to Dr. Zhou, Dr. Zhao, Dr. Liang and Dr. Gao will vest over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12 month period commencing on March 1, 2020, respectively.

It is intended that 62,500, 62,500, 54,966 and 54,966 Restricted Share Units to be granted to Dr. Chen, Mr. Brown, Dr. Tong and Dr. Cong will vest on January 1, 2021, respectively.

In accordance with the terms of the 2014 Equity Incentive Plan, the Proposed RSU Grant will be made for no consideration, other than the minimum payment required by the applicable law in the Cayman Islands (which is the par value of the Ordinary Shares to be issued pursuant thereto).

The grant of 1,072,451 Restricted Share Units and any transactions contemplated thereunder (including the allotment and issue of any new Ordinary Shares thereunder) constitutes non-exempt connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are thus subject to reporting, announcement and the independent shareholders' approval requirements. The grant of Restricted Share Units and relevant transaction has been approved by independent shareholders at the Company's extraordinary general meeting on December 15, 2020.

3. Subscriptions by Connected Persons as Strategic Investors under the Proposed RMB Share Issue

On June 2, 2020, as part of the RMB Share Issue, the Company has entered into:

(i) the share subscription agreement and the deferred delivery agreement with CICT, Haitong Securities Co., Ltd. ("Haitong Securities") and China International Capital Corporation Limited ("CICC"), whereby CICT will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB2,000,000,000, subject to allotment; and

(ii) the share subscription agreement and the deferred delivery agreement with Shanghai IC Fund, Haitong Securities and CICC, whereby Shanghai IC Fund will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB500,000,000, subject to allotment.

Implications under the Hong Kong Listing Rules

Datang Holdings is an indirect subsidiary of CICT. In turn, Datang Holdings, through its subsidiary Datang HK, held as to approximately 15.55% in the issued share capital of the Company as at the date of the announcement, and is a substantial shareholder of the Company. CICT, being a holding company and an associate (as defined under the Hong Kong Listing Rules) of Datang Holdings and Datang HK, is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As Shanghai IC Fund is a substantial shareholder of SMSC, a subsidiary of the Company, Shanghai IC Fund is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Hong Kong Listing Rules.

Accordingly, the transactions contemplated under the Agreements constitute connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirement under the Hong Kong Listing Rules, and have been approved by the independent shareholders at the Company's extraordinary general meeting on June 23, 2020.

4. Formation of Semiconductor Manufacturing Beijing Corporation ("SMBC")

On December 4, 2020, SMIC Holdings, China IC Fund II and E-Town Capital entered into a joint venture agreement (the "Joint Venture Agreement") to jointly establish SMBC. The registered capital of SMBC is US$5 billion, of which SMIC Holdings, China IC Fund II and E-Town Capital agreed to contribute US$2.55 billion, US$1.2245 billion and US$1.2255 billion, respectively, representing 51%, 24.49% and 24.51% of the registered capital of the Joint Venture Company, respectively.

Reasons for and Benefits of Establishing SMBC

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

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

Implications under the Hong Kong Listing Rules

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

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

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

5. Reduction of Percentage Equity Interest in Ningbo Semiconductor International Corporation ("NSI")

On December 4, 2020, NSI, SMIC Holdings, Ningbo Economic and Technological Development Zone Industrial Development Investment Co., Ltd. ("NETD"), Zhuji Lianli Pinzi Standard Zhejiang Manufacturing Integrated Circuit Equity Investment Partnership ("L&L Capital"), Infotech National Emerging Industry Venture Capital Guiding Fund ("Infotech"), China IC Fund, Ningbo Meishan Free Trade Port Huajidian Juxin Enterprise Management Partnership (Limited Partnership) ("Juxin"), Ningbo Meishan Free Trade Port Huajidian Chuangxin Enterprise Management Partnership (Limited Partnership) ("Chuangxin"), Ningbo Yongxin Integrated Circuit Equity Investment Co., Ltd. ("Ningbo IC"), Shanghai Hengyuan Investment Management Partnership (Limited Partnership) ("Hengyuan") and Ningbo Deyue Gaopeng Equity Investment Partnership (Limited Partnership) ("Deyue Gaopeng") entered into a capital increase agreement (the "NSI Capital Increase Agreement"), pursuant to which Ningbo IC, Hengyuan and Deyue Gaopeng, as new shareholders of NSI, agreed to each make a capital contribution of RMB1 billion to NSI and the other existing shareholders of NSI (including SMIC Holdings) will not make additional capital contribution to NSI.

On December 4, 2020, SMIC Holdings, NETD, L&L Capital, Infotech, China IC Fund, Juxin, Chuangxin, Ningbo IC, Hengyuan and Deyue Gaopeng entered into a new joint venture agreement (the "New Joint Venture Agreement") for the capital contributions.

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

Reasons for and Benefits of the Capital Contribution

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

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

Implications under the Hong Kong Listing Rules

As China IC Fund holds approximately 10.45% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin HK, on December 4, 2020, it is a connected person of the Company under the Hong Kong Listing Rules. SMIC Holdings' entering into of the NSI Capital Increase Agreement and the New Joint Venture Agreement with, amongst others, China IC Fund constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

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

6. The Second Amendment JV Agreement in Relation to Sino IC Leasing Co., Ltd. ("Sino IC Leasing")

On December 9, 2020, one of the independent shareholders of Sino IC Leasing entered into an equity transfer agreement with the Company to transfer part of its equity interest in Sino IC Leasing to the Company, which would result in an increase of the Company's equity interest in Sino IC Leasing from 7.44% to 10.14%.

On dates before December 18, 2020, certain other shareholders of Sino IC Leasing also entered into equity transfer agreements to transfer their equity interest in Sino IC Leasing in separate transactions. As a result, Zhejiang Qixin Technology Co., Ltd., Shenzhen Major Industry Investment Group Co., Ltd., E-Town Capital, Hunan Caixin Emerging Industries Investment Partnership (Limited Partnership) ("Hunan Caixin"), Shanghai SITICO Assets Management Co., Ltd, Shanghai (Z.J.) Holdings Limited and Shaoxing IC Fund New Area IC Industry Equity Investment Fund Partnership (Limited Partnership) ("Shaoxing IC Fund") became the new shareholders of Sino IC Leasing. On December 18, 2020, such new shareholders and the existing shareholders of Sino IC Leasing entered into a second amendment JV agreement (the "Second Amendment JV Agreement") to amend a previous 2017 first amendment JV agreement.

Reasons for and Benefits of the Second Amendment JV Agreement

Through the entering into of the Second Amendment JV Agreement, Sino IC Leasing can further optimize its shareholding structure and consolidate its advantageous resources, so as to lay a solid foundation for accelerating business development.

The Directors (including independent non-executive Directors) consider that: (i) it is in the best interests of the Company and the shareholders as a whole for the Company to enter into the Second Amendment JV Agreement and the transactions contemplated thereunder; (ii) the terms of the Second Amendment JV Agreement are fair and reasonable and in the interests of the shareholders as a whole; and (iii) the entering into of the Second Amendment JV Agreement and transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders as a whole.

Implications under the Hong Kong Listing Rules

As China IC Fund holds approximately 10.45% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin HK, on December 9, 2020, it is a connected person of the Company under the Hong Kong Listing Rules. As Shanghai IC Fund (one of the shareholders of Sino IC Leasing) holds approximately 12.31% in SMSC, which is regarded as a subsidiary of the Company since SMIC Holdings is entitled to appoint the majority of the directors in SMSC's board of directors and those directors can veto certain material matters discussed in the board meeting of SMSC at their sole discretion, Shanghai IC Fund is a connected person of the Company at the subsidiary level by way of being a substantial shareholder of SMSC. As E-Town Capital holds 24.51% in SMBC, E-Town Capital is a connected person of the Company at the subsidiary level by way of being a substantial shareholder of SMBC. As China IC Fund holds 37.4% in Beijing Singularity Power Investment Fund (Limited Partnership) ("Beijing Singularity Power") (one of the shareholders of Sino IC Leasing), Beijing Singularity Power is an associate of China IC Fund and thus a connected person of the Company. Accordingly, the Company's entering into of the Second Amendment JV Agreement with, amongst others, China IC Fund, Shanghai IC Fund, E-Town Capital and Beijing Singularity Power constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

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

7. Reduction of Percentage Equity Interest in Sino IC Leasing

Capital Contribution in Sino IC Leasing

On December 25, 2020, the parties to the Second Amendment JV Agreement and Shaoxing Key Industry Equity Investment Fund Co., Ltd. ("Shaoxing Key Industry Fund") entered into a capital increase agreement (the "Sino IC Leasing Capital Increase Agreement"), pursuant to which Hunan Caixin and Shaoxing IC Fund, as existing shareholders of Sino IC Leasing, and Shaoxing Key Industry Fund, as a new shareholder of Sino IC Leasing, agreed to each make a capital contribution of RMB698,968,778, RMB200,000,000 and RMB300,000,000, respectively, to Sino IC Leasing. The other existing shareholders of Sino IC Leasing (including the Company) will not make additional capital contribution to Sino IC Leasing. The capital contributions will reduce the Company's percentage equity interest in Sino IC Leasing from 10.14% to 9.25%.

On December 25, 2020, the parties to the Second Amendment JV Agreement and Shaoxing Key Industry Fund agreed to amend the Second Amendment JV Agreement through a third amendment JV agreement (the "Third Amendment JV Agreement") for the capital contributions.

Further Capital Contribution in Sino IC Leasing

On December 25, 2020, the parties to the Third Amendment JV Agreement and Xi'an High-Tech Financial Holdings Group Co., Ltd. ("Xi'an HighTech Financial Holdings Group") and Qingdao Jiatianxia Chuangyuan Investment Management Partnership (Limited Partnership) ("Qingdao Jiatianxia") entered into a further capital increase agreement (the "Further Capital Increase Agreement"), pursuant to which Xi'an High-Tech Financial Holdings Group and Qingdao Jiatianxia, as new shareholders of Sino IC Leasing agreed to each make capital contribution of RMB1,000,000,000 and RMB800,000,000 to Sino IC Leasing. The other existing shareholders of Sino IC Leasing (including the Company) will not make additional capital contribution to Sino IC Leasing. The Further Capital Contribution will reduce the Company's percentage equity interest in Sino IC Leasing from 9.25% to 8.17%.

On December 25, 2020, the parties to the Third Amendment JV Agreement and Xi'an High-Tech Financial Holdings Group and Qingdao Jiatianxia agreed to amend the Third Amendment JV Agreement through a fourth amendment JV agreement (the "Fourth Amendment JV Agreement") for the further capital contribution.

Reasons for and Benefits of the Capital Contribution and the Further Capital Contribution

Through the entering into of the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement, Sino IC Leasing can further optimize its shareholding structure and consolidate its advantageous resources, so as to lay a solid foundation for accelerating business development, which in turn is conducive to consolidating the business cooperation between the Company and Sino IC Leasing and may improve the Company's return on investment.

The Directors (including independent non-executive Directors) consider that: (i) it is in the best interests of the Company and the shareholders as a whole for the Company to enter into the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement and the transactions contemplated thereunder; (ii) the terms of the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement are fair and reasonable and in the interests of the shareholders as a whole; and (iii) the entering into of the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders as a whole.

Implications under the Hong Kong Listing Rules

As China IC Fund holds approximately 10.45% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin HK, on December 25, 2020, it is a connected person of the Company under the Hong Kong Listing Rules. As Shanghai IC Fund (one of the shareholders of Sino IC Leasing) holds approximately 12.31% in SMSC, which is regarded as a subsidiary of the Company since SMIC Holdings is entitled to appoint the majority of the directors in SMSC's board of directors and those directors can veto certain material matters discussed in the board meeting of SMSC at their sole discretion, Shanghai IC Fund is a connected person of the Company at the subsidiary level by way of being a substantial shareholder of SMSC. As E-Town Capital holds 24.51% in SMBC, E-Town Capital is a connected person of the Company at the subsidiary level by way of being a substantial shareholder of SMBC. As China IC Fund holds 37.4% in Beijing Singularity Power (one of the shareholders of Sino IC Leasing), Beijing Singularity Power is an associate of China IC Fund and thus a connected person of the Company. Accordingly, the Company's entering into of the Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement with, amongst others, China IC Fund, Shanghai IC Fund, E-Town Capital and Beijing Singularity Power constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios stipulated under rule 14.07 of the Hong Kong Listing Rules in respect of the Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement (in aggregation) exceed 0.1% but are less than 5%, the transactions contemplated under the Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement (in aggregation) constitute connected transactions of the Company and are subject to the reporting and announcement requirements under the Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS DISCLOSED UNDER THE HONG KONG LISTING RULES

1. Framework Agreement with Sino IC Leasing – 2016 to 2020 – and Supplemental Agreement to Framework Agreement

On March 30, 2016, the Company and Sino IC Leasing entered into a framework agreement ("Framework Agreement with Sino IC Leasing"), pursuant to which Sino IC Leasing should 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), ending on December 31, 2020. On August 10, 2016, the Framework Agreement with Sino IC Leasing and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

The price for the services provided by Sino IC Leasing to the Company contemplated under the Framework Agreement with Sino IC Leasing would 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 entering into of the Framework Agreement with Sino IC Leasing will enable the Group to broaden its existing financing channels and optimise the existing machinery of the Company and increase operating cash flow.

As China IC Fund held approximately 17.55% equity interest in the Company at of time of entering into the Framework Agreement with Sino IC Leasing through its wholly-owned subsidiary, Xinxin HK, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. China IC Fund also held approximately 35.21% equity interest in Sino IC Leasing at time of entering into the Framework Agreement with Sino IC Leasing, therefore Sino IC Leasing was a connected person of the Company under the Hong Kong Listing Rules by virtue of being an associate of a connected person of the Company as defined under Rule 14A.13 of the Hong Kong Listing Rules. The Framework Agreement with Sino IC Leasing and the transactions contemplated thereunder constituted non-exempt continuing connected transactions of the Company. As the term of the Framework Agreement with Sino IC Leasing exceeds three years, the independent financial adviser, Messis Capital Ltd., also explained why a period longer than three years is required and confirmed that it is normal business practice for an agreement of this type to be of such duration.

On December 21, 2016, the Company and Sino IC Leasing entered into a supplemental agreement ("Supplemental Agreement") to amend the Framework Agreement with Sino IC Leasing. Pursuant to the Supplemental Agreement, the Company and Sino IC Leasing agreed that (1) the Framework Agreement with Sino IC Leasing should apply not only to Sino IC Leasing but also to its subsidiaries and (2) references therein to Sino IC Leasing should include references to its subsidiaries. The Supplemental Agreement is subject to applicable laws and regulations, including the Hong Kong Listing Rules.

The reason for entering into the Supplemental Agreement was that the Company had been informed by Sino IC Leasing that, in order to take advantage of benefits which may be available to its subsidiaries which are established in certain areas in the PRC, and it wished to have the ability to perform its services under the Framework Agreement with Sino IC Leasing through its subsidiaries.

The annual caps and actual amounts generated by the Company from the transactions entered into pursuant to the Framework Agreement with Sino IC Leasing and the Supplemental Agreement during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Financial Services	1,500	104.8
Other Related Services	150	—

As the Framework Agreement with Sino IC Leasing would expire on December 31, 2020, the Company and Sino IC Leasing agreed to renew and continue the transactions originally covered under the Framework Agreement with Sino IC Leasing. Accordingly, on September 4, 2020, the Company (on behalf of itself and entities within the scope of its consolidated accounting statements) and Sino IC Leasing (on behalf of itself and its subsidiaries) entered into a framework agreement, pursuant to which Sino IC Leasing should provide to the Company a range of financial services (including but not limited to leasing and factoring) and certain other related services (including but not limited to financial advisory and consulting services). The framework agreement is for a term of five years commencing on January 1, 2021 and ending on December 31, 2025 ("Framework Agreement with Sino IC Leasing 2021-2025"). The Framework Agreement with Sino IC Leasing 2021-2025 and the transactions contemplated thereunder constituted non-exempt continuing connected transactions and were considered and approved at the extraordinary general meeting of the Company held on December 15, 2020.

On December 25, 2020, the Company's entering into of the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment Joint Venture Agreement with, amongst others, Sino IC Leasing and/or China IC Fund (as the case may be). China IC Fund held approximately 10.45% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin HK, as at the date of entering into the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV Agreement, it is a connected person of the Company under the Hong Kong Listing Rules. After the date of entering into the Sino IC Leasing Capital Increase Agreement, the Third Amendment JV Agreement, the Further Capital Increase Agreement and the Fourth Amendment JV agreement, China IC Fund held approximately 6.66% equity interest in Sino IC Leasing. Therefore, Sino IC Leasing is no longer an associate of China IC Fund and thus is not a connected person of the Company under the Hong Kong Listing Rules. As a result, the Framework Agreement with Sino IC Leasing 2021-2025 and the transactions contemplated thereunder are no longer continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

2. *Framework Agreement with SMNC – 2018 to 2020 – and Amendment Agreement to Framework Agreement*

On December 6, 2017, the Company and its subsidiary, SMNC entered into a framework agreement in relation to the supply of goods (i.e. purchase and sale of spare parts, raw materials, photomasks and finished products), rendering of or receiving services (including but not limited to: (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), leasing of assets (such as plant, office premises and equipment), transfer of assets, provision of technical authorization or licensing by the Company and/or its subsidiaries (other than SMNC and its subsidiaries) to SMNC and/or its subsidiaries as well as the sharing of research and development costs in relation to 28-nanometer technologies and provision of guarantee by the Company and/or its subsidiaries (other than SMNC and its subsidiaries) for SMNC's financing activities. The framework agreement is for a term of three years commencing on January 1, 2018 and ending on December 31, 2020 ("Framework Agreement with SMNC 2018-2020").

Pricing of the Framework Agreement with SMNC 2018-2020

The price of the transactions contemplated under the Framework Agreement with SMNC 2018-2020 ("Continuing CTs") will be determined in accordance with the following general principles (the "Pricing Principles") (in chronological 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;

(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;

(5) where none of the above general pricing principles are 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 the Pricing Principles (2) to (5) apply, to the extent possible, each of the Company and/or its subsidiaries (other than SMNC and its subsidiaries) and SMNC and/or its subsidiaries 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 stateprescribed price or guidance price becomes available to the Continuing CTs in the future, the parties will execute such price first in accordance with the Pricing Principle (1) above.

The business partnership between the Company and SMNC has helped to eliminate some duplicated efforts on introducing and manufacturing products for IC design houses, therefore reducing the time to market and some overhead expenses for both parties. With the expansion of its capacity and continuous innovation, the Company believes that it will be able to enhance its position in the industry and benefit from the increase in its economies of scale.

On February 8, 2018, the Framework Agreement with SMNC 2018-2020 and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

On December 6, 2019, the Company (on behalf of itself and its subsidiaries (other than SMNC)) and SMNC (on behalf of itself and its subsidiaries) entered into an amendment agreement to the Framework Agreement with SMNC 2018- 2020 (the "SMNC Amendment Agreement") to revise the existing annual cap for the transfer of assets between the Company and SMNC contemplated under the Framework Agreement with SMNC 2018-2020, which amounted to US$200 million (or its equivalent in other currencies) for the year ending December 31, 2020 (the "Existing SMNC Annual Cap").

Pursuant to the SMNC Amendment Agreement, the parties have agreed to revise the Existing SMNC Annual Cap such that the maximum annual transaction value for the transfer of assets between the Company and SMNC contemplated under the Framework Agreement with SMNC 2018-2020 shall be adjusted from US$200 million (or its equivalent in other currencies) to US$550 million (or its equivalent in other currencies) for the year ending December 31, 2020. Save for the said revision, all other terms of the Framework Agreement with SMNC 2018-2020 including the applicable pricing policies shall remain unchanged and the Framework Agreement with SMNC 2018-2020 remains valid and enforceable.

The reason for entering into the SMNC Amendment Agreement was that the continuous growth and expansion of the business operations of SMNC (on behalf of itself and its subsidiaries), the Company expected that the Existing SMNC Annual Cap would not be sufficient.

As China IC Fund held approximately 15.06% and 15.77% equity interest in the Company through its wholly-owned subsidiary, Xinxin HK, at the time of entering into the Framework Agreement with SMNC 2018-2020 and at the time of entering into the SMNC Amendment Agreement, respectively, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. As China IC Fund held 32.00% equity interest in the registered capital of SMNC as at the date of entering into the Framework Agreement with SMNC 2018-2020, and at the time of entering into the SMNC Amendment Agreement, SMNC was therefore a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

On February 13, 2020, the SMNC Amendment Agreement and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

The annual caps and actual amounts generated by the Company from the transactions entered into pursuant to the Framework Agreement with SMNC 2018-2020 and the SMNC Amendment Agreement during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Purchase and sale of goods	1,500	933.1
Rendering of or receiving services	200	112.1
Leasing of assets	200	0.1
Transfer of assets	550 (revised)	367.5
Provision of technical authorization or licensing (including the sharing of research and development costs)	100	2.8
Provision of guarantee	1,000	95.5
Total	3,550 (revised)	1,511.1

3. *Centralized Fund Management Agreement with SMSC – 2017 to 2020 – and SMSC Amendment Agreement*

On June 1, 2017, the Company and its subsidiaries, SMIC Beijing and SMSC entered into the Centralized Fund Management Agreement (the "SMSC Centralized Fund Management Agreement"), pursuant to which: (i) the Company will procure its wholly-owned subsidiary SMIC Beijing to carry out centralized management of the Company's RMB fund and foreign exchange in accordance with the relevant PRC laws and regulations; and (ii) SMSC and its controlling subsidiaries will participate in the Company's centralized fund management system, which will be managed by SMIC Beijing in accordance with the relevant PRC laws and regulations. The SMSC Centralized Fund Management Agreement is for a term commencing on June 1, 2017 and ending on December 31, 2020. On November 7, 2018, the SMSC Centralized Fund Management Agreement and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

Pricing of the SMSC Centralized Fund Management Agreement

The price of the services provided by SMIC Beijing to SMSC contemplated under the SMSC Centralized Fund Management Agreement will be fair in the context of connected transactions and determined according to the market principle on an arm's length basis, and will be subject to compliance with regulatory requirements of the Hong Kong Stock Exchange and relevant requirements for connected transactions that are applicable to the parties.

The SMSC Centralized Fund Management Agreement is in relation to the internal deposit services, collection and payment services and foreign exchange services, internal loan services, provision of letter of credit services and other financial services.

SECTION 7 SIGNIFICANT EVENTS

In relation to the transactions contemplated under the Centralized Fund Management Agreement with SMSC, the internal deposit services to be provided by SMIC Beijing to SMSC will constitute continuing connected transactions by way of financial assistance received by SMIC Beijing from a connected person. Pursuant to Rule 14A.90 of the Hong Kong Listing Rules, as the internal deposit services are conducted on normal commercial terms and not secured by the assets of the Group, the provision of the internal deposit services is fully exempt from the reporting, announcement and/or the independent shareholders' approval requirements under the Hong Kong Listing Rules.

The terms in respect of (i) the collection and payment services and foreign exchange services, internal loan services and other financial services provided by SMIC Beijing to SMSC and (ii) the provision of letter of credit services by the Company to SMSC 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 (i) SMIC Beijing to SMSC for providing the collection and payment services and other financial services and (ii) the Company to SMSC for providing the letter of credit 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 Hong Kong 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 interest rate applicable to loans granted to SMSC by SMIC Beijing will be based on arm's length negotiations by the parties. The Company will make reference to the benchmark interest rate (if any) prescribed by the People's Bank of China ("PBOC") applicable to RMB loans from time to time and published on the PBOC's website for the same type of loans.

The Company considers that the entry into of the SMSC Centralized Fund Management Agreement and the transactions contemplated thereunder will have the following benefits: 1 open up the domestic and foreign funding channels of the Group; 2 reduce the Group' s overall debt levels and increase efficient fund usage; 3 reduce the Group's interest expense; and 4 obtain favorable exchange rate for the Group.

On March 19, 2019, the Company and its subsidiaries, SMIC Beijing and SMSC, entered into an amendment agreement (the "SMSC Amendment Agreement") to revise the existing annual caps for the provision of internal deposit services contemplated under the SMSC Centralised Fund Management Agreement, which amount to US$2,000 million (or its equivalent in other currencies) for the year ended December 31, 2018 and the years ending December 31, 2019 and 2020, respectively (the "Existing SMSC Internal Deposit Services Annual Caps"). Pursuant to the SMSC Amendment Agreement, the parties have agreed to revise the Existing SMSC Internal Deposit Services Annual Caps as set out in the SMSC Centralised Fund Management Agreement such that the maximum annual transaction value for the internal deposit services provided by SMIC Beijing to SMSC contemplated under the SMSC Centralised Fund Management Agreement shall be adjusted from US$2,000 million (or its equivalent in other currencies) for the years ending December 31, 2019 and 2020, respectively, to US$3,500 million (or its equivalent in other currencies) for the years ending December 31, 2019 and 2020, respectively (the "Revised SMSC Internal Deposit Services Annual Caps"). Save for the revision set out above, all other terms of the SMSC Centralised Fund Management Agreement remain unchanged and the SMSC Centralised Fund Management Agreement remains valid and enforceable.

The reason for the revision of annual cap was that the Existing SMSC Internal Deposit Services Annual Caps would not be sufficient to meet the increasing need for internal deposit services of SMSC.

China IC Fund held approximately 27.00% of the equity interest in SMSC at the time of entering into the SMSC Amendment Agreement, SMSC was a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

The annual caps and actual transaction amounts generated by the Company from the fund management services entered into pursuant to the SMSC Centralized Fund Management Agreement and the SMSC Amendment Agreement during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Collection and Payment Services and Foreign Exchange Services	2,000	8.7
Internal Loan Services	2,000	747.8
Letter of Credit Services	2,000	1,756.8
Other Financial Services	50	—

4. *Centralized Fund Management Agreement with SMNC – 2019 to 2021 – and Revision*

On November 29, 2018, the Company, SMIC Beijing and SMNC entered into a centralized fund management agreement ("Centralized Fund Management Agreement with SMNC") in relation to: (i) the Company authorising 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) SMNC participating in the Group's centralized fund management system. On January 11, 2019, the Centralized Fund Management Agreement with SMNC and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company. The Centralized Fund Management Agreement with SMNC is for a term of three years commencing on January 1, 2019 and ending on December 31, 2021.

The Company authorises 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 provides the fund management services to SMNC within the scope permitted by the relevant PRC policies.

Pricing of the Centralized Fund Management Agreement with SMNC

The price of the services provided by SMIC Beijing to SMNC contemplated under the Centralized Fund Management Agreement with SMNC will be fair and reasonable under the Hong Kong Listing Rules, determined according to the market principle on arm's length basis, subject to compliance with requirements for connected transactions of the Hong Kong Stock Exchange and relevant requirements for connected transactions that are applicable to the parties. The Company will ensure that the prices charged to SMNC will not be more favourable than prices charged to its other subsidiaries which are not connected persons under the Hong Kong Listing Rules.

The Centralized Fund Management Agreement with SMNC is in relation to the internal deposit services, collection and payment services and foreign exchange services, internal loan services, provision of letter of credit services and other financial services.

In relation to the transactions contemplated under the Centralized Fund Management Agreement with SMNC, the internal deposit services to be provided by SMIC Beijing to SMNC will constitute continuing connected transactions by way of financial assistance received by SMIC Beijing from a connected person. Pursuant to Rule 14A.90 of the Hong Kong Listing Rules, as the internal deposit services are conducted on normal commercial terms and not secured by the assets of the Group, the provision of the internal deposit services is fully exempt from the reporting, announcement and/or the independent shareholders' approval requirements under the Hong Kong Listing Rules.

The terms in respect of (i) the collection and payment services and foreign exchange services, the internal loan services and other financial services provided by SMIC Beijing to SMNC and (ii) provision of letter of credit services provided by the Company to SMNC 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 (i) SMIC Beijing to SMNC for providing the collection and payment services and other financial services and (ii) the Company to SMNC for providing the letter of credit 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 Hong Kong 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 interest rate applicable to loans granted to SMNC by SMIC Beijing will be based on arm's length negotiations by the parties. The Company will make reference to the benchmark interest rate (if any) prescribed by the PBOC applicable to RMB loans from time to time and published on the PBOC's website for the same type of loans.

The Company considers that the entry into of the Centralized Fund Management Agreement with SMNC and the transactions contemplated thereunder will open up the domestic and foreign funding channels of the Group, increase efficient fund usage and reduce the Group's overall debt levels and interest expense. The centralized management of foreign exchange risk exposure will also reduce the risk of exchange loss of the Group.

On February 14, 2019, the Directors (including the independent non-executive Directors) approved the revision of the existing annual caps for the provision of internal deposit services contemplated under the Centralised Fund Management Agreement with SMNC, which amount to US$2,000 million (or its equivalent in other currencies) for the years ending December 31, 2019, 2020 and 2021, respectively (the "Existing SMNC Internal Deposit Services Annual Caps") such that the maximum annual transaction value for the internal deposit services provided by SMIC Beijing to SMNC contemplated under the Centralised Fund Management Agreement with SMNC shall be adjusted from US$2,000 million (or its equivalent in other currencies) for the years ending December 31, 2019, 2020 and 2021, respectively, to US$3,500 million (or its equivalent in other currencies) for the years ending December 31, 2019, 2020 and 2021, respectively (the "Revised SMNC Internal Deposit Services Annual Caps"). Save for the revision set out above (the "Revision"), all other terms of the Centralised Fund Management Agreement with SMNC remain unchanged and the Centralised Fund Management Agreement with SMNC remains valid and enforceable.

SECTION 7 SIGNIFICANT EVENTS

In view of the increasing balance of cash and cash equivalent of SMNC, being the service recipient of the internal deposit services provided by SMIC Beijing, the Company expected that the Existing SMNC Internal Deposit Services Annual Caps would not be sufficient to meet the increasing need for internal deposit services of SMNC. The Company had therefore proposed to revise the Existing SMNC Internal Deposit Services Annual Cap with the Revised SMNC Internal Deposit Services Annual Caps.

As China IC Fund held approximately 15.81% equity interest in the Company through its wholly-owned subsidiary, Xinxin HK, as at the time of the Revision, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. As at the time of the Revision, the registered capital of SMNC was held as to approximately 51.00% and 32.00% by the Group and China IC Fund, respectively. SMNC was therefore a connected subsidiary of the Company as defined under Rule 14A.16 of the Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

The annual caps and actual transaction amounts generated by the Company from the fund management services entered into pursuant to the Centralized Fund Management Agreement with SMNC during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Collection and Payment Services and Foreign Exchange Services	200	0.4
Internal Loan Services	500	—
Letter of Credit Services	500	—
Other Financial Services	50	—

5. *Centralized Fund Management Contract with SJ Semiconductor Corporation ("SJ Cayman") – 2019 to 2021*

On December 6, 2018, the Company, SMIC Beijing and SJ Cayman entered into centralized fund management agreement ("Centralized Fund Management Agreement with SJ Cayman") in relation to: (i) the Company authorising 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 Cayman participating in the Group's centralized fund management system. The Centralized Fund Management Agreement with SJ Cayman is for a term of three years commencing on January 1, 2019 and ending on December 31, 2021.

The Company authorises 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 provides the fund management services to SJ Cayman within the scope permitted by the relevant PRC policies.

The price of the services provided by SMIC Beijing to SJ Cayman contemplated under the Centralized Fund Management Agreement with SJ Cayman will be fair and reasonable under the Hong Kong Listing Rules, determined according to the market principle on arm's length basis, subject to compliance with requirements for connected transactions of the Hong Kong Stock Exchange and relevant requirements for connected transactions that are applicable to the parties. The Company will ensure that the prices charged to SMNC will not be more favourable than prices charged to its other subsidiaries which are not connected persons under the Hong Kong Listing Rules.

Pricing of the Centralized Fund Management Agreement With SJ Cayman

The Centralized Fund Management Agreement with SJ Cayman is in relation to the internal deposit services, collection and payment services and foreign exchange services, internal loan services, provision of letter of credit services and other financial services.

In relation to the transactions contemplated under the Centralized Fund Management Agreement with SJ Cayman, the internal deposit services provided by SMIC Beijing to SJ Cayman constitute continuing connected transactions by way of financial assistance received by SMIC Beijing from a connected person. Pursuant to Rule 14A.90 of the Hong Kong Listing Rules, as the internal deposit services are conducted on normal commercial terms and not secured by the assets of the Group, the provision of the internal deposit services is fully exempt from the reporting, announcement and/or the independent shareholders' approval requirements under the Hong Kong Listing Rules.

The terms in respect of (i) the collection and payment services and foreign exchange services, internal loan services and other financial services provided by SMIC Beijing to SJ Cayman and (ii) provision of letter of credit services provided by the Company to SJ Cayman 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 (i) SMIC Beijing to SJ Cayman for providing the collection and payment services and foreign exchange services and internal loan services and (ii) the Company to SJ Cayman for providing the letter of credit 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 Hong Kong 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 interest rate applicable to loans granted to SJ Cayman by SMIC Beijing will be based on arm's length negotiations by the parties. The Company will make reference to the benchmark interest rate (if any) prescribed by the PBOC applicable to RMB loans from time to time and published on the PBOC's website for the same type of loans.

The Company considers that the entry into of the Centralized Fund Management Agreement with SJ Cayman and the transactions contemplated thereunder will open up the domestic and foreign funding channels of the Group, increase efficient fund usage and reduce the Group's overall debt levels and interest expense. The centralized management of foreign exchange risk exposure will also reduce the risks of exchange loss of the Group.

As China IC Fund held approximately 15.82% equity interest in the Company through its wholly-owned subsidiary at the time of entering into the a Centralized Fund Management Agreement with SJ Cayman, Xinxin HK, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. China IC Fund held approximately 29.38% equity interest in SJ Cayman as at the date of entering into the a Centralized Fund Management Agreement with SJ Cayman, a majority owned subsidiary of the Company, through its wholly-owned subsidiary, Xunxin (Shanghai) Investment Co., Ltd. ("Xunxin"). SJ Cayman was therefore a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

On November 29, 2018, the Company and SMIC Beijing entered into a centralized fund management agreement with SMNC, another connected subsidiary of the Company (as defined under Rule 14A.16 of the Hong Kong Listing Rules), which was owned as to approximately 51.00% and 32.00% by the Group and China IC Fund, respectively, details of which are set out in the announcement of the Company published on the Hong Kong Stock Exchange dated November 29, 2018. Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, as the nature of the transactions entered into by the Company and SMIC Beijing are similar, the transactions contemplated under the Centralized Fund Management Agreement with SJ Cayman shall be aggregated. On January 11, 2019, the Centralized Fund Management Agreement with SJ Cayman and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

The annual caps and actual transaction amounts generated by the Company from the fund management services entered into pursuant to the Centralized Fund Management Agreement with SJ Cayman during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Collection and Payment Services and Foreign Exchange Services	130	—
Internal Loan Services	130	30
Letter of Credit Services	130	—
Other Financial Services	50	—

6. *Renewed Framework Agreement with Datang Holdings – 2019 to 2021*

On January 23, 2019, the Company entered into a renewed framework agreement with Datang Holdings ("Renewed Framework Agreement"), pursuant to which the Group and Datang Holdings (including its associates) agree to engage in business collaboration including but not limited to foundry service. The term of the Renewed Framework Agreement is for three years commenced from January 1, 2019. The pricing for the transactions contemplated under the Renewed Framework Agreement is determined by reference to reasonable market price available from or to independent third parties in the ordinary and usual course of business based on normal commercial terms and on an arm's length negotiation, or on the actual production cost incurred plus a reasonable profit margin with reference to the general range of profit margins in the industry, and would be determined on terms not less favourable than those applicable to sales by independent third parties to the Company or its subsidiaries and not more favourable than those applicable to sales by the Company or its subsidiaries to independent third parties (if any). In relation to the provision of foundry services by the Company to Datang Holdings, the Company would refer to the terms (including pricing) which it offers to independent third party customers for services of a comparable nature and quantity, as well as the reasonable market prices which are applicable.

The Company considers that Datang Holdings plays a key role in China's semiconductor industry. By entering into the Renewed Framework Agreement and the transactions contemplated thereunder with Datang Holdings, the Company believes that this would bring the Company sustainable business opportunities and also drive the Company's technological achievement.

The annual cap and actual transaction amounts generated by the Group from the transactions entered into pursuant to the Renewed Framework Agreement with Datang Holdings during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
The revenue generated by the Group under the Renewed Framework Agreement	35	7.2

As Datang Holdings is the holding company of Datang HK, a substantial shareholder of the Company, holding approximately 17.05% of the total issued share capital at the time of entering into the Renewed Framework Agreement, Datang Holdings is an associate of Datang HK and hence a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules.

7. Framework Agreement with NSI – 2019 to 2021

On May 15, 2019, the Company and NSI entered into the Framework Agreement in relation to supply of goods (i.e. purchase and sale of spare parts, raw materials, photomasks and finished products), rendering of or receiving services (including but not limited to: (a) processing and testing service; (b) procurement service; (c) research, development and experiment support service; (d) comprehensive, logistics, production management and IT service; and (e) water, electricity, gas and heat provision service), leasing of assets (such as plant, office premises and equipment), transfer of assets, provision of technical authorisation or licensing by the Company to NSI (the "NSI Framework Agreement"). The NSI Framework Agreement has a term of three years commenced on January 1, 2019 and ending on December 31, 2021.

Pricing of the NSI Framework Agreement

The price of the continuing connected transactions contemplated under the NSI Framework Agreement will be determined in accordance with the Pricing Principles (in chronological order) as disclosed above in the paragraph headed "2. Framework Agreement with SMNC – 2018 to 2020 – and Amendment Agreement to Framework Agreement – Pricing of the Framework Agreement with SMNC 2018-2020".

Where the general pricing principles (2) to (5) apply, to the extent possible, each of the Company and NSI 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 continuing connected transactions contemplated under the NSI Framework Agreement in the future, the parties will execute such price first in accordance with the Pricing Principle (1).

The Company considers that the entry into the NSI Framework Agreement and the continuing connected transactions contemplated under the NSI Framework Agreement will enable the Company to support customers in the integrated circuit design and product development for applications in smart home, new generations of radio communications, augmented reality, virtual reality, mixed reality, and other specialty systems. NSI will continue to bring the Company an effective and complete customer and product portfolio.

As China IC Fund held approximately 15.78% interest in the Company through its wholly-owned subsidiary, Xinxin HK, at the time of entering into the NSI Framework Agreement, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. As at the date of entering into the NSI Framework Agreement, the registered capital of NSI was held as to approximately 38.57% and 32.97% by the Group and China IC Fund, respectively. NSI was therefore an associate of China IC Fund as defined under rule 14A.13 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

On December 4, 2020, the Group entering into of the capital increase agreement and the new joint venture agreement with, amongst others, NSI and China IC Fund. China IC Fund held approximately 10.45% interest (through shares and derivatives held) in the Company through its wholly-owned subsidiary, Xinxin HK, as at the date of entering into the capital increase agreement and the new joint venture agreement, it was a connected person of the Company under the Hong Kong Listing Rules. After the date of entering into the capital increase agreement and the new joint venture agreement, the registered capital of NSI was held as to approximately 15.85% and 13.55% by the Group and China IC Fund, respectively. Therefore, NSI is no longer an associate of China IC Fund and a connected person of the Company under the Hong Kong Listing Rules.

The annual caps and actual transaction amounts generated by the Company from the transactions entered into pursuant to the NSI Framework Agreement during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Purchase and sale of goods	75.5	12.3
Rendering of or receiving services	1.2	0.6
Leasing of assets	0.1	0.1
Transfer of assets	—	—
Provision of technical authorization or licensing	3.0	—
Total	79.8	13.0

8. Framework Agreement with SMSC – 2020 to 2021 – and Amendment Agreement to Framework Agreement

On December 6, 2019, the Company and its subsidiaries (other than SMSC) and SMSC entered into a framework agreement in relation to the supply of goods (i.e. purchase and sale of spare parts, raw materials, photomasks and finished products), rendering of or receiving services (including but not limited to: (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, IT and other service; and (g) water, electricity, gas and heat provision service), leasing of assets (such as plant, office premises and equipment), transfer of assets, provision of technical authorization or licensing as well as the sharing of research and development costs and provision of guarantee by the Company and/or its subsidiaries (other than SMSC) for SMSC's financing activities. The framework agreement is for a term of two years commencing on January 1, 2020 and ending on December 31, 2021 ("Framework Agreement with SMSC 2020-2021"). On February 13, 2020, the Framework Agreement with SMSC 2020-2021 and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

Pricing of the Framework Agreement with SMSC 2020-2021

The price of the continuing connected transactions contemplated under the Framework Agreement with SMSC 2020- 2021 will be determined in accordance with the Pricing Principles (in chronological order) as disclosed above in the paragraph headed "2. Framework Agreement with SMNC – 2018 to 2020 – and Amendment Agreement to Framework Agreement – Pricing of the Framework Agreement with SMNC 2018-2020."

Where the Pricing Principles (2) to (5) apply, to the extent possible, each of the Company and/or its subsidiaries (other than SMSC) and SMSC will obtain at least two quotations or tenders from independent third parties before agreeing upon the applicable price.

The Company considers that the entry into the Framework Agreement with SMSC 2020-2021 and the continuing connected transactions contemplated under the Framework Agreement with SMSC 2020-2021 provide the Company with an effective and complete wafer production to meet its needs. SMSC operates a 12-inch wafer fab with FinFET process capability. The Company will allocate some of its FinFET manufacturing to SMSC to ensure future wafer production needs of the Company are met.

The business partnership between the Company and SMSC helps to eliminate some duplicated efforts in introducing and manufacturing FinFET nodes for IC design houses, thereby reducing the time to market and some overhead expenses for both parties. With the expansion of its capacity and continuous innovation, the Company believes that it will be able to enhance its position in the industry and benefit from the increase in its economies of scale.

China IC Fund held approximately 15.77% interest in the Company through its wholly-owned subsidiary at the time of entering into the Framework Agreement with SMSC 2020-2021, Xinxin HK. Accordingly, it was a connected person of the Company at the issuer level pursuant to the Hong Kong Listing Rules. As at the date of entering into the Framework Agreement with SMSC 2020-2021, the registered capital of SMSC was held as to approximately 50.10% and 27.04% by the Group and China IC Fund, respectively. SMSC was therefore a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

On August 31, 2020, the Company (on behalf of itself and its subsidiaries (other than SMSC)) and SMSC entered into the amendment agreement to the Framework Agreement with SMSC 2020-2021 (the "SMSC Amendment Agreement 2020") to revise the existing annual caps for the transfer of assets between the Company and SMSC contemplated under the Framework Agreement with SMSC 2020-2021, which amounted to US$90 million (or its equivalent in other currencies) and US$104 million (or its equivalent in other currencies) for the year ending December 31, 2020 and 2021 respectively (the "Existing SMSC Annual Caps") such that the maximum annual transaction value for the transfer of assets shall be adjusted from US$90 million (or its equivalent in other currencies) and US$104 million (or its equivalent in other currencies) for the year ending December 31, 2020 and 2021, respectively, to US$239 million (or its equivalent in other currencies) and US$658 million (or its equivalent in other currencies) for the year ending December 31, 2020 and 2021 respectively. Save for the said revision, all other terms of the Framework Agreement with SMSC 2020-2021 including the applicable pricing policies shall remain unchanged and the Framework Agreement with SMSC 2020-2021 remains valid and enforceable. On December 15, 2020, the SMSC Amendment Agreement 2020 and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

The reason for entering into the SMSC Amendment Agreement 2020 is that due to the continuous growth and expansion of the business operations of SMSC, the Company expects that the Existing SMSC Annual Caps would not be sufficient.

The annual caps, revised annual cap and actual transaction amounts generated by the Company from the transactions entered into pursuant to the Framework Agreement with SMSC 2020-2021 and SMSC Amendment Agreement 2020 during the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Purchase and sale of goods	299	107.8
Rendering of or receiving services	133	59.6
Leasing of assets	42	9.6
Transfer of assets	239 (Revised)	63.1
Provision of technical authorization or licensing	606	2.2
Provision of guarantee	1,000	—
Total	2,319 (Revised)	242.3

China IC Fund held approximately 15.77% and 10.36% interest in the Company through its wholly-owned subsidiary, Xinxin HK, at the time of entering into the Framework Agreement with SMSC 2020-2021 and at the time of entering into the SMSC Amendment Agreement 2020, respectively. Accordingly, it was a connected person of the Company at the issuer level pursuant to the Hong Kong Listing Rules. As at the date of entering into the Framework Agreement with SMSC 2020-2021, the registered capital of SMSC was held as to approximately 50.10% and 27.04% by the Group and China IC Fund, respectively. SMSC was therefore a connected subsidiary of the Company as defined under Rule 14A.16 of the Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules. As at the date of entering into the SMSC Amendment Agreement 2020, the registered capital of SMSC was held as to approximately 38.515%, 14.562%, 23.077%, 12.308% and 11.538% by SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively. SMSC was regarded as a subsidiary of the Company since SMIC Holdings is entitled to appoint the majority of the directors in SMSC's board of directors and veto certain material matters discussed at a general meeting of SMSC at its sole discretion. The Company has effective control over SMSC and accordingly the financial results of SMSC is consolidated into the consolidated financial statements of the Group under the relevant accounting policy. Each of China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II was also a connected person of the Company by way of being a substantial shareholder (as defined in the Listing Rules) of SMSC. SMSC was a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

9. Framework Agreement with SJ Cayman — 2020 to 2022

On December 26, 2019, the Company and its majority owned subsidiary, SJ Cayman, entered into a framework agreement in relation to the supply of goods (i.e. purchase and sale of spare parts and raw materials), rendering of or receiving services (i.e. (a) processing and testing service; (b) procurement service; (c) research, development and experiment support service; (d) comprehensive administration, logistics, production management and IT service), leasing of assets (such as plant, office premises and equipment), transfer of assets and provision of technical authorization or licensing by the Company to SJ Cayman with a term commencing on January 1, 2020 and ending on December 31, 2022 and subject to the terms and conditions provided therein ("Framework Agreement with SJ Cayman 2020-2022").

The price of the transactions contemplated under the Framework Agreement with SJ Cayman 2020-2022 will be determined in accordance with the following general principles in chronological 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; and

(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 Continuing Connected Transactions with SJ Cayman in the future, the parties will execute such price first in accordance with pricing principle (1) above.

The Company considers that the entering into of the Framework Agreement with SJ Cayman 2020-2022 and the transactions contemplated thereunder with SJ Cayman continues to bring the Company an effective and complete wafer turn-key solution.

China IC Fund held approximately 15.77% equity interest in the Company through its wholly-owned subsidiary Company, Xinxin HK, at the time of entering into the Framework Agreement with SJ Cayman 2020-2022. Accordingly, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. As at the time of entering into the Framework Agreement with SJ Cayman 2020–2022, the Company held approximately 55.97% equity interest in SJ Cayman and China IC Fund held approximately 29.36% equity interest in SJ Cayman through its wholly-owned subsidiary, Xunxin (Shanghai) Investment Co. Ltd.. SJ Cayman was therefore a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

The annual caps and actual transaction amounts generated by the Company from the transactions entered into pursuant to the Framework Agreement with SJ Cayman 2020-2022 for the year ended December 31, 2020 are set out below.

Transactions	Annual caps on transactions amount in 2020 US$ million	Actual Transaction Amounts for the year ended December 31, 2020 US$ million
Supply of goods and services, transfer of equipment and provision of technical authorization or licensing generated by the Company	19	2.3
Supply of goods and services and transfer of equipment generated by SJ Cayman	70	52.3

10. Centralized Fund Management Agreement with SMSC – 2021 to 2023

On August 31, 2020, the Company and its subsidiaries, SMIC Beijing and SMSC entered into the Centralized Fund Management Agreement (the "SMSC Centralized Fund Management Agreement 2021-2023"), in relation to the internal deposit services, collection and payment services and foreign exchange services, internal loan services, provision of letter of credit services and other financial services with a term of three years commencing on January 1, 2021 and ending on December 31, 2023. On December 15, 2020, the SMSC Centralized Fund Management Agreement 2021-2023 and the transactions contemplated thereunder were considered and approved at extraordinary general meeting of the Company.

The Company will authorise its wholly-owned subsidiary SMIC Beijing to carry out centralised management of the Group's RMB fund and foreign exchange in accordance with the relevant PRC laws and regulations. Based on such authorisation, SMIC Beijing will provide the fund management services to SMSC within the scope permitted by the relevant PRC policies.

The price of the services provided by SMIC Beijing to SMSC contemplated under the SMSC Centralised Fund Management Agreement 2021-2023 would be fair and reasonable under the Hong Kong Listing Rules, determined according to the market principle on arm's length basis, subject to compliance with requirements for connected transactions of the Hong Kong Stock Exchange and relevant requirements for connected transactions that are applicable to the parties. The Company would ensure that the prices charged to SMSC would not be more favourable than prices charged to its other subsidiaries which are not connected persons under the Hong Kong Listing Rules. The terms in respect of each of the centralised fund management services by the Company or SMIC Beijing to SMSC 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 price of the transactions contemplated under the SMSC Centralized Fund Management Agreement 2021-2023 will be determined in accordance with the relevant pricing policies as disclosed above in the paragraph headed "3. Centralized Fund Management Agreement with SMSC – 2017 to 2020 – and SMSC Amendment Agreement – Pricing of the SMSC Centralized Fund Management Agreement".

The annual caps under the SMSC Centralized Fund Management Agreement 2021-2023 are set out below.

	For the year ended December 31,		
Annual Caps	**2023** US$ million	**2022** US$ million	**2021** US$ million
Collection and Payment Services and Foreign Exchange Services	2,500	2,500	2,500
Internal Loan Services	1,500	1,500	1,500
Letter of Credit Services	2,000	2,000	2,000
Other Financial Services	50	50	50

The Company considers that the entry into of the SMSC Centralised Fund Management Agreement 2021-2023 and the transactions contemplated thereunder will open up the domestic and foreign funding channels of the Group; reduce the Group's overall debt levels and increase efficient fund usage; reduce the Group's interest expense; and obtain favorable exchange rate for the Group.

China IC Fund held approximately 10.36% shareholding in the Company through its wholly-owned subsidiary, XinXin HK, at the time of entering into the SMSC Centralized Fund Management Agreement 2021-2023, it was a connected person of the Company at the issuer level under the Hong Kong Listing Rules. The registered capital of SMSC was owned as to approximately 38.515%, 14.562%, 23.077%, 12.308% and 11.538% by SMIC Holdings, China IC Fund, China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II, respectively. SMSC was regarded as a subsidiary of the Company since SMIC Holdings was entitled to appoint the majority of the directors in SMSC's board of directors and veto certain material matters discussed at a general meeting of SMSC at its sole discretion. The Company has effective control over SMSC and accordingly the financial results of SMSC is consolidated into the consolidated financial statements of the Group under the relevant accounting policy. Each of China IC Fund II, Shanghai IC Fund and Shanghai IC Fund II was also a connected person of the Company by way of being a substantial shareholder (as defined in the Listing Rules) of SMSC. SMSC was a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

11. Framework Agreement with SMNC – 2021 to 2023

On September 2, 2020 the Company (on behalf of itself and its subsidiaries (other than SMNC and its subsidiaries)) and SMNC (on behalf of itself and its subsidiaries) entered into a framework agreement in relation to the supply of goods (i.e. purchase and sale of spare parts, raw materials, photomasks and finished products), rendering of or receiving services (including but not limited to: (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, IT and other service; and (g) water, electricity, gas, heat and use of chemicals provision service), leasing of assets (such as plant, office premises and equipment), transfer of assets, provision of technical authorization or licensing by the Company and/or its subsidiaries (other than SMNC and its subsidiaries) to SMNC and/or its subsidiaries and provision of guarantee by the Company and/or its subsidiaries (other than SMNC and its subsidiaries) for SMNC's financing activities. The framework agreement is for a term of three years commencing on January 1, 2021 and ending on December 31, 2023 ("Framework Agreement with SMNC 2021-2023"). On December 15, 2020, the Framework Agreement with SMNC 2021-2023 and the transactions contemplated thereunder were considered and approved at extraordinary general meeting of the Company.

The price of the transactions contemplated under the Framework Agreement with SMNC 2021-2023 will be determined in accordance with the Pricing Principles (in chronological order) as disclosed above in the paragraph headed "2. Framework Agreement with SMNC – 2018 to 2020 – and Amendment Agreement to Framework Agreement – Pricing of the Framework Agreement with SMNC 2018-2020."

The reason for entering into the Framework Agreement with SMNC 2021-2023 was that the market demand for 28 nanometer and 40 nanometer products continues to increase, the Company will continue to allocate its manufacturing of 28 nanometer and 40 nanometer products to SMNC to ensure future wafer production needs of the Group are met.

China IC Fund held approximately 10.36% interest in the Company through its wholly-owned subsidiary, Xinxin HK, at the time of entering into the Framework Agreement with SMNC 2021-2023. Accordingly, it was a connected person of the Company at the issuer level pursuant to the Hong Kong Listing Rules. The registered capital of SMNC was held as to approximately 51% and 32% by the Group and China IC Fund, respectively. SMNC was therefore a connected subsidiary of the Company as defined under rule 14A.16 of the Hong Kong Listing Rules and thus a connected person of the Company under the Hong Kong Listing Rules.

The annual caps under the Framework Agreement with SMNC 2021-2023 are set out below.

Annual Caps	For the year ended December 31, 2023 US$ million	2022 US$ million	2021 US$ million
Purchase and sale of goods	1,800	1,800	1,600
Rendering of or receiving services	200	200	200
Leasing of assets	200	200	200
Transfer of assets	200	200	200
Provision of technical authorization or licensing	100	100	100
Provision of guarantee	1,000	1,000	1,000

Conclusion

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions disclosed above in this section headed "(II) Non-exempt Continuing Connected Transactions Disclosed under the Hong Kong Listing Rules" for the year ended December 31, 2020 followed the relevant pricing principles of such continuing connected transactions. It is noted that none of the transaction amounts of the above continuing connected transaction item 1. to item 9. exceeded the annual caps for the year ended December 31, 2020.

The independent non-executive Directors of the Company have confirmed to the Board that they have reviewed all non-exempt continuing connected transactions and are of the view that:

(a) those transactions were conducted in the ordinary and usual course of business of the Group;

(b) those transactions were entered into on normal commercial terms or better; and

(c) those transactions were conducted in accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

AUDITOR REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," and with reference to Practice Note 740, "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules," issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its conclusions (with a copy provided to the Hong Kong Stock Exchange) in accordance with Rule 14A.56 of the Hong Kong Listing Rules and confirming that nothing has come to their attention that causes them to believe the continuing connected transactions:

(1) have not been approved by the Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involved provision of goods or services by the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the caps.

RELATED PARTY TRANSACTIONS

Save as disclosed above, the Group entered into several transactions with multiple parties that are considered "related parties" under the applicable accounting standards, and these transactions are not regarded as connected transactions under the Hong Kong Listing Rules. Details of such related party transactions are disclosed in Note 41 to the Hong Kong consolidated financial statements.

VII. MATERIAL CONTRACTS

(I) GUARANTEES

in USD'000

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)	
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	—
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	—

Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	550,047
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	2,275,371

Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	2,275,371
Percentage of aggregate guarantee to net assets of the Company (%)	14.99%
Representing:	
Amount of guarantee provided for shareholders, de facto controller and related parties (C)	—
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	726,458
Excess amount of aggregate guarantee over 50% of net assets (E)	—
Aggregate amount of the above three categories (C+D+E)	726,458

(II) ENTRUSTED CASH ASSET MANAGEMENT

1. Entrusted wealth management

(1) Overall entrusted wealth management

in USD'000

Type	Sources of funds	Amount in current period	Outstanding balance	Amounts overdue but not yet recovered
Structured deposits	Self-owned funds	336,778	107,157	—

(2) Individual entrusted wealth management

in USD'000

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Actual income or loss	Actual recovery	Through a legal procedure or not	Whether any future plan for entrusted wealth management	Provision for impairment losses (if any)
Bank of Dalian	Structured deposits	15,308,075	12/27/2019	12/28/2020	Self-owned funds	Structured deposits	Principal-guaranteed floating income	3.9%	Nil	600.3	Recovered	Yes	No	–
Huaxia Bank	Structured deposits	107,156,525	1/14/2020	1/13/2021	Self-owned funds	Structured deposits	Principal-guaranteed floating income	3.8%	Nil	4,071.9	Not recovered yet	Yes	No	–
Huaxia Bank	Structured deposits	107,156,525	5/27/2020	10/9/2020	Self-owned funds	Structured deposits	Principal-guaranteed floating income	3.53%	Nil	1,399.1	Recovered	Yes	No	–
Huaxia Bank	Structured deposits	107,156,525	5/27/2020	10/9/2020	Self-owned funds	Structured deposits	Principal-guaranteed floating income	3.53%	Nil	1,399.1	Recovered	Yes	No	–

2. Other information

Type of investment	Fund manager	Investment amount	Product type	Term of investment	Lawsuits involved or not
Harvest Express Monetary A	Harvest Fund Management Co., Ltd.	RMB2,500,000	Non-principal-guaranteed floating income	Nil	Nil

VIII. USE OF THE PROCEEDS

in USD'000

Total proceeds	7,513,885	Total Proceeds invested for the year	4,449,543
Total proceeds with changed use	—	Total accumulated Proceeds that are already invested	4,449,543
Percentage of total proceeds with changed use (%)	—		

Projects with Committed investments	Changed projects, including those with partial changes, if any	Total committed investments amount from the Proceeds	Total investment amount after adjustment	Committed investment amount as at the end of the period	Investment amount for the year	Accumulated investment amount as at the end of the period	Difference between accumulated investment amount and committed investment amount as at the end of the period	Progress in investment as at the end of the period(%)	Expected usable date for the projects	Revenue generated during the year	Whether the expected revenue can be reached	Whether significant changes have been made to the project feasibility
12-inch wafer SN1 project	No	2,575,424	2,575,424	2,575,424	1,568,870	1,568,870	(1,006,554)	60.9	N/A	N/A	N/A	No
Reserve funds for FinFET and Non FinFET technology	No	1,001,554	1,001,554	1,001,554	230,976	230,976	(770,578)	23.1	N/A	N/A	N/A	No
Construction of Non FinFET technology production line	No	1,401,740	1,401,740	1,401,740	114,530	114,530	(1,287,211)	8.2	N/A	N/A	N/A	No
Supplementary working capital	No	2,535,167	2,535,167	2,535,167	2,535,167	2,535,167	—	100.0	N/A	N/A	N/A	No
Total		7,513,885	7,513,885	7,513,885	4,449,543	4,449,543	(3,064,343)		—	—	—	—

Initial investment and capital replacement in fundraising investment projects	On August 6, 2020, the Board reviewed and approved the Proposal for Replacement of the Proceeds with the Self-raised Funds Invested in Advance, and agreed that the Company shall utilize the proceeds from the public offering to replace the self-raised funds invested in advance of RMB4,494.5 million as at July 31, 2020 for project funded with proceeds, and the issuance expenses of RMB3.2 million. The time between the replacement and the arrival of raised funds does not exceed 6 months, and the relevant approval procedures meet the requirements of the Company's "Measures for Managing the Proceeds Raised". The above matters are within the approval authority of the Board and do not need to be submitted to the general meeting of shareholders for the approval. The joint sponsor Haitong Securities and CICC issued the "Verification Opinions of Haitong Securities and CICC on SMIC Using the Raised Proceeds to Replace the Self-raised Funds Previously Invested in the Raised Projects", and PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued the status report of PwC Te Shen Zi [2020] No. 2907.
Idle proceeds used to temporarily replenish working capital	There is no temporary replenishment of working capital by idle proceeds for the year.
Idle proceeds for cash management and investing in relevant products	There is no cash management or investment in relevant products with idle proceeds for the year.
Surplus Proceeds used to permanently replenish working capital and repay bank loans	On August 6, 2020, the Board of the Company reviewed and approved the "Proposal on the Use of Over-Raised Proceeds in IPO", and agreed that the Company shall use part of the over-raised proceeds in IPO for permanent supplement of working capital, totaling RMB7,662.8 million (approximately US$1,172.1 million). The proposal is within the authority of the Board and does not need to be submitted to the general meeting of shareholders for the approval. As of December 31, 2020, the Company has completed the permanent supplement of working capital with over-raised proceeds in IPO, after which the Company did not make high-risk investment or provide financial assistance to others.
Balance of the Proceeds and the reason for its formation	There is no balance of proceeds for the year.

IX. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) SOCIAL RESPONSIBILITIES

Please see "I. Performance of Social Responsibilities" in "Section 11 Social Responsibility" for details.

(II) ENVIRONMENTAL INFORMATION

Please see "II. Environmental Information" in "Section 11 Social Responsibility" for details.

SECTION 8 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) TABLE OF CHANGES IN ORDINARY SHARES

1. Table of changes in Ordinary Shares

Unit: Share

	Prior to the change		Increase/decrease (+, -) in the change			After the change	
	Number	Proportion (%)	Issuance of new shares	Others	Sub-total	Number	Proportion (%)
I. Shares subject to selling restrictions	—	—	898,231,777	—	898,231,777	898,231,777	11.66
1. Shares held by state-owned legal persons	—	—	264,349,403	—	264,349,403	264,349,403	3.43
2. Shares held by other domestic investors	—	—	510,007,370	—	510,007,370	510,007,370	6.62
Including:Shares held by domestic non-state-owned legal persons	—	—	510,007,370	—	510,007,370	510,007,370	6.62
3. Shares held by foreign investors	—	—	123,875,004	—	123,875,004	123,875,004	1.61
Including:Shares held by overseas legal persons	—	—	123,875,004	—	123,875,004	123,875,004	1.61
II. Tradable shares not subject to selling restrictions	5,056,868,912	100	1,040,231,223	708,175,615	1,748,406,838	6,805,275,750	88.34
1. Ordinary Shares denominated in RMB	—	—	1,040,231,223	—	1,040,231,223	1,040,231,223	13.50
2. Overseas-listed foreign shares	5,056,868,912	—	—	708,175,615	708,175,615	5,765,044,527	74.84
III. Total Ordinary Shares	5,056,868,912	100	1,938,463,000	708,175,615	2,646,638,615	7,703,507,527	100.00

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

2. Description of changes in Ordinary Shares

(1) On June 29, 2020, the Company received the Reply on Approval for the Registration of Initial Public Offering of Shares of Semiconductor Manufacturing International Corporation (Zheng Jian Xu Ke [2020] No. 1278) from the CSRC. The A Shares issued by the Company was listed on the SSE STAR Market on July 16, 2020. After the over-allotment option was exercised on August 14, 2020, the final number of shares issued by the Company in this issue was 1,938,463,000 shares, and the registration and custody procedures for shares newly issued was completed in Shanghai Branch of China Securities Depository and Clearing Corporation Limited on August 18, 2020.

(2) The number of Hong Kong Shares of the Company increased by 708,175,615 shares upon the exercise of options, the exercise of restricted share units and the conversion of convertible bonds.

3. The impact of changes in Ordinary Shares on financial indicators such as earnings per share and net assets per share in the previous year and the latest period (if any)

On July 16, 2020, the Group was listed on the SSE STAR Market. The number of RMB Ordinary A Shares under this offering was 1,938,463,000 (after the exercise of the over-allotment option). The aggregate proceeds amounted to RMB53,230.2 million (equivalent to approximately US$7,615.9 million). After deducting issuance costs including underwriting fees and other issuance costs, the net proceeds were RMB52,515.6 million (equivalent to approximately US$7,513.7 million), which resulted in an increase of RMB54.2 million (equivalent to approximately US$7.8 million) in share capital and an increase of RMB52,461.4 million (equivalent to approximately US$7,506.1 million) in capital reserves.

Items	2020	2020 (with same standard)
Basic earnings per share (USD/share)	0.11	0.13
Diluted earnings per share (USD/share)	0.11	0.12
Net assets per share attributable to the shareholders of the Company (USD/share)	2.4	2.8

Note: Basic earnings per share, diluted earnings per share and net assets per share attributable to the ordinary shareholders of the Company for 2020 (with same standard) is calculated upon the same standard as if no shares were issued in 2020.

II. ISSUE AND LISTING OF SECURITIES

(I) ISSUE OF SECURITIES IN THIS YEAR

Unit: Share

Type of shares and derivative securities	Issue date	Issue price (or rate)	Issue amounts	Listing date	Amounts approved for listing	Ending date for transaction
Ordinary Shares (Note)	Monday, July 13, 2020	RMB27.46	1,938,463,000	Thursday, July 16, 2020	1,938,463,000	—
First Tranche Super Short-Term Notes in 2020 of Semiconductor Manufacturing International Corporation	Friday, January 10, 2020	2.40%	RMB1,500,000,000	Tuesday, January 14, 2020	RMB1,500,000,000	Wednesday, May 27, 2020
Offshore issuance of the U.S. Dollar denominated bonds	Thursday, February 27, 2020	2.693%	US$600,000,000	Friday, February 28, 2020	US$600,000,000	Thursday, February 27, 2025
Second Tranche Super Short-Term Notes in 2020 of Semiconductor Manufacturing International Corporation	Tuesday, April 14, 2020	1.85%	RMB1,500,000,000	Friday, April 17, 2020	RMB1,500,000,000	Tuesday, August 4, 2020

Note: The A Share offering and listing introduced an over-allotment option mechanism. The over-allotment option of the Company was fully exercised on August 14, 2020, and the total number of shares issued has therefore expanded to 1,938,463,000 shares.

1. Issue of new shares

On June 1, 2020, an ordinary resolution was proposed and approved at the extraordinary general meeting of the Company in relation to the approval of the Company's proposed issue of no more than 1,685,620,000 ordinary shares to be subscribed for in RMB by investors in the PRC, listed on the SSE STAR Market and traded in RMB (the "RMB Share Issue"). The Board considers that the RMB Share Issue would enable the Company to access the PRC capital market by way of equity financing and improve its capital structure while maintaining its international development strategy.

On July 16, 2020, the Company made its trading debut on SSE STAR Market and became the first overseas listed Red-Chip company that was dual-listed on the Main Board of the Hong Kong Stock Exchange and SSE STAR Market.

By way of the RMB Share Issue on the SSE STAR Market, 1,685,620,000 ordinary shares of the Company were subscribed. The subscribers included qualified off-line investors as well as natural persons, legal persons, other institutional investors (except persons prohibited by PRC laws and regulations, rules and regulatory documents), connected persons of the Company as strategic investors and such other target subscribers meeting the relevant qualification requirements of the China Securities Regulatory Commission ("CSRC"), who maintain stock accounts with the SSE. The gross proceeds were RMB46,287.1 million (equivalent to approximately US$6,615.8 million, before the exercise of over-allotment option). After deducting issuance costs (including underwriting fees and other issuance costs), the net proceeds were RMB45,662.8 million (equivalent to approximately US$6,526.5 million), which resulted in an increase of RMB47.2 million (equivalent to approximately US$6.7 million) in share capital and an increase of RMB45,615.6 million in capital reserves (equivalent to approximately US$6,519.8 million). The issue price of each ordinary share was RMB27.46. For further details about the RMB Share Issue, please refer to the circulars of the Company dated May 9, 2020 and June 6, 2020.

On August 6, 2020, the Board reviewed and approved the proposal for replacement of the proceeds from this issue with the self-raised funds invested in advance, and agreed that the Company shall utilize the proceeds from the public offering to replace the self-raised funds invested in advance of RMB4,494.5 million (equivalent to approximately US$647.5 million) as at July 31, 2020 for 12-inch SN1 project and research and development ("R&D") project for FinFET and Non FinFET technology production line, and the issuance expenses of RMB3.2 million (equivalent to approximately US$0.5 million). The time for the replacement of the funds was within six months from the time the proceeds from this issue were received, which is in compliance with relevant regulations of the CSRC and the SSE.

In accordance with the over-allotment option mechanism, during the post-listing stabilization period of this Issue of the Company, which is from the date when the shares of this issue started trading on the SSE to and including the 30th calendar day after listing, Haitong Securities, the authorized lead underwriter has the right to utilize the proceeds from the over- allotment of the shares to purchase shares of the Company by counterparty best price method as prescribed by SSE over the continuous bidding time and the quoted bid price is not allowed to exceed the issue price of this issue.

As of August 14, 2020, Haitong Securities has fully exercised the over-allotment options. The Company issued an additional 252,843,000 shares based on the initial issuance of 1,685,620,000 shares at the issue price of RMB27.46 per share of this Issue, accounting for 15% of the initial shares of this issue. The total amount of funds raised by the Company from such exercise is approximately RMB6,943.1 million (equivalent to approximately US$1,000.1 million). The total amount of funds raised from the issue is approximately RMB53,230.2 million (equivalent to approximately US$7,615.9 million). The net amount of funds raised after deducting the issuance expenses of approximately RMB714.6 million (equivalent to approximately US$102.2 million) is approximately RMB52,515.6 million (equivalent to approximately US$7,513.7 million). The net price to each ordinary share was RMB27.09. The proceeds were used according to the intended use of proceeds as previous disclosed.

The total funds raised from the RMB Share Issue and details of the use of proceeds are as follows:

Total proceeds raised from the issue	Intended use of the proceeds as previously disclosed	Accumulated proceeds utilized as of the release date of this report	Unutilized proceeds as of the release date of this report	Expected timeline for the use of unutilized proceeds
US$7,513.7 million	12-inch SN1 project, reserve funds for R&D project for FinFET and Non FinFET technology, and for supplemental working capital purpose	US$4,760.6 million	US$2,753.1 million	Before the end of 2022

(2) Issue of US$200 million zero coupon convertible bonds due 2022

Issue of US$200 million (equivalent to approximately RMB1,617.1 million) zero coupon convertible bonds due 2022 were disclosed in the announcement of the Company dated November 18, 2019 and listed on the Singapore Exchange on December 10, 2019.

The total funds raised from the issue and details of the use of proceeds are as follows:

Total proceeds raised from the issue	Proceeds from the issue brought forward as on January 1, 2020	Intended use of the proceeds as previously disclosed	Utilized proceeds as of the release date of this report	Unutilized proceeds as of the release date of this report
US$229.5 million	US$229.5 million	The Company's capital expenditure for capacity expansion and general corporate purposes	US$229.5 million	US$0

2. Issue of Bonds

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

On January 10, 2020, the Company issued short-term notes in a principal amount of RMB1,500.0 million (equivalent to approximately US$216.3million) with a maturity date of May 28, 2020 and with a interest rate of 2.4%, which was repaid on May 28, 2020. On April 14, 2020, the Company issued short-term notes in a principal amount of RMB1, 500.0 million (equivalent to approximately US$213.1 million) with a maturity date of August 5, 2020 and with a interest rate of 1.85%, which was repaid on August 5, 2020. Such short-term notes were issued through China Interbank Market Dealers Association.

The nine-month short-term notes in a principal amount of RMB1,500.0 million (equivalent to approximately US$219.0 million) with an interest rate of 3.10% issued on July 23, 2019 were repaid on April 20, 2020.

(III) CHANGES IN THE TOTAL NUMBER OF ORDINARY SHARES OF THE COMPANY AND SHAREHOLDER STRUCTURE AND CHANGES IN THE COMPANY'S ASSETS AND LIABILITIES STRUCTURE

Pursuant to the Reply on Approval for the Registration of Initial Public Offering of Shares of Semiconductor Manufacturing International Corporation (Zheng Jian Xu Ke [2020] No. 1278) issued by the CSRC on June 29, 2020, the Company was approved to offer 1,938,463,000 RMB Ordinary Shares (after the exercise of the over-allotment option) to the public, which were listed on the SSE STAR Market on July 16, 2020. Please refer to "I. CHANGES IN ORDINARY SHARE CAPITAL" in this section for the details of changes in the total number of ordinary shares.

The below table set out the asset and liabilities structure:

in USD'000

	12/31/20	12/31/19
Total assets	**31,320,575**	16,437,820
Total liabilities	**9,638,837**	6,239,958
Debt to asset ratio	**30.8%**	37.9%

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) TOTAL NUMBER OF SHAREHOLDERS

Total number of shareholders of ordinary shares as at the end of the reporting period(1)	Number of registered shareholders
Total number of shareholders of ordinary shares as at the end of the reporting period(1)	385,097
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed(2)	374,119
Total number of shareholders of preference shares with voting rights restored as at the end of the reporting period	—
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	—

Note:

(1) As at the end of the reporting period, 385,097 shareholders consist of 371,895 holding A Shares and 13,202 holding Hong Kong Shares.

(2) As of February 28, 2021, 374,119 shareholders consist of 361,163 holding A Shares and 12,956 holding Hong Kong Shares.

Number of holders of depositary receipts

Total number of holders of depositary receipts as at the end of the reporting period	Number of registered shareholders
Total number of holders of depositary receipts as at the end of the reporting period	22
Total number of holders of depositary receipts as at the end of the month preceding the day when the annual report was disclosed	23

Note: ADR programme has terminated on March 4, 2021 (US Eastern Time).

(II) SUBSTANTIAL SHAREHOLDERS

As at December 31, 2020, the Company was informed that the following persons (other than the Directors, and the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or interest or short position in 5% or more of the issued shares and underlying shares recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Ordinary Shares held Held Directly	Number of Ordinary Shares held Held Indirectly	Percentage of Ordinary Shares held to total issued Share Capital(1)	Derivatives	Total Interests	Percentage of total interests to total issued Share Capital(1)
China Information and Communication Technology Group Co., Ltd. and related stakeholders								
China Information and Communication Technology Group Co., Ltd.	Interest of corporation controlled	Long Position	72,470,855(2)	859,522,595(2)	12.10	–	931,993,450	12.10
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	859,522,595(2)	–	11.16	–	859,522,595	11.16
Pagoda Tree Investment Company Limited	A concert party to an agreement described in s.317(1)(a)	Long Position	–	859,522,595(3)	11.16	–	859,522,595	11.16
China Integrated Circuit Industry Investment Fund Co., Ltd. and related stakeholders								
China Integrated Circuit Industry Investment Fund Co., Ltd.	Interest of corporation controlled	Long Position	–	622,054,901(4)	8.07	183,178,403(5)	805,233,304	10.45
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	622,054,901(4)	–	8.07	183,178,403(5)	805,233,304	10.45

Notes:

(1) Based on 7,703,507,527 Ordinary Shares in issue as at December 31, 2020.

(2) 859,522,595 shares are held by Datang HK which is a wholly-owned subsidiary of Datang Holdings, which in turn is wholly-owned by CICT In addition, CICT directly holds 72,470,855 Ordinary Shares denominated in RMB, for a total of 931,993,450 shares.

(3) Lightmane Holdings Company Limited, a wholly-owned subsidiary of CNIC Corporation Limited, of which Compass Investment Company Limited, a wholly-owned subsidiary of Pagoda Tree Investment Company Limited, has a 90% control, signed an agreement with Datang HK with terms falling under the Section 317(1)(a) of the SFO.

(4) 622,054,901 shares are held by Xinxin HK, a wholly-owned subsidiary of Xunxin (Shanghai) Investment Co., Ltd., which in turn is wholly-owned by China IC Fund.

(5) On April 23, 2018, the Company entered into the China IC Fund PSCS Subscription Agreement with China IC Fund and Xinxin HK, pursuant to which, on and subject to the terms of the China IC Fund PSCS Subscription Agreement, the Company conditionally agreed to issue, and China IC Fund, through Xinxin HK, conditionally agreed to subscribe for, the China IC Fund PSCS which are convertible into 183,178,403 shares (assuming full conversion of the China IC Fund PSCS at the initial Conversion Price of HK$12.78 per share). In this regard, China IC Fund is deemed to be interested in these 183,178,403 shares under the Securities and Futures Ordinance (Cap. 571). Completion of the China IC Fund PSCS Subscription Agreement occurred on August 29, 2018.

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

(1) As at the end of the reporting period, the Company had issued 5,765,044,527 shares in Hong Kong, accounting for approximately 74.8% of the total share capital of the Company and 1,938,463,000 shares in SSE STAR Market, accounting for approximately 25.2% of the total share capital of the Company;

(2) The Company's register of members in Hong Kong consists of HKSCC NOMINEES LIMITED and other registered shareholders, among which, shares held by HKSCC NOMINEES LIMITED on behalf of non-registered shareholders account for approximately 99.8% of the Company's Hong Kong Shares; shares held by other registered shareholders account for approximately 0.2% of the Company's Hong Kong Shares;

(3) According to the SFO, shareholders who are interested in 5% or more of any class of voting shares in the Company are required to make disclosure. The Company listed two substantial shareholders (non-registered shareholders, please refer to (II) SUBSTANTIAL SHAREHOLDERS under this section for details) based on the information disclosed by the substantial shareholders. The number of shares held by HKSCC NOMINEES LIMITED displayed below excludes 859,522,595 Hong Kong Shares held by Datang HK and 622,054,911 Hong Kong Shares held by Xinxin HK;

(4) The Company listed the top seven A shareholders (other than CICT) based on the A Share register of China Securities Depository and Clearing Corporation Limited ("China Clearing"). The A Shares and Hong Kong Shares held by CICT and related stakeholders are listed in aggregation;

(5) Nature of A shareholders is reported according to the nature of holders of shares as set out in the A Share register of China Clearing.

Unit: Share

Particulars of shareholdings of top 10 shareholders								
Name of shareholder	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held with selling restrictions	Number of restricted shares including lending shares for securities financing	Pledged or moratorium: Status of shares	Pledged or moratorium: Number	Nature of shareholders
HKSCC NOMINEES LIMITED	880,354,855	4,269,360,976	55.42	—	—	Unknown	—	Unknown
China Information and Communication Technology Group Co., Ltd. and related stakeholders	72,470,855	931,993,450	12.10	72,470,855	72,470,855	Nil	—	State-owned legal person
Xinxin (Hongkong) Capital Co., Ltd.	-175,000,000	622,054,901	8.07	—	—	Nil	—	Overseas legal person
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	127,458,120	127,458,120	1.65	127,458,120	127,458,120	Nil	—	Unknown
GIC PRIVATE LIMITED	110,443,730	110,443,730	1.43	109,249,819	109,249,819	Nil	—	Overseas legal person
Qingdao Juyuan Xinxing Equity Investment Partnership LLP	80,589,949	80,589,949	1.05	80,589,949	80,589,949	Nil	—	Others
Industrial and Commercial Bank of China Limited — Lion Growth Stock Securities Investment Fund* (諾安成長股票型證券投資基金)	55,727,380	55,727,380	0.72	—	—	Nil	—	Others
China Insurance Investment Fund LLP	54,624,908	54,624,908	0.71	54,624,908	54,624,908	Nil	—	Others
Guoxin Investment Corporation Limited	36,416,605	36,416,605	0.47	36,416,605	36,416,605	Nil	—	State-owned legal person
China Structural Reform Fund Co., Ltd.	36,416,605	36,416,605	0.47	36,416,605	36,416,605	Nil	—	State-owned legal person

Particulars of shareholding of the top ten shareholders not subject to selling restrictions			
Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares: Type	Type and number of shares: Number
HKSCC NOMINEES LIMITED	4,269,360,976	Overseas listed foreign shares	4,269,360,976
China Information and Communication Technology Group Co., Ltd. and related stakeholders	859,522,595	Overseas listed foreign shares	859,522,595
Xinxin (Hongkong) Capital Co., Ltd.	622,054,901	Overseas listed foreign shares	622,054,901
Industrial and Commercial Bank of China Limited – Lion Growth Stock Securities Investment Fund* (諾安成長股票型證券投資基金)	55,727,380	Ordinary shares denominated in RMB	55,727,380
China Merchants Bank Co., Ltd. – Galaxy Innovation Growth Mixed Securities Investment Fund* (銀河創新成長混合型證券投資基金)	25,800,000	Ordinary shares denominated in RMB	25,800,000
China Merchants Bank Co., Ltd. – ChinaAMC SSE STAR 50 Exchange Traded Funds* (華夏上證科創板50成份交易型開放式指數證券投資基金)	19,775,856	Ordinary shares denominated in RMB	19,775,856
Bank of Communications Co., Ltd. – Lion Hexin Capital Guaranteed Mixed Securities Investment Fund* (諾安和鑫保本混合型證券投資基金)	12,594,407	Ordinary shares denominated in RMB	12,594,407
Industrial and Commercial Bank of China Limited – E Fund SSE STAR 50 Exchange Traded Funds* (易方達上證科創板50成份交易型開放式指數證券投資基金)	10,303,115	Ordinary shares denominated in RMB	10,303,115
China Construction Bank Corporation – Huatai-PineBridge SSE STAR 50 Exchange Traded Funds* (華泰柏瑞上證科創板50成份交易型開放式指數證券投資基金)	7,767,934	Ordinary shares denominated in RMB	7,767,934
Agricultural Bank of China Ltd.– ICBC Credit Suisse SSE STAR 50 Exchange Traded Funds	7,755,465	Ordinary shares denominated in RMB	7,755,465

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

Unit: Share

No.	Name of Shareholders Subject to Selling Restrictions	Number of Shares Held Subject to Selling Restrictions	Listing and Trading of Shares Subject to Selling Restrictions: Listing and Trading Date	Listing and Trading of Shares Subject to Selling Restrictions: Number of Additional Listing and Trading Shares	Conditions of Selling Restrictions
1	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	127,458,120	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
2	GIC PRIVATE LIMITED	109,249,819	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
3	Qingdao Juyuan Xinxing Equity Investment Partnership LLP	80,589,949	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
4	China Information and Communication Technology Group Co., Ltd.	72,470,855	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
5	China Insurance Investment Fund LLP	54,624,908	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
6	China Structural Reform Fund Co., Ltd.	36,416,605	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
7	Guoxin Investment Corporation Limited	36,416,605	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
8	Haitong Innovation Securities Investment Co., Ltd.	33,712,400	July 16, 2022	–	Within twenty-four months from the date of initial public offering of shares and listing on SSE STAR Market
9	China CICC Wealth Management Securities Company Limited	33,712,400	July 16, 2022	–	Within twenty-four months from the date of initial public offering of shares and listing on SSE STAR Market
10	Shenzhen Capital Group Co., Ltd.	18,208,303	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market
11	Shanghai Fosun High Technology (Group) Co., Ltd.	18,208,303	July 16, 2021	–	Within twelve months from the date of initial public offering of shares and listing on SSE STAR Market

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

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

(V) STRATEGIC PLACEMENT OF IPO

1. *Particulars of shareholding of relevant subsidiaries of sponsors participating in the strategic placement of IPO*

Unit: Share

Name of Shareholder	Relationship with the sponsor	Number of allocated shares/depositary receipts	Time available for listing and trading	Changes of number in the reporting period	Number of holdings including lending shares for securities financing/ depositary receipts at the end of the period
Haitong Innovation Securities Investment Co., Ltd.	Controlling subsidiary	33,712,400	July 16, 2022	-23,160,800	33,712,400
China CICC Wealth Management Securities Company Limited	Wholly-owned subsidiary	33,712,400	July 16, 2022	-28,309,3403	33,712,400

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, the shareholding of any single shareholder of the Company is below 30%. As of December 31, 2020, the largest shareholders of the Company, CICT and its related stakeholders held as to 12.10%, and the second largest shareholders Xinxin HK held as to 8.07%. The Board currently comprises of 15 Directors, and the number of Directors nominated by each shareholder is less than 1/2 of the total number of Directors. There are no circumstances in which a single shareholder may determine the selection of more than half of the Company's Board by actually controlling the voting rights of the Company's shares, or has a significant impact on the resolutions of the general meeting, and there is no relationship or concerted relationship between the substantial shareholders of the Company. Therefore, the Company does not have a controlling shareholder nor a de facto controller.

V. OTHER LEGAL PERSON SHAREHOLDERS HOLDING 10% OR MORE OF SHARES

Name of legal person shareholder	Person in charge or legal representative of the unit	Date of establishment	Registered capital	Principal activities or management activities
Datang Holdings (Hongkong) Investment Company Limited	Xia Cunhai	December 3, 2008	HK$1,000	Investment holding

SECTION 9 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: Share

Name	Position	A core technician or not	Gender	Age	Commencement date of the term	Cessation date of the term[4]	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the reporting period (USD'000)[1]	Receiving remunerations from connected parties of the Company or not
Zhou Zixue	Chairman and Executive Director	No	Male	64	March 6, 2015	the date of 2023 annual general meeting	–	–	–		1,066	Yes
Chiang Shang-Yi	Vice Chairman and Executive Director	No	Male	74	December 15, 2020	the date of 2021 annual general meeting	–	–	–		32	No
Zhao Haijun	Co-Chief Executive Officer and Executive Director	Yes	Male	57	October 16, 2017	the date of 2021 annual general meeting	163	163	–		972	Yes
Liang Mong Song[3]	Co-Chief Executive Officer and Executive Director	Yes	Male	68	October 16, 2017	the date of 2022 annual general meeting	–	–	–		4,413	No
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary	No	Male	55	June 17, 2013	the date of 2023 annual general meeting	–	–	–		1,033	Yes
Chen Shanzhi	Non-executive Director	No	Male	51	June 23, 2009	the date of 2021 annual general meeting	–	–	–		–	Yes
Zhou Jie	Non-executive Director	No	Male	53	January 23, 2009	the date of 2022 annual general meeting	–	–	–		–	Yes
Ren Kai	Non-executive Director	No	Male	48	August 11, 2015	the date of 2022 annual general meeting	–	–	–		–	Yes
Lu Jun	Non-executive Director	No	Male	52	February 18, 2016	the date of 2021 annual general meeting	–	–	–		–	Yes
Tong Guohua	Non-executive Director	No	Male	62	February 14, 2017	the date of 2023 annual general meeting	–	–	–		–	Yes
William Tudor Brown	Independent Non-executive Director	No	Male	62	August 8, 2013	the date of 2023 annual general meeting	–	–	–		93	No
Cong Jingsheng Jason[2]	Independent Non-executive Director	No	Male	57	February 14, 2017	December 31, 2020	123,750	–	-123,750	Sold shares due to personal reasons	45	No
LAU Lawrence Juen-Yee	Independent Non-executive Director	No	Male	76	June 22, 2018	the date of 2021 annual general meeting	–	–	–		78	No
Fan Ren Da Anthony	Independent Non-executive Director	No	Male	60	June 22, 2018	the date of 2021 annual general meeting	–	–	–		83	No
Young Kwang Leei	Independent Non-executive Director	No	Male	61	August 7, 2019	the date of 2022 annual general meeting	–	–	–		68	No
Liu Ming	Independent Non-executive Director	No	Female	56	February 4, 2021	the date of 2021 annual general meeting	–	–	–		–	No
Zhou Meisheng	Executive Vice President in Technology Research and Development	Yes	Female	62	October 12, 2017	–	–	–	–		644	No
Guo Guangli	Board Secretary, Vice President	No	Female	51	November 11, 2020	–	5,946	6,059	113	Exercise of share rights	276	No
Zhang Xin	Senior Vice President in Operation & Engineering	Yes	Male	55	August 1, 2017	–	154,935	435	-154,500	Sold shares due to personal reasons	654	No
Wu Jingang	Vice President in Technology Research and Development	Yes	Male	53	February 18, 2014	–	–	–	–		329	No
Total							284,794	6,657	-278,137		9,786	

Notes: (1) Total remunerations before tax received from the Company during the reporting period of Directors an senior management (including basic salaries, bonus, allowances, subsidies, employee benefits and various insurance fees, provident funds, annual bonus and remunerations otherwise received from the Company) exclude share incentive received.

(2) Dr. Cong Jingsheng Jason has resigned as an independent non-executive Director of the Company on December, 31 2020.

(3) The Group granted a living quarter unit amounted to US$3.4 million, to Dr. Liang Mong Song for domestic living purpose.

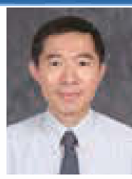
(4) The relevant Director shall retire from office at the relevant annual general meeting and, if eligible, offer himself/herself from re-election as a Director of the Company.

Executive Directors


Zhou Zixue
Chairman


Chiang Shang-Yi
Vice Chairman


Zhao Haijun
Co-CEO


Liang Mong Song
Co-CEO


Gao Yonggang
CFO

Non-Executivve Directors


Zhou Jie


Chen Shanzhi


Ren Kai


Lu Jun


Tong Guohua

Independent Non-Executive Directors


William Tudor Brown


Lau Lawrence Juen-Yee


Fan Ren Da Anthony


Young Kwang Leei


Liu Ming

Note: Above photos of Directors only include current Directors.

MAJOR WORKING EXPERIENCE

Biographical details of the Directors, senior management and core technicians as of the date of this annual report are set out below.

Zhou Zixue

Chairman, Executive Director

Dr. Zhou Zixue was appointed as an executive Director and Chairman of the Board of the Company on March 6, 2015. Dr. Zhou received a Master of Management degree from the University of Electronic Science and Technology of China, and a Doctor of Economics degree from the Central China Normal University. Dr. Zhou has more than 30 years of experience in the economic operation, regulation and management of industry and information technology. Prior to his current employment, Dr. Zhou served as the Chief Economist and the Director of Finance of the Ministry of Industry and Information Technology. Prior to that, he worked in several divisions in the Ministry of Information Industry, the Ministry of Electronics Industry, the Ministry of Machinery and Electronics Industry, and the state owned DongGuangDian Factory. Dr. Zhou is currently the Executive Vice Chairman of the China Information Technology Industry Federation, the Chairman of the China Semiconductor Industry Association, the Chairman of the Board of JCET Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 600584), an independent director of Yunnan Nantian Electronics Information Co., Ltd. (a company listed on Shenzhen Stock Exchange: 000948), an independent director of Hisense Visual Technology Co., Ltd. (a company listed on Shanghai Stock Exchange: 600060). Dr. Zhou serves as a director or chairman of certain subsidiaries and connected companies of the Company.

Chiang Shang-Yi

Vice Chairman and Executive Director

Dr. Chiang Shang-Yi was appointed as a Vice Chairman of the Board and executive Director of the Company on December 15, 2020. During his 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 Corporation ("TSMC") , Dr. Chiang led TSMC R&D team set milestones in semiconductor technology in the 0.25μm, 0.18μm, 0.15μm, 0.13μm, 90nm, 65nm, 40nm, 28nm, 20nm and 16nm FinFET generations, transformed TSMC from a technology follower to a technology leader. Dr. Chiang worked at Texas Instruments and Hewlett-Packard. 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 as the Adviser to Chairman at TSMC, SMIC's independent non-executive Director and Chief Executive Officer of Wuhan Hongxin Semiconductor Manufacturing Co., Ltd.

Dr. Chiang was made a Life Fellow of the Institute of Electrical and Electronics Engineers ("IEEE") in 2002. He has devoted his career to advancing the semiconductor technology and developing the semiconductor industry, and is a pioneer in making digital technology commonplace in our society. 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.

Zhao Haijun

Co-Chief Executive Officer and Executive Director

Dr. Zhao Haijun became a Chief Executive Officer of the Company on May 10, 2017 and an Executive Director of the Company on October 16, 2017, and and re-designated as Co-Chief Executive Officer on October 16, 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's degree in Business Administration from the University of Chicago. He has 28 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. (a company listed on Shanghai Stock Exchange: 600160) since November 2016. Dr. Zhao also serves as a director of certain subsidiaries of the Company.

Liang Mong Song

Co-Chief Executive Officer and Executive Director

Dr. Liang Mong Song became the Co-Chief Executive Officer and an Executive Director of the Company on October 16, 2017. He graduated with a doctor of philosophy degree in electrical engineering from the Department of Electrical Engineering and Computer Sciences at University of California, Berkeley. He has been engaged in the semiconductor industry for over 35 years. Dr. Liang held senior director position on research and development in TSMC between 1992 and 2009. He was involved in memories and FinFET 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.

Gao Yonggang

Chief Financial Officer and Executive Director, Executive Vice President, and Company Secretary

Dr. Gao Yonggang, a non-executive Director since 2009, was appointed as an Executive Vice President, Strategic Planning of the Company and re-designated as an executive Director on June 17, 2013. He has been appointed as the Chief Financial Officer of the Company since February 17, 2014. He was appointed as the Joint Company Secretary on July 3, 2017 and re-appointed as Company Secretary on November 11, 2020. Dr. Gao is a director or chairman of several subsidiaries and affiliated companies of the Company. Dr. Gao is currently a director of JCET Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 600584), and an independent director of iRay Technology Company Limited (a company listed on Shanghai Stock Exchange SSE STAR Market: 688301).

Dr. Gao graduated from Nankai University with a Ph.D. in management. Dr. Gao was the Chief Accountant of Datang Telecom Technology & Industry Group (China Academy of Telecommunications Technology), and the Chairman of Datang Telecom Group Finance Co., Ltd., etc. Dr. Gao has more than 30 years of experience in the area of financial management and served as chief person in charge of finance in various industries and organizations. Dr. Gao is a standing committee member of the Accounting Society of China, a member of the Stock Listing Committee of the SSE STAR Market, and a founding director of the Hong Kong Independent Non-Executive Director Association. He has conducted in-depth research in the fields of corporate accounting, finance and investment. He has presided over a number of key research projects and published several articles.

Chen Shanzhi

Non-Executive Director

Dr. Chen Shanzhi has been a non-executive Director of the Company since 2009. Dr. Chen is the vice president of China Information Communication Technologies Group Corporation (CICT), and the head of specialist committee. Dr. Chen received his bachelor's degree from Xidian University, master's degree from China Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications, and Ph.D. from Beijing University of Posts and Telecommunications. Dr. Chen has over 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 major contributions in the core technologies breakthroughs, international standards formulation and industrialization of China's leading TD-LTE 4G technology. He put forward LTE-V Internet of vehicles and promoted it to become an international standard, and participated in the tests of intelligent connected vehicle.

Besides, Dr. Chen is also the director of State Key Laboratory of Wireless Mobile Communication, the chairman and director of State Engineering Laboratory of New Generation Mobile Communication Wireless Network and Chip Technology, 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 fellow 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".

Zhou Jie

Non-executive Director

Mr. Zhou Jie has been a non-executive Director since January 23, 2009 with a master's degree in engineering from Shanghai Jiao Tong University in the PRC.

Mr. Zhou is the secretary of the Party Committee of Haitong Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange: 600837, and listed on the Hong Kong Stock Exchange: 6837) since July 2016. He is the Chairman of the Board of Haitong Securities Co., Ltd. since October 2016.

From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai Wanguo Holdings Ltd. From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of 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 (a company listed on the Hong Kong Stock Exchange: 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 deputy secretary of the Party 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. (a company listed on the Shanghai Stock Exchange: 601607, and listed on the Hong Kong Stock Exchange: 2607), of which he was the secretary of the Party Committee and the chairman of the board of directors from June 2012 to June 2013 and from May 2016 to July 2016. He has a deep understanding and rich experience in China's real economy and capital market.

Mr. Zhou has been a supervisor, the chairman of the remuneration committee of Shanghai Stock Exchange, the president of Shanghai Securities Association since 2016, a member of Shanghai People's Congress, the vice chairman of Shanghai Financial Association, the president of Shanghai Association of Financial Planners, and an arbitrator of Shanghai Arbitration Commission since 2017.

Ren Kai

Non-executive Director

Mr. Ren Kai became a non-executive Director of the Company on August 11, 2015. He received a bachelor degree in industry and international trade from Harbin Engineering University and a master degree in software engineering from Beijing Jiaotong University. Since September 2014, Mr. Ren has been serving as the Vice President of Sino IC Capital Co., Ltd. From December 2007 to September 2014, he had served as the Director of the Review Board 4 of the Review Bureau 2 of China Development Bank. From January 2004 to December 2007, Mr. Ren served as a Deputy Director of both the Review Board 3 and the Review Board 4 of the Review Bureau 2 of China Development Bank. From July 1995 to January 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 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. Mr. Ren is also the director of JCET Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 600584), the director of San'an Optoelectronics Co., Ltd. (a company listed on Shanghai Stock Exchange: 600703), the director of Yangtze Memory Technologies Co., Ltd., the director of Wuhan Xinxin Semiconductor Manufacturing Co., Ltd., the vice chairman of National Silicon Industry Group Co., Ltd. (a company listed on Shanghai Stock Exchange: 688126), and the vice Chairman of Shanghai Wanye Enterprise Co., Ltd. (a company listed on Shanghai Stock Exchange: 600641).

Lu Jun

Non-executive Director

Mr. Lu Jun became a non-executive Director of the Company on February 18, 2016, received the Master of Business Administration from Nanjing University and holding a bachelor degree in Shipping and Marine engineering from Hohai University. Mr. Lu is currently the Deputy General Manager of the Development Fund Management Department of China Development Bank. From September 2014 to November 2020, Mr. Lu served as President of Sino IC Capital Co., Ltd. Previously, Mr. Lu worked for China Development Bank for more than 20 years and accumulated 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 in integrated circuit and related industries. From May 2010 to December 2020, Mr. Lu has been serving as Executive Vice President of China Development Bank Capital Co., Ltd.; 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 the Review Board of China Development Bank Jiangsu 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 Traffic Credit Bureau, East China Credit Bureau, Nanjing Branch of China Development Bank. Mr. Lu is currently the director of China Integrated Circuit Industry Investment Fund Co., Ltd., the director of China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd., the director of Guokai Equipment Manufacturing Industry Investment Fund Co., Ltd., the director of Sino IC Leasing Co., Ltd., and the chairman of Guokai Ronghua Industrial Investment Fund Management Co., Ltd.

Tong Guohua

Non-executive Director

Dr. Tong Guohua became a non-executive Director of the Company on February 14, 2017. Dr. Tong is 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 Executive Director and President of Datang Telecom Technology & Industry Holdings Co., Ltd. in June 2016. Since December 2017, he served as the Chairman, General Manager and Secretary of Party of China Academy of Telecommunications Technology Co., Ltd as well as Executive Director and President of Datang Telecom Technology & Industry Holdings Co., Ltd. Since June 26, 2018, he became chairman and secretary of the Party Committee of China Information and Communication Technology Group Co., Ltd. Since February 2021, Dr. Tong did not hold the positions as chairman and secretary of the Party Committee of China Information and Communication Technology Group Co., Ltd., General Manager and President of Datang Telecom Technology & Industry Holdings Co., Ltd. as well as Chairman and General Manager of China Academy of Telecommunications Technology Co., Ltd. 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 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 science and engineering from Huazhong University of Science and 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 IP company listed on London Stock Exchange and NASDAQ: ARMH), and until May 2012 held many roles including President, Chief Operating Officer, EVP Global Development, Chief Technology Officer and Engineering Director. He had responsibility for developing high-level relationships with industry partners and governmental agencies and for regional development. He served as a director at ARM Holdings PLC from 2001 to 2012. Before joining ARM, Mr. Brown was Principal Engineer at Acorn Computers and worked exclusively on the ARM R&D programme since 1984. Mr. Brown served on the UK Government Asia Task Force until May 2012. He sat on the advisory board of Annapurna Labs until 2015. He has previously been an independent non-executive director of ANT Software PLC (a company listed on AIM of London Stock Exchange: ANTP) from 2005 to 2012; and Xperi (a company listed on NASDAQ: XPER) where he sat as an independent non-executive director and on the Compensation Committee and chaired the Nomination Committee from 2013 to May 2018. He is currently an independent non-executive director and a member of the Audit Committee and the Chairman of Compensation Committee of Lenovo Group Limited (a company listed on Main Board of Hong Kong Stock Exchange: 00992); an independent non-executive director and a member of the Compensation Committee of Marvell Technology Group (a company listed on NASDAQ: MRVL).

Lau Lawrence Juen-Yee

Independent Non-executive Director

Professor Lau Lawrence Juen-Yee became a Director on June 22, 2018. Professor Lau received his B.S. degree (with Great Distinction) in Physics from Stanford University in 1964 and his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley in 1966 and 1969 respectively. He joined the faculty of the Department of Economics at Stanford University in 1966, was appointed Professor of Economics in 1976 and the first Kwoh-Ting Li Professor in Economic Development at Stanford University in 1992. From 1992 to 1996, he served as a Co-Director of the Asia-Pacific Research Center at Stanford University, and from 1997 to 1999, as the Director of the Stanford Institute for Economic Policy Research. He became Kwoh-Ting Li Professor in Economic Development, Emeritus, upon his retirement from Stanford University in 2006. From 2004 to 2010, Professor Lau served as Vice-Chancellor (President) of The Chinese University of Hong Kong. From September 2010 to September 2014, he served as Chairman of CIC International (Hong Kong) Co., Limited. Since 2007, Professor Lau has also been serving as the Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong.

Professor Lau was a member of the 11th and 12th National Committees of the Chinese People's Political Consultative Conference and a Vice-Chairman of its Subcommittee of Economics. In addition, he currently serves as a Vice-Chairman of the China Center for International Economic Exchanges, a Vice-President of the China Science Center of the International Eurasian Academy of Sciences, a member of the International Advisory Council of the China Development Bank and Chairman of the Board of Directors of The Chinese University of Hong Kong (Shenzhen) Finance Institute. In addition, he also serves as a member of the Currency Board Sub-Committee of the Exchange Fund Advisory Committee of the Hong Kong Special Administrative Region, a member of the Hong Kong Trade Development Council (HKTDC) Belt and Road and Greater Bay Area Committee, a Vice-Chairman of Our Hong Kong Foundation, a Member and Chairman of the Prize Recommendation Committee, LUI Che Woo Prize Company, as well as a member of the Board of Directors of the Chiang Ching-kuo Foundation for International Scholarly Exchange, Taipei. He also serves as an Independent Non-executive Director of AIA Group Limited (a company listed on the Hong Kong Stock Exchange: 01299), CNOOC Limited (a company listed on the Hong Kong Stock Exchange: 00883), and an Independent Non- executive Director of Far EasTone Telecommunications Company Limited (a company listed on the Taiwan Stock Exchange: 4904).

Fan Ren Da Anthony

Independent Non-executive Director

Mr. Fan Ren Da Anthony became a Director on June 22, 2018. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. Mr. Fan is also an independent non-executive director of CITIC Resources Holdings Limited (a company listed on the Hong Kong Stock Exchange: 1205), Uni-President China Holdings Ltd. (a company listed on the Hong Kong Stock Exchange: 220), Raymond Industrial Limited (a company listed on the Hong Kong Stock Exchange: 229), Shanghai Industrial Urban Development Group Limited (a company listed on the Hong Kong Stock Exchange: 563), China Development Bank International Investment Limited (a company listed on the Hong Kong Stock Exchange: 1062), Technovator International Limited (a company listed on the Hong Kong Stock Exchange: 1206), China Dili Group (a company listed on the Hong Kong Stock Exchange: 1387), Neo-Neon Holdings Limited (a company listed on the Hong Kong Stock Exchange: 1868), Hong Kong Resources Holdings Company Limited (a company listed on the Hong Kong Stock Exchange: 2882) and Tenfu (Cayman) Holdings Company Limited (a company listed on the Hong Kong Stock Exchange: 6868), all listed on the Main Board of the Stock Exchange. Mr. Fan is the Founding President of The Hong Kong Independent Non-Executive Director Association, and held senior positions with various international financial institutions.

Young Kwang Leei

Independent Non-executive Director

Dr. Young Kwang Leei, became a Director since August 7, 2019. Dr. Young graduated from the Department of Electrical Engineering at the National Taiwan University and received his Bachelor's degree in 1981 and received his Ph.D. degrees in Electrical Engineering and Computer Science at the University of California, Berkeley in 1986. He worked as a research staff at the Massachusetts Institute of Technology (MIT) Lincoln Laboratory, the United States of America from 1986 to 1989 and a senior technical staff at Hewlett Packard Company, USA from 1989 to 1994. From 1994 to 1995, he served as a senior manager at Chartered Semiconductor Manufacturing Ltd., Singapore. From 1995 to 1997 he served as the Deputy Director of Research and Development at Winbond Electronics Corporation, Taiwan. Dr. Young joined Worldwide Semiconductor Manufacturing Corporation in 1997 and served as the Director of Engineering until March 1998. From April 1998 to June 2018, Dr. Young successively served in different positions including the Director of Research and Development in Taiwan Semiconductor Manufacturing Company in Taiwan and in the USA. Dr. Young then retired in June 2018.

Dr. Young is a columnist of Digitimes Taiwan since 2017, a non-executive co-founder and director of Yi-Yi Network since 2018. Since August 2019, he was also an independent director of Taiwan MAYO Human Capital Inc. Since February 2021, his position in Yi-Yi Network as a non-executive co-founder and director has changed to a non-executive director. He is currently an Adjunct Professor at National Taiwan University and National Chen-Chi University, as well as a special chair professor at Feng Chia University, Taiwan. Dr. Young has published over 80 international academic and technical papers.

Liu Ming

Independent Non-executive Director

Dr. Liu Ming has been a Director since February 4, 2021. Dr. Liu earned her Bachelor of Science degree in semiconductor from Hefei University of Technology in 1985, her Master of Science degree in semiconductor from Hefei University of Technology in 1988 and her Doctorate in material engineering from Beijing University of Aeronautics and Astronauts in 1998. Dr. Liu has dedicated her career to education in semiconductor. She was an assistant professor in University of Yantai from 1988 to 1995. She joined and served as an associate professor in Institute of Microelectronics of the Chinese Academy of Sciences from 1999, and later, as a professor from 2000 to 2020. Since 2021, she has been a professor in Fudan University. Dr. Liu is currently an Independent Director of Unisound AI Technology Co. Ltd, a private company established in the PRC.

During Dr. Liu's 33-year career in the semiconductor industry, she has contributed to research in micro/nanofabrication, NVM device and circuit, modeling and simulation, and reliability. Dr. Liu has published five Books and Chapters, more than 300 Journal papers, and more than 100 Conference Papers (including more than 40 keynote or invited papers). She has served in many important academic positions, some of which are the Chapter Chair of the Beijing Section Chapter of the IEEE Electron Devices Society (the "EDS"), and the editor to both the EDS Newsletter and Journal of Semiconductors.

Zhou Meisheng

Executive Vice President in Technology Research and Development

Dr. Zhou Meisheng was appointed as Executive Vice President since October 12, 2017. Before she joined the Company, she served in Lam Research China as Regional CTO. Prior to that, Dr. Zhou has ever served as Vice President of Technology Research and Development Center of the Company, and she has ever conducted various levels of management positions in Chartered, TSMC, UMC and Global Foundries. Dr. Zhou is also the director of SMSC, a subsidiary of the Company.

Dr. Zhou received BSc and MSc degrees from Fudan University China in 1982 & 1985 respectively, and Ph.D. degree in Chemistry from Princeton University in 1990. Equipped with more than 20 years' experience in world's leading foundry companies, Dr. Zhou has accumulated extensive and rich management experience in advanced technology R&D, technical cooperation, technology transfer, verification of mass production, the start-up operation/mass production/operation of 12-inch wafer fab, and gradually shaped her own distinctive management philosophy. Specialized in module device, process and integrated technology, Dr. Zhou has been awarded with more than 130 US patents and published over 40 papers as co-inventor/author.

Guo Guangli

Board Secretary and Vice President

Ms. Guo Guangli, a master in accounting and a certified public accountant in China, has served as a general manager of the finance department of Datang Telecom Technology Co., Ltd, general manager of finance department of Datang Telecom Technology & Industry Group as well as deputy chief accountant, chief accountant, and a member of party committee, and also served as chairman of Datang Telecom Finance Company, etc.

Zhang Xin

Senior Vice President in Operation & Engineering

Mr. Zhang Xin, joined SMIC in April 2010 and successively served as the senior director of advanced manufacturing technology, senior vice president of Operation & Engineering. From 1990 to 2001, Mr. Zhang served as an engineer at the Chinese National Institute of Metrology, a teaching assistant in the Department of Electronic Engineering, City University of Hong Kong, and a senior engineer at Chartered Semiconductor Manufacturing. From 2001 to 2010, he held management positions in the US foundry of TSMC and Global Foundries. Mr. Zhang graduated from the Electronic Engineering of Tsinghua University with a B.S. and Ph.D.

Wu Jingang

Vice President in Technology Research and Development

Dr. Wu Jingang joined SMIC in 2001. From 2001 to 2014, he successively served as assistant director, director and senior director. Since 2014, he has served as Vice President of Technology Research and Development. From 1995 to 2001, Dr. Wu served in Agency of Industrial Science and Technology, Ministry of International Trade and Industry, Japan. Dr. Wu received his Bachelor of Science from Huazhong Institute of Science and Technology (currently known as Huazhong University of Science and Technology) in 1988 and his Ph.D. in physics and chemistry from Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences in 1995.

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

1. Stock option

(1) Stock option plan

Unit: Share

Name	Position	Number of share options held at the beginning of the year	Number of share options new granted during the reporting period	Number of share options exercisable during the reporting period	Number of share options exercised during the reporting period	Exercise price of share options (USD)	Number of share options held at the end of the period	Market price at the end of the reporting period (USD)
Zhou Zixue	Chairman and Executive Director	2,521,163	659,117	—	—	—	3,180,280	2.85
Chiang Shang-Yi	Vice Chairman and Executive Director	—	—	—	—	—	—	—
Zhao Haijun	Co-Chief Executive Officer and Executive Director	1,875,733	219,706	188,233	—	—	2,095,439	2.85
Liang Mong Song	Co-Chief Executive Officer and Executive Director	—	659,117	—	—	—	659,117	2.85
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary	1,649,472	586,793	1,649,472	—	—	2,236,265	2.85
Chen Shanzhi	Non-executive Director	664,687	62,500	—	314,531	0.83	412,656	2.85
Zhou Jie	Non-executive Director	—	—	—	—	—	—	2.85
Ren Kai	Non-executive Director	—	—	—	—	—	—	2.85
Lu Jun	Non-executive Director	—	—	—	—	—	—	2.85
Tong Guohua	Non-executive Director	187,500	54,966	—	—	—	242,466	2.85
William Tudor Brown	Independent Non-executive Director	150,000	62,500	125,000	—	—	212,500	2.85
Cong Jingsheng Jason	Independent Non-executive Director	187,500	54,966	—	—	—	242,466	2.85
LAU Lawrence Juen-Yee	Independent Non-executive Director	187,500	—	—	—	—	187,500	2.85
Fan Ren Da Anthony	Independent Non-executive Director	187,500	—	—	—	—	187,500	2.85
Young Kwang Leei	Independent Non-executive Director	187,500	—	—	—	—	187,500	2.85
Liu Ming	Independent Non-executive Director	—	—	—	—	—	—	2.85
Zhou Meisheng	Executive Vice President in Technology Research and Development	—	281,092	—	—	—	281,092	2.85
Guo Guangli	Board Secretary, Vice President	100,000	29,042	25,406	25,000	1.27	104,042	2.85
Zhang Xin	Senior Vice President in Operation & Engineering	309,353	216,893	135,853	156,295	1.00	369,951	2.85
Wu Jingang	Vice President in Technology Research and Development	143,350	81,138	7,886	117,100	1.13	107,388	2.85
Total		8,351,258	2,967,830	2,131,850	612,926		10,706,162	

(2) Equity Incentive plan

Unit: Share

Name	Position	Number of RSUs held at the beginning of the year	Number of RSUs newly granted during the reporting period	Shares exercisable during the reporting period	Exercise number of RSUs during the reporting period	Exercise price of RSUs (USD)	Number of RSUs held at the end of the period	Market price at the end of the reporting period (USD)
Zhou Zixue	Chairman and Executive Director	1,080,498	259,808	—	—	—	1,340,306	2.85
Chiang Shang-Yi	Vice Chairman and Executive Director	—	—	—	—	—	—	—
Zhao Haijun	Co-Chief Executive Officer and Executive Director	—	86,603	—	—	—	86,603	2.85
Liang Mong Song	Co-Chief Executive Officer and Executive Director	—	259,808	—	—	—	259,808	2.85
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary	85,505	231,300	85,505	—	—	316,805	2.85
Chen Shanzhi	Non-executive Director	350,156	62,500	—	—	—	412,656	2.85
Zhou Jie	Non-executive Director	—	—	—	—	—	—	2.85
Ren Kai	Non-executive Director	—	—	—	—	—	—	2.85
Lu Jun	Non-executive Director	—	—	—	—	—	—	2.85
Tong Guohua	Non-executive Director	187,500	54,966	—	—	—	242,466	2.85
William Tudor Brown	Independent Non-executive Director	150,000	62,500	—	—	—	212,500	2.85
Cong Jingsheng Jason	Independent Non-executive Director	63,750	54,966	—	63,750	0.004	54,966	2.85
LAU Lawrence Juen-Yee	Independent Non-executive Director	187,500	—	—	—	—	187,500	2.85
Fan Ren Da Anthony	Independent Non-executive Director	187,500	—	—	—	—	187,500	2.85
Young Kwang Leei	Independent Non-executive Director	187,500	—	—	—	—	187,500	2.85
Liu Ming	Independent Non-executive Director	—	—	—	—	—	—	2.85
Zhou Meisheng	Executive Vice President in Technology Research and Development	—	110,799	—	—	—	110,799	2.85
Guo Guangli	Board Secretary, Vice President	29,250	11,447	—	9,910	0.004	30,787	2.85
Zhang Xin	Senior Vice President in Operation & Engineering	33,005	85,495	—	21,838	0.004	96,662	2.85
Wu Jingang	Vice President in Technology Research and Development	27,700	31,983	—	16,865	0.004	42,818	2.85
Total		2,569,864	1,312,175	85,505	112,363		3,769,676	

II. POSITIONS OF CURRENT AND RESIGNED DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) POSITIONS IN SHAREHOLDER ENTITIES

Name	Name of shareholder entities	Position held in shareholder entities	Commencement date of term	Cessation date of term
Tong Guohua	China Information and Communication Technology Group Co., Ltd.	Secretary of the Party Committee and Chairman of the Board	July 2018	February 2021
Tong Guohua	Datang Telecom Technology & Industry Holdings Co., Ltd.	Executive Director and President	July 2016	February 2021
Tong Guohua	China Academy of Telecommunications Technology Co., Ltd.	Chairman of the Board and General Manager	December 2017	February 2021
Chen Shanzhi	China Information and Communication Technology Group Co., Ltd.	Vice General Manager	June 2018	—
Chen Shanzhi	Datang Telecom Technology & Industry Holdings Co., Ltd.	Senior Vice President	December 2009	—
Chen Shanzhi	China Academy of Telecommunications Technology Co., Ltd.	Vice General Manager	December 2017	—
Lu Jun	China Integrated Circuit Industry Investment Fund Co., Ltd.	Director	September 2014	—
Lu Jun	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	Director	October 2019	—
Zhou Jie	Haitong Securities Co., Ltd.	Secretary of the Party Committee	July 14, 2016	—
Zhou Jie	Haitong Securities Co., Ltd.	Chairman of the Board	October 28, 2016	—

(II) POSITIONS IN OTHER ENTITIES

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Zhou Zixue	JCET Group Co., Ltd.	Chairman of the Board	May 17, 2019	May 16, 2022
Zhou Zixue	Hisense Visual Technology Co., Ltd.	Independent Director	June 5, 2015	June 4, 2021
Zhou Zixue	Yunnan Nantian Electronics Information Co., Ltd.	Independent Director	February 27, 2017	June 4, 2023
Zhao Haijun	Zhejiang Juhua Co., Ltd.	Director	November 28, 2016	December 25, 2022
Zhao Haijun	Brite Semiconductor (Shanghai) Co., Ltd.	Chairman of the Board	February 2021	—
Zhao Haijun	Toppan SMIC Electronic (Shanghai) Co., Ltd.	Vice Chairman of the Board	January 2017	—
Gao Yonggang	Semiconductor Global Solutions	Chairman of the Board	March 2018	—
Gao Yonggang	China Fortune-Tech Capital Co., Ltd.	Chairman of the Board	February 2014	—
Gao Yonggang	China Fortune-Tech Capital (Beijing) Co., Ltd*	Executive Director	February 2018	—
Gao Yonggang	Sino IC Leasing Co., Ltd.	Director	August 2015	—
Gao Yonggang	JCET Group Co., Ltd.	Director	July 2017	May 2022
Gao Yonggang	iRay Technology Company Limited	Independent Director	November 17, 2020	November 17, 2023
Gao Yonggang	Ningbo Semiconductor International Corporation	Chairman of the Board	April 2018	—
Zhou Meisheng	Shanghai IC Manufacturing Innovation Center Co., Ltd.	Director	January 2018	—
Chen Shanzhi	FiberHome Telecommunication Technologies Co., Ltd.	Director	September 2019	
Lu Jun	China Development Bank	Deputy General Manager of the Development Fund Management Department of China Development Bank	December 1, 2020	—
Lu Jun	Sino IC Capital Co., Ltd.	President	September 2014	November 2020
Lu Jun	Sino IC Capital Co., Ltd.	Director	September 2014	—
Lu Jun	China Development Bank Capital Co., Ltd.	Vice President	May 2010	December 2020
Lu Jun	Yangtze Memory Technologies Holding Co.,Ltd.	Director	September 2019	—
Lu Jun	Yangtze Memory Technologies Co.,Ltd. ("YMTC")	Director	September 2019	—
Lu Jun	Wuhan Xinxin Semiconductor Manufacturing Co., Ltd.	Director	September 2019	—
Lu Jun	Guokai Equipment Manufacturing Industry Investment Fund Co., Ltd.	Director	November 2010	—
Lu Jun	Sino IC Leasing Co., Ltd.	Director	August 2015	—
Lu Jun	Guokai Ronghua Industrial Investment Fund Management Co., Ltd.	Chairman	March 2014	—
Ren Kai	Sino IC Capital Co., Ltd.	Director and Vice President	September 2014	—
Ren Kai	National Silicon Industry Group Co., Ltd	Vice Chairman of the Board	March 2015	March 2022
Ren Kai	San'an Optoelectronics Co., Ltd.	Director	April 2016	July 2023
Ren Kai	An Xin Capital Co., Ltd.	Chairman of the Board	May 2016	—
Ren Kai	JCET Group Co., Ltd.	Director	April 2016	May 2022
Ren Kai	Yangtze Memory Technologies Holding Co., Ltd.	Director	December 2016	—
Ren Kai	Yangtze Memory Technologies Co., Ltd.	Director	July 2016	—
Ren Kai	Wuhan Xinxin Semiconductor Manufacturing Co., Ltd.	Director	July 2016	—
Ren Kai	Hubei Zixin Technology Investment Co. Ltd.	Director	November 2016	—
Ren Kai	Hubei Ziguang Guoqi Technology Holding Co., Ltd.	Director	November 2016	—
Ren Kai	Shanghai Wanye Enterprise Co., Ltd.	Vice Chairman of the Board	January 2019	January 2022
Ren Kai	SJ Semiconductor (Jiangyin) Corporation	Director	January 2016	June 2020
Ren Kai	SJ Semiconductor (HK) Limited	Director	January 2016	June 2020
Ren Kai	SJ SEMICONDUCTOR CORPORATION	Director	January 2016	June 2020
Ren Kai	Shanghai Xinshuo Investment Management Co., Ltd.	Chairman	September 2017	April 2020

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Zhou Jie	Shanghai Securities Association	President	December 2016	—
Zhou Jie	Shanghai Financial Association	Vice Chairman	March 2017	—
William Tudor Brown	Lenovo Group Limited	Independent Non-executive Director	January 30, 2013	—
William Tudor Brown	Marvell Technology Group	Independent Non-executive Director	December 6, 2016	—
LAU Lawrence Juen-Yee	AIA Group Limited	Independent Non-executive Director	September 18, 2014	—
LAU Lawrence Juen-Yee	CNOOC Limited	Independent Non-executive Director	August 31, 2005	—
LAU Lawrence Juen-Yee	Far EasTone Telecommunications Company Limited, Taipe	Independent Non-executive Director	May 20, 2005	—
Fan Ren Da Anthony	AsiaLink Capital Limited	Chairman and Managing Director	October 9, 2003	—
Fan Ren Da Anthony	CITIC Resources Holdings Limited	Independent Non-executive Director	August 30, 2000	—
Fan Ren Da Anthony	Uni-President China Holdings Ltd.	Independent Non-executive Director	September 8, 2007	—
Fan Ren Da Anthony	Raymond Industrial Limited	Independent Non-executive Director	December 12, 1994	—
Fan Ren Da Anthony	Shanghai Industrial Urban Development Group Limited	Independent Non-executive Director	July 5, 2010	—
Fan Ren Da Anthony	China Development Bank International Investment Limited	Independent Non-executive Director	March 21, 2012	—
Fan Ren Da Anthony	Technovator International Limited	Independent Non-executive Director	September 8, 2011	—
Fan Ren Da Anthony	China Dili Group	Independent Non-executive Director	August 25, 2008	—
Fan Ren Da Anthony	Neo-Neon Holdings Limited	Independent Non-executive Director	August 25, 2014	—
Fan Ren Da Anthony	Hong Kong Resources Holdings Company Limited	Independent Non-executive Director	September 30, 2008	—
Fan Ren Da Anthony	Tenfu (Cayman) Holdings Company Limited	Independent Non-executive Director	September 26, 2011	—
Young Kwang Leei	Taiwan MAYO Human Capital Inc.	Independent Director	August 2019	—
Young Kwang Leei	Yi-Yi Network Taiwan	Non-executive Director	February 2021	—
Liu Ming	Fudan University	Professor	January 1, 2021	—
Liu Ming	Unisound AI Technology Co. Ltd	Independent Director	June 10, 2019	May 31, 2021
Cong Jingsheng Jason	Falcon Computing Solutions Inc.	Chairman of the Board	2014	—
Cong Jingsheng Jason	Inspirit IoT, Inc.	Director	2016	—

III. REMUNERATIONS OF DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

(I) REMUNERATIONS OF DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

The decision-making procedure for the remunerations of Directors and senior management	The remuneration of executive Directors shall be proposed by the compensation committee and approved by the Board; the remuneration of non-executive Directors shall be proposed by the compensation committee to the Board and approved by the Board; the remuneration of senior management shall be determined according to the remuneration management policy formulated by the Company upon the approval of the compensation committee.
The basis for determining remunerations of Directors and senior management	Remuneration management policy for Directors and senior management approved by the Board.
Actual payment of remunerations of Directors and senior management	During the reporting period, remunerations of Directors, senior management and core technicians of the Company were in line with relevant remuneration policy and appraisal standards of the Company, and were granted in strict compliance with appraisal results. There were no events in violation of the remuneration management policy of the Company. The actual payment of remunerations was consistent with that as disclosed by the Company.
Total actual remunerations received by all Directors and senior management at the end of the reporting period	US$8.8 million
Total actual compensations received by core technical personnel at the end of the reporting period	US$7.0 million

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

1. *Directors' Interests in Securities of the Company*

As at December 31, 2020, the interests or short positions of the Directors and the chief executive officer in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Unit: Share

Name of Director	Long/Short Position	Nature of Interests	Number of Ordinary Shares held	Derivatives		Total Interests	Percentage of aggregate interests to total issued share capital of the Company[(1)]
				Options	Other		
Executive Directors							
Zhou Zixue	Long Position	Beneficial Owner	—	3,180,280 (Note 2)	1,340,306 (Note 3)	4,520,586	0.059%
Chiang Shang-Yi	—	—	—	—	—	—	—
Zhao Haijun	Long Position	Beneficial Owner	163	2,095,439 (Note 4)	86,603 (Note 5)	2,182,205	0.028%
Liang Mong Song	Long Position	Beneficial Owner	—	659,117 (Note 6)	259,808 (Note 7)	918,925	0.012%
Gao Yonggang	Long Position	Beneficial Owner	—	2,236,265 (Note 8)	316,805 (Note 9)	2,553,070	0.033%
Non—executive Directors							
Chen Shanzhi	Long Position	Beneficial Owner	—	412,656 (Note 10)	412,656 (Note 11)	825,312	0.011%
Zhou Jie	—	—	—	—	—	—	—
Ren Kai	—	—	—	—	—	—	—
Lu Jun	—	—	—	—	—	—	—
Tong Guohua	Long Position	Beneficial Owner	—	242,466 (Note 12)	242,466 (Note 13)	484,932	0.006%
Independent Non-executive Directors							
William Tudor Brown	Long Position	Beneficial Owner	—	212,500 (Note 14)	212,500 (Note 15)	425,000	0.006%
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	—	187,500 (Note 16)	187,500 (Note 17)	375,000	0.005%
Fan Ren Da Anthony	Long Position	Beneficial Owner	—	187,500 (Note 18)	187,500 (Note 19)	375,000	0.005%
Young Kwang Leei	Long Position	Beneficial Owner	—	187,500 (Note 20)	187,500 (Note 21)	375,000	0.005%
Cong Jingsheng Jason*	Long Position	Beneficial Owner	—	242,466 (Note22)	54,966 (Note23)	297,432	0.004%

- Dr. Cong Jingsheng Jason has resigned as an independent non-executive director with effect from December 31, 2020.

Notes:

(1) Based on 7,703,507,527 shares in issue as at December 31, 2020.

(2) (a) On May 20, 2015, Dr. Zhou was granted options to purchase 2,521,163 shares at a price of HK$8.30 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 19, 2025 or 120 days after termination of his service as a Director to the Board. (b) On May 25, 2020, Dr. Zhou was granted options to purchase 659,117 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(3) (a) On May 20, 2015, Dr. Zhou was granted an award of 1,080,498 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs, 25% of which will vest on each anniversary of March 6, 2015, shall fully vest on March 6, 2019. (b) On May 25, 2020, Dr. Zhou was granted an award of 259,808 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, consisting of (i) 86,603 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 173,205 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. As of December 31, 2020, none of these RSUs has been exercised.

(4) These options comprise: (a) options which were granted to Dr. Zhao on June 11, 2013 to purchase 1,505,854 shares at a price of HK$6.40 per share pursuant to the 2004 Stock Option Plan and will expire on the earlier of June 10, 2023 or 90 days after termination of his service, (b) options which were granted to Dr. Zhao on September 7, 2017 to purchase 1,687,500 shares at a price of HK$7.9 per share pursuant to the 2014 Stock Option Plan and will expire on the earlier of September 6, 2027 or 90 days after termination of his service as Co-Chief Executive Officer. (c) On May 25, 2020, Dr. Zhao was granted options to purchase 219,706 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, 1,317,621 of these options have been exercised.

(5) On May 25, 2020, Dr. Zhao was granted an award of 86,603 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. As of December 31, 2020, none of these RSUs has been exercised.

(6) On May 25, 2020, Dr. Liang was granted options to purchase 659,117 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(7) On May 25, 2020, Dr. Liang was granted an award of 259,808 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, consisting of (i) 86,603 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 173,205 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. As of December 31, 2020, none of these RSUs has been exercised.

(8) These options comprise: (a) options which were granted to Dr. Gao on June 17, 2013 to purchase 1,360,824 shares at a price of HK$6.24 per share pursuant to the 2004 Stock Option Plan and will expire on the earlier of June 16, 2023 or 120 days after termination of his service as a Director to the Board; (b) options which were granted to Dr. Gao on June 12, 2014 to purchase 288,648 shares at a price of HK$6.4 per share pursuant to the 2014 Stock Option Plan and will expire on the earlier of June 11, 2024 or 120 days after termination of his service as a Director to the Board. (c) On May 25, 2020, Dr. Gao was granted options to purchase 586,793 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(9) (a) On November 17, 2014, Dr. Gao was granted an award of 291,083 Restricted Share Units pursuant to the 2014 Equity Incentive Plan, consisting of (i) 240,145 Restricted Share Units, 25% of which vest on each anniversary of June 17, 2013 and which shall fully vest on June 17, 2017; and (ii) 50,938 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2014 and which shall fully vest on March 1, 2018. (b) On May 25, 2020, Dr. Gao was granted an award of 231,300 Restricted Share Units pursuant to the 2014 Equity Incentive Plan, consisting of (i) 74,016 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 157,284 Restricted Share Units, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. As of December 31, 2020, 205,578 of these Restricted Share Units were exercised.

(10) These options comprise: (a) On May 25, 2016, options to purchase 98,958 shares at a price of HK$6.42 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options were vested immediately and will expire on the earlier of May 24, 2026 or 120 days after termination of his service as a Director to the Board. (b) On September 12, 2016, options to purchase 1,198 shares at a price of HK$8.72 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options were vested immediately and will expire on the earlier of September 11, 2026 or 120 days after termination of his service as a Director to the Board. (c) On April 5, 2017, options to purchase 62,500 shares at a price of HK$9.834 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options were vested immediately and will expire on the earlier of April 4, 2027 or 120 days after termination of his service as a Director to the Board. (d) On May 23, 2018, options to purchase 125,000 shares at a price of HK$10.512 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of May 22, 2028 or 120 days after termination of his service as a Director to the Board. (e) On May 21, 2019, options to purchase 62,500 shares at a price of HK$8.580 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of May 20, 2029 or 120 days after termination of his service as a Director to the Board. (f) On May 25, 2020, options to purchase 62,500 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Chen. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of the options has been exercised.

(11) These Restricted Share Units comprise: (a) On May 25, 2016, 98,958 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's Restricted Share Units were vested immediately. (b) On September 12, 2016, 1,198 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's Restricted Share Units were vested immediately. (c) On April 5, 2017, 62,500 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Dr. Chen's Restricted Share Units were vested immediately. (d) On May 23, 2018, 125,000 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. Among the 125,000 Restricted Share Units, 62,500 Restricted Share Units were vested immediately and 62,500 Restricted Share Units shall vest on 1 January 2019. (e) On May 21, 2019, 62,500 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on January 1, 2020. (f) On May 25, 2020, 62,500 Restricted Share Units were granted to Dr. Chen pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on January 1, 2021. As of December 31, 2020, none of these RSUs has been exercised.

(12) (a) On April 5, 2017, Dr. Tong was granted options to purchase 187,500 shares at a price of HK$9.834 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of April 4, 2027 or 120 days after termination of his service as a Director to the Board. (b) On May 25, 2020, options to purchase 54,966 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan were granted to Dr. Tong. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(13) (a) On April 5, 2017, Dr. Tong was granted an award of 187,500 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs have vested on each anniversary of 14 February, 2017 at the rate of 33%, 33% and 34% over a period of three years, and have fully vested on 14 February 2020. (b) On May 25, 2020, 54,966 Restricted Share Units were granted to Dr. Tong pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on January 1, 2021. As of December 31, 2020, none of these RSUs has been exercised.

(14) These options comprise: (a) On May 23, 2018, options to purchase 87,500 shares at a price of HK$10.512 per share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options will expire on the earlier of May 22, 2028 or 120 days after termination of his service as a Director to the Board. (b) On May 21, 2019, options to purchase 62,500 shares at a price of HK$8.580 per share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options shall vest on January 1, 2020 and will expire on the earlier of May 20, 2029 or 120 days after termination of his service as a Director to the Board. (c) On May 25, 2020, options to purchase 62,500 shares at a price of HK$18.096 per share pursuant to the 2014 Stock Option Plan were granted to Mr. Brown. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(15) (a) On May 23, 2018, 87,500 Restricted Share Units were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. Among the 87,500 Restricted Share Units, 25,000 Restricted Share Units were vested immediately and 62,500 Restricted Share Units shall vest on January 1, 2019. (b) On May 21, 2019, 62,500 Restricted Share Units were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on January 1, 2020. (c) On May 25, 2020, 62,500 Restricted Share Units were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These Restricted Share Units shall vest on January 1, 2021. As of December 31, 2020, none of these RSUs has been exercised.

(16) On September 13, 2018, Professor Lau was granted options to purchase 187,500 shares at a price of HK$8.574 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of September 12, 2028 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(17) On September 13, 2018, Professor Lau was granted an award of 187,500 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs vest on each anniversary of June 22, 2018 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on June 22, 2021. As of December 31, 2020, none of these Restricted Share Units was exercised.

(18) On September 13, 2018, Mr. Fan was granted options to purchase 187,500 shares at a price of HK$8.574 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of September 12, 2028 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(19) On September 13, 2018, Mr. Fan was granted an award of 187,500 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. These RSUs vest on each anniversary of June 22, 2018 at the rate of 33%, 33% and 34% over a period of three years, and will fully vest on June 22, 2021. As of December 31, 2020, none of these Restricted Share Units was exercised.

(20) On September 12, 2019, Dr. Young was granted options to purchase 187,500 shares at a price of HK$9.820 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of September 11, 2029 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(21) On September 12, 2019, Dr. Young was granted an award of 187,500 Restricted Share Units (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan. As of December 31, 2020, none of these Restricted Share Units was exercised.

(22) (a) On April 5, 2017, Dr. Cong was granted options to purchase 187,500 Shares at a price of HK$9.834 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of April 4, 2027 or 120 days after termination of his service as a Director to the Board. (b) On May 25, 2020, options to purchase 54,966 Shares at a price of HK$18.096 per Share pursuant to the 2014 Stock Option Plan were granted to Dr. Cong. These options will expire on the earlier of May 24, 2030 or 120 days after termination of his service as a Director to the Board. As of December 31, 2020, none of these options has been exercised.

(23) On May 25, 2020, 54,966 Restricted Share Units were granted to Dr. Cong pursuant to the 2014 Equity Incentive Plan. As of December 31, 2020, none of these RSUs has been exercised.

2. Emoluments to the Directors

Details regarding the emoluments to each of the Directors, please refer to "I. CHANGES IN SHAREHOLDING AND REMUNERATION" in this section.

During the year ended December 31, 2020, the Board granted 1,072,451 Restricted Share Units to Directors as compensation for their service on the Board.

3. Emoluments to the Senior Management

The emoluments of senior management personnel, included Zhou Zixue (Chairman and Executive Director), Chiang Shang-Yi (Vice Chairman and Executive Director), Zhao Haijun (Co-Chief Executive Officer and Executive Director), Liang Mong Song (Co-Chief Executive Officer and Executive Director), Gao Yonggang (Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary), Zhou Meisheng (Executive Vice President of Technology Research and Development), Guo Guangli (Board Secretary and Vice President), for the years ended December 31, 2020 and 2019 are as follows:

in USD'000

	2020	2019
Salaries, bonus and benefits	8,418	2,826
State-managed pension[1]	18	16
Equity-settled share-based payments	1,883	18
Total	10,319	2,860

Note (1): The Group contributes the pension insurance premiums to the local social basic pension agency on a monthly basis based on the local social basic pension payment base and proportion. After retirement, the local labor and social security department is responsible for paying social basic pensions to retired employees.

The number of senior management whose remuneration fell within the following bands for the years ended December 31, 2020 and 2019 are as follows:

Emoluments to Senior Management	Number of individuals 2020	2019
HK$1 (US$1) to HK$500,000 (US$64,495)	1	—
HK$2,000,001 (US$257,981) to HK$2,500,000 (US$322,475)	1	—
HK$2,500,001 (US$322,476) to HK$3,000,000 (US$386,970)	—	1
HK$3,500,001 (US$451,465) to HK$4,000,000 (US$515,960)	—	1
HK$4,000,001 (US$515,961) to HK$4,500,000 (US$580,455)	—	1
HK$5,500,001 (US$709,446) to HK$6,000,000 (US$773,940)	—	2
HK$6,500,000 (US$838,436) to HK$7,000,000 (US$902,930)	1	—
HK$8,500,001 (US$1,096,416) to HK$9,000,000 (US$1,160,910)	1	—
HK$11,000,001 (US$1,418,890) to HK$11,500,000 (US$1,483,385)	1	—
HK$12,000,001 (US$1,547,881) to HK$12,500,000 (US$1,612,375)	1	—
HK$38,000,001 (US$4,901,621) to HK$38,500,000 (US$4,966,115)	1	—
Total	7	5

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

Name	Position	Change	Reason for the change
Cong Jingsheng Jason	Independent Non-executive Director	Resigned	Due to US's recent concerns about SMIC, Dr. Cong Jingsheng Jason has resigned with effect from December 31, 2020.
Chiang Shang-Yi	Vice Chairman and Executive Director	Appointed	On December 15, 2020, the Board approved the appointment of Dr. Chiang Shang-Yi as the vice chairman and executive Director of the Company with effect from December 15, 2020.
Liu Ming	Independent Non-executive Director	Appointed	On February 4, 2021, the Board approved the appointment of Dr. Liu Ming as the independent non-executive Director of the Company with effect from February 4, 2021.
Gao Yonggang	Company Secretary	Appointed	Dr. Gao Yonggang changed from joint Company Secretary to Company Secretary on November 11, 2020.
Guo Guangli	Board Secretary	Appointed	On November 11, 2020, the Board approved the appointment of Ms. Guo Guangli as the Board secretary of the Company with effect from November 11, 2020.

Save as disclosed above, there were no changes in the members of the Board, between the period from the date of the 2020 Interim Report and the date of this annual report. Except as disclosed in the section headed "Directors, Senior Management and Employees" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Hong Kong Listing Rules since the publication of the 2020 interim report of the Company.

V. PARTICULARS OF EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) PARTICULARS OF EMPLOYEES

Number of in-service employees of the Company	3
Number of in-service employees of the major subsidiaries	17,351
Total number of in-service employees	17,354
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	24

Composition of professions

Type of profession	12/31/20	12/31/19
Production staff	12,985	11,205
Sales staff	200	193
R&D staff	2,335	2,530
Administrative staff	1,834	1,867
Total	17,354	15,795

Education level

Type of education level	12/31/20	12/31/19
Doctor	329	281
Master	3,199	2,961
Bachelor	5,513	5,027
Junior college and below	8,313	7,526
Total	17,354	15,795

The Group's development depends upon, among other factors, the Group's ability to attract, retain and motivate qualified personnel.

As a supplement to their salaries, the Group's employees have the opportunity to earn performance bonuses based on the Group's profitability, business achievements, and individual performance. Additional benefits include participation in the Group's global equity incentive compensation program, paid leave, social welfare benefits and the global medical insurance plan for qualified employees, optional housing benefits and educational programs for employees with families.

The Group provides occupational health and hygiene management for the welfare of the Group's employees. This includes occupational physical examination, the monitoring of air quality, illumination, radiation, noise and drinking water. Part of the Group's employees are covered by collective bargaining agreements.

(II) REMUNERATION POLICY

The Group's employees are compensated by cash and a variety of additional incentives. As a supplement to their salaries, the Group's employees have the opportunity to earn performance bonuses based on the Company's profitability, business achievement, and individual performance. Additional benefits include participation in the Group's global equity incentive compensation program, paid leave, social welfare benefits for qualified employees, a global medical insurance plan for qualified employees and optional housing benefits and educational programs for employees with families.

The Directors are compensated for their services as Directors, primarily by salaries and grants of options to purchase Ordinary Shares under the Stock Option Plan and Restricted Share Units. The compensation committee of the Company proposes, and the Board, other than interested Directors, approves a remuneration package for the Directos, which is comparable with the compensation received by directors in other similarly situated publicly-traded companies. For further information on the emoluments to Directors, please refer to "I. CHANGES IN SHAREHOLDING AND REMUNERATION" in this section.

The Group's local Chinese employees are entitled to a retirement benefit based on their salary and their length of service in accordance with a state-managed pension plan ("Basic Pension Insurance"). The PRC government is responsible for the management of the pension to these retired staff. The Company required to make contributions to the state-managed pension plan at a rate equal to 13.0% to 16.0% (the standard in Shenzhen site ranges from 13% to 14% according to Shenzhen government regulation) of the monthly salary of current employees. Employees are required to make contributions at a rate equal to 8% of their monthly salary. The employee benefits expense is disclosed in Note 11 to the consolidated financial statements for further information.

(III) TRAINING PROGRAMS

Adhering to the talent management concept of "creating the future with SMIC," the Company is committed to creating a talent training and development system with the characteristics of the integrated circuit industry and highlighting corporate values. It focused on management and professional technical talents, implemented hierarchical and classified training, and developed a talent team with excellent leadership and strong professional and technical capabilities, which laid a solid talent foundation for the realization of the Company's long-term goals and achieved the common development of the industry, the Company and employees.

The Company built an international, professional, and systematic talent training and development system with reference to domestic and foreign first-class enterprises, established a Company's key and core talent pool by defining talent standards, building a talent evaluation mechanism and promoting talent inventory, while providing targeted training programs and courses for talents with different characteristics. In 2020, the Company conducted diversified training projects and courses in combination with offline teaching, online learning and team building. More than 200,000 employees received training, and the online and offline training coverage rate reached 100%.

SECTION 10 CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

I. INTRODUCTION OF CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE PRACTICES

The HKSE's Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Hong Kong Listing Rules contains code provisions (the "Code Provisions") which an issuer, such as the Company, is expected to comply with or advise as to reasons for deviations from it, and recommends best practices which an issuer is encouraged to implement (the "Recommended Practices"). The Company has adopted a set of Corporate Governance Policy (the "CG Policy") since January 25, 2005 as its own code of corporate governance, which is amended from time to time to comply with the CG Code. The CG Policy, a copy of which can be obtained on the Company's website at www.smics.com under "Investor Relations > Corporate Governance > Policy and Procedures", substantially incorporates all Code Provisions (except for Code Provision E.1.3, which relates to the notice period of general meetings of the Company) and the Recommended Practices of the CG Code. In addition, the Company has adopted or put in place various policies, procedures, and practices in compliance with the provisions of the CG Policy.

Code Provision A.4.2 of the CG Code requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. According to Article 132 of the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next following annual general meeting of the Company after appointment and shall then be eligible for re-election at that meeting.

Save as the aforesaid and in the opinion of the Directors, the Company had complied with all Code Provisions set out in the CG Code during the year ended December 31, 2020.

WHETHER THERE IS ANY SIGNIFICANT DIFFERENCE BETWEEN THE REQUIREMENTS OF CORPORATE GOVERNANCE AND THE RELEVANT REGULATIONS OF THE CSRC; IF THERE IS A SIGNIFICANT DIFFERENCE, THE REASON SHOULD BE EXPLAINED

The Company is a red chip company established in the Cayman Islands. Its current corporate governance system is mainly formulated based on relevant laws, regulations and rules of the place of registration and listing of the Company, and compared with the current corporate governance model applicable to general A-share listed companies registered in China, there are certain differences. For specific differences, please refer to "II. Main differences between the legal system of companies of the place of registration, the Articles of Association and the domestic Company Law and other legal system" under "Section 7 Corporate Governance and Independence" of the Prospectus of Initial Public Offering of RMB Ordinary Shares (A Shares) and Listing on the SSE STAR Market of the Company dated July 13, 2020.

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

The Company has adopted an Insider Trading Compliance Program (the "Insider Trading Policy") which encompasses the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code"). The Company, having made specific enquiry of all Directors, confirms that all Directors have complied with the Insider Trading Policy and the Model Code throughout the twelve months ended December 31, 2020. The senior management of the Company as well as all directors, senior officers, and employees of the Company and its subsidiaries are also required to comply with the Insider Trading Policy and relevant provisions stipulated by CSRC and SSE in relation to inside trading.

III. INTRODUCTION OF GENERAL MEETINGS

Session	Date of convention	Inquiry index on the website on which the resolution(s) are publicized	Date of disclosure for publication of resolution(s)
The 2020 first extraordinary general meeting	February 13, 2020	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	February 13, 2020
The 2020 second extraordinary general meeting	June 1, 2020	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	June 1, 2020
The 2020 third extraordinary general meeting	June 23, 2020	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	June 23, 2020
The 2020 fourth extraordinary general meeting	June 23, 2020	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	June 23, 2020
The 2020 annual general meeting	June 23, 2020	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	June 23, 2020
The 2020 fifth extraordinary general meeting	December 15, 2020	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	December 15, 2020
		The website of the SSE (http://www.sse.com.cn)	December 16, 2020

IV. SHAREHOLDER RIGHTS AND SHAREHOLDER COMMUNICATIONS

(I) SHAREHOLDER RIGHTS

The Company's shareholders may put forth proposals at an annual general meeting of the Company's shareholders by written notice of those proposals being submitted by the Company Secretary or the Secretary to the Board. Such shareholders may put a proposal before the Company's shareholders, who must (a) be a member of record on both the date of giving of the notice by such shareholder and the record date for the determination of members entitled to vote at such meeting, holding individually or jointly of 3% (inclusive) of the issued shares with voting rights and (b) comply with the notice requirements, in each case, as specified in the Articles of Association. The notice requirements include the timing of delivery of the notice as well as the contents of such notice. The detailed procedures for the notice requirements vary depending on whether the proposal constitutes an ordinary resolution or a special resolution or whether the proposal relates to a nomination for election of a Director. The procedures for shareholders to propose a person for election as a Director is available on the Company's website. The procedures for shareholders to put forward proposals at an annual general meeting are also available upon request from the Company Secretary or the Secretary to the Board. For detailed contact information of the Company, please refer to "I. BASIC CORPORATE INFORMATION" and "II. CONTACT PERSONS AND CONTACT METHODS" in "Section 3 Corporate Profile and Principal Financial Indicators".

Enquiries may be submitted to the Board by contacting either the Company Secretary or the Secretary to the Board, or directly by putting forward questions at an annual general meeting or an extraordinary general meeting. Questions on the procedures for putting forward proposals at an annual general meeting may also be raised to the Company Secretary or the Secretary to the Board by the same means. For detailed contact information of the Company, please refer to "I. BASIC CORPORATE INFORMATION" and "II. CONTACT PERSONS AND CONTACT METHODS" in "Section 3 Corporate Profile and Principal Financial Indicators".

According to Article 65 of the Company's Articles of Association, the Board or the Chairman of the Board may, at any time it/he deems appropriate, proceed to convene a general meeting of the Company. Members who individually or collectively hold 10% or more of the Company's shares shall have the right to requisition the Board to convene an extraordinary general meeting.

(II) SHAREHOLDER COMMUNICATIONS

The Company and the Board recognizes the importance of maintaining open and frequent communications with its shareholders. At the annual general meeting of the Company, which was held on June 23, 2020 at the Company's headquarters in Shanghai, China ("2020 AGM"), Directors, members of the management team, as well as the Company's external auditors, were present to answer questions from the shareholders. The 2020 AGM circular was distributed to all shareholders within the prescribed time period required by the Hong Kong Stock Exchange Listing Rules. The circular and the accompanying materials set forth information relevant to the proposed resolutions. Separate resolutions are proposed at these annual general meetings on each substantially separate issue, including the re-election of individual Directors. The chairman of the meeting reveals how many proxies for and against have been filed in respect to each resolution. The poll results will then be published in accordance with the requirements of the Hong Kong Stock Exchange Listing Rules.

During the 2020 AGM, the Company's shareholders:

- received and considered the audited consolidated financial statements and the reports of the Directors and Auditors of the Company for the year ended December 31, 2019;
- re-elected Dr. Zhou Zixue, Dr. Gao Yonggang, Mr. William Tudor Brown and Dr. Tong Guohua as Class I directors to hold office until the 2023 annual general meeting, re-elected Dr. Young Kwang Leei as Class III director to hold office until the 2022 annual general meeting and authorized the Board to fix their remuneration;
- appointed PricewaterhouseCoopers as the auditor of the Company for Hong Kong financial reporting purpose and authorized the Audit Committee of the Board to fix their remuneration;
- approved the general mandate to the Board to allot, issue, grant, distribute and otherwise deal with additional shares in the Company, not exceeding 20% of the issued share capital of the Company as at the date of 2020 AGM;
- approved the general mandate to the Board to repurchase shares of the Company, not exceeding 10% of the issued share capital of the Company as at the date of the 2020 AGM; and
- authorized the Board to exercise the powers to allot, issue, grant, distribute or otherwise deal with the additional authorized but unissued shares repurchased by the Company.

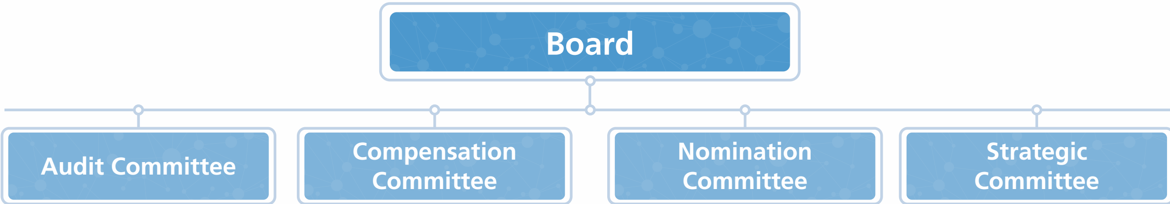
A key element of effective communication with shareholders and investors is the timely dissemination of information relating to the Company. In addition to announcing annual and interim reports, the Company announces its quarterly financial results approximately 45 days after the end of each quarter. In connection with such announcements, the Company holds conference calls which are open and available to the Company's shareholders and investors. During these conference calls, the senior management reports about the latest developments in the Company and answers questions from participants. The members of the Company's Investor Relations Department and senior management also hold regular meetings with equity research analysts and other institutional shareholders and investors.

The market capitalization of the Company as of December 31, 2020 was approximately HK$260,260,857,710.11 (the market capitalization of the issued capital of 5,765,044,527 Hong Kong Ordinary Shares at the closing market price of HK$22.10 per Ordinary Share plus the market capitalization of the issued capital of 1,938,463,000 RMB Ordinary Shares at the closing market price of RMB57.75 exchanged into Hong Kong dollar). The public float as of such date was approximately 79.83%.

The 2021 annual general meeting is scheduled to be held at Evergreen Laurel Hotel Shanghai, 1136 Zuchongzhi Road, Pu Dong New Area, Shanghai 201203 on or around June 25, 2021. All shareholders of the Company are invited to attend.

V. OVERVIEW OF THE BOARD

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



The Board consists of 15 Directors as at the publication date of this annual report. Directors may hold office until the expiration of their respective term upon an election passed at a duly convened shareholders' meeting by holders of a majority of the Company's issued shares being entitled to vote in person or by proxy at such meeting. The Board is divided into three classes with one class of Directors eligible for re-election at each annual general meeting of the Company. Each class of Directors (including all non-executive Directors) serves a term of three years.

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

Name of Director	Category of Director	Class of Director	Year of Re-election
Zhou Zixue	Chairman and Executive Director	Class I	2023
Gao Yonggang	Chief Financial Officer and Executive Director	Class I	2023
William Tudor Brown	Independent Non-executive Director	Class I	2023
Tong Guohua	Non-executive Director	Class I	2023
Zhao Haijun	Co-Chief Executive Officer and Executive Director	Class II	2021
Chen Shanzhi	Non-executive Director	Class II	2021
Lu Jun	Non-executive Director	Class II	2021
Lau Lawrence Juen-Yee	Independent Non-executive Director	Class II	2021
Fan Ren Da Anthony	Independent Non-executive Director	Class II	2021
Chiang Shang-Yi(1)	Vice Chairman and Executive Director	Class II	2021
Liang Mong Song	Co-Chief Executive Officer and Executive Director	Class III	2022
Zhou Jie	Non-executive Director	Class III	2022
Ren Kai	Non-executive Director	Class III	2022
Young Kwang Leei	Independent Non-executive Director	Class III	2022
Liu Ming(2)	Independent Non-executive Director	Class III	2021 and 2022

Note:

(1) Dr. Chiang Shang-Yi was appointed as the Vice Chairman and an executive Director of the Company by the Board on December 15, 2020.

(2) Dr. Liu Ming was appointed as an independent non-executive Director of the Company by the Board on February 4, 2021.

For the year ended December 31, 2020, the roles of Chairman and Co-Chief Executive Officers are segregated. The role of Chairman is performed by Dr. Zhou Zixue, the role of Vice Chairman is performed by Dr. Chiang Shang-Yi and the roles of Co-Chief Executive Officers are performed by Dr. Zhao Haijun and Dr. Liang Mong Song.

The Company confirms that each independent non-executive Director has given an annual confirmation of independence to the Company, and the Company considers these Directors to be independent (as defined under the Hong Kong Listing Rules). There are no relationships among members of the Board, including between the Chairman, the Vice Chairman and the Co-Chief Executive Officers.

The Board meets at least four times a year at approximately quarterly intervals and on such other occasions as may be required to discuss and vote upon significant issues affecting the Company. The Company Secretary assists the Chairman in preparing the agenda for the Board meetings and also assist the Board in complying with applicable laws, rules and regulations. The relevant papers for the Board meetings are dispatched to Board members in accordance with the CG Code. Directors may include matters for discussion in the agenda if the need arises. Upon the conclusion of the Board meeting, minutes are circulated to all Directors for their review and comments prior to their approval of the minutes at the following or subsequent Board meeting. Transactions in which any Directors are considered to have a conflict of interest which the Board has determined to be material are dealt with by physical Board meetings rather than written resolutions and the interested Directors are not counted in the quorum of such Board meetings and abstain from voting on the relevant matters.

All Directors have access to the Company Secretary, who is responsible for assisting the Board in complying with applicable procedures regarding compliance matters. Every Board member is entitled to have access to documents tabled at the Board meeting or filed into the Company's minutes book. Furthermore, the Board has established the procedures pursuant to which a Director, upon reasonable request, may seek independent professional advice at the Company's expense in order for such Director to discharge his duties. The Company Secretary continuously update all Directors on the latest development of the Hong Kong Listing Rules and other applicable regulatory requirements to ensure the Company's compliance with and maintenance of good corporate governance practices. Each new Director is provided with training with respect to the Hong Kong Listing Rules and other regulatory requirements and the Company's corporate governance policies and practices. The Company also provides each Director and senior management with relevant trainings on the behaviour code for responsibility performance and share transactions of directors and senior management of companies on the STAR Market.

The Chairman of the Board holds meetings with the non-executive Directors (including independent non-executive Directors) without the other executive Directors present at least once a year.

VI. PERFORMANCE OF DUTIES BY DIRECTORS

(I) ATTENDANCE OF DIRECTORS AT BOARD MEETINGS AND GENERAL MEETINGS DURING THE REPORTING PERIOD

Every Board member is entitled to have access to the documents provided at the Board meeting or filed into the Company's minute-book. Furthermore, the Board has established the procedures pursuant to which a Director, upon reasonable request, may seek independent professional advice at the Company's expense in order for such Director to exercise such Director's duties.

For the year ended December 31, 2020, the Directors' attendance at the Board meetings and general meetings are set out below:

		Attendance at Board meetings						
Name of Director	Independent Director or not	Required attendance for the year (times)	Attendance in person (times)	Attendance by way of communication (times)	Attendance by proxy (times)	Absence (times)	Any failure in attending in person for two consecutive meetings	Attendance at general meetings (times)
Executive Director								
Zhou Zixue *(Chairman)*	No	10	10	—	—	—	No	6
Chiang Shang-Yi[1] *(Vice Chairman)*	No	N/A	N/A	N/A	N/A	N/A	No	N/A
Zhao Haijun	No	10	10	—	—	—	No	6
Liang Mong Song	No	10	9	—	1	—	No	5
Gao Yonggang	No	10	10	—	—	—	No	6
Non-executive Director								
Chen Shanzhi	No	10	8	7	2	—	No	5
Zhou Jie	No	10	9	8	1	—	No	2
Ren Kai	No	10	10	8	—	—	No	6
Lu Jun	No	10	9	7	1	—	No	6
Tong Guohua	No	10	8	8	2	—	No	4
Independent Non-executive Director								
William Tudor Brown	Yes	10	10	10	—	—	No	6
Cong Jingsheng Jason	Yes	10	9	9	1	—	No	6
Lau Lawrence Juen-Yee	Yes	10	10	10	—	—	No	6
Fan Ren Da Anthony	Yes	10	10	10	—	—	No	6
Young Kwang Leei	Yes	10	10	10	—	—	No	6

Number of Board meetings held in the year	10
Including: Number of physical meetings	—
Number of meetings held by way of communication	—
Number of meetings held in combination of physical meetings and meetings by way of communication	10

Note 1: Chiang Shang-Yi was appointed as the Vice Chairman and an Executive Director of the Company by the Board on December 15, 2020. He is not applicable to be involved in the statistics of the number of attendance at the Board meetings in 2020.

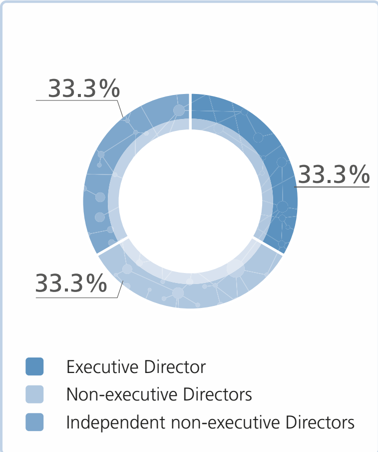
(II) DIRECTORS' TRAINING AND DEVELOPMENT

All Directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging its Directors to take adequate training and is responsible for the training expenses. Each new Director is provided with training with respect to such Director's responsibilities under the Hong Kong Stock Exchange Listing Rules and other regulatory requirements and the Company's corporate governance policies and practices. The Company also provides each Director and senior management with relevant trainings on the behaviour code for responsibility performance and share transactions of directors and senior management of companies on the STAR Market. From time to time, the Company updates the Directors on the latest changes and development of the Hong Kong Stock Exchange Listing Rules, the STAR Market Listing Rules, the corporate governance practices and other law and regulations applicable to the Company, organizes in-house seminars on the latest development of regulatory requirements related to director's duties and responsibilities, and arranges fab visit to provide directors a better understanding of the operation and latest technology and products developments of the Group. The Company Secretary maintains the training records of all Directors. In 2020, the Directors complied with Code Provision A.6.5 of the CG Code through participation in the above-mentioned continuous professional development and reading relevant materials and journals to develop and refresh their knowledge and skills.

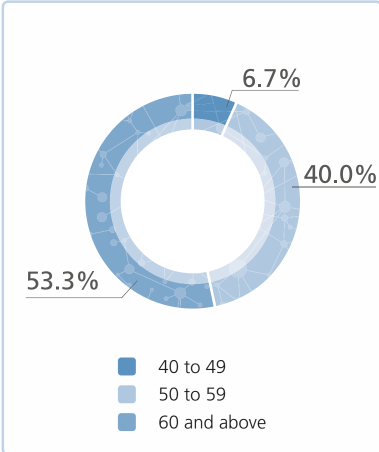
(III) BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy since August 8, 2013 to comply with a new Code Provision A.5.6 of the CG Code on board diversity which has become effective from September 1, 2013. The Board considers that a diversity of perspectives is beneficial to the Company and believes that a diversity of perspectives can be achieved through the consideration of factors such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age. Notwithstanding the above, Board appointments will always be made on merit against objective criteria, taking into account factors based on the Company's business model and specific needs from time to time, as well as the benefits of diversity on the Board. The Nomination Committee of the Board will give consideration to that policy when identifying suitably qualified candidates to become members of the Board. Nonetheless, Board appointments will always be made on merit against objective criteria, taking into account factors based on the Company's business model and specific needs from time to time, as well as the benefits of diversity on the Board, and the Board will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

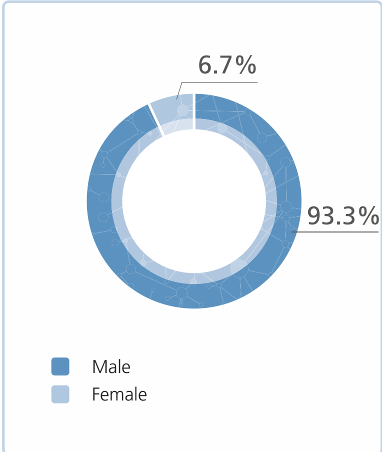
Position



Age



Gender



(IV) PROCEDURE REGARDING THE APPOINTMENT OF DIRECTORS

The standard procedure regarding the appointment of Directors, which was adopted by the Board on September 22, 2005, sets forth the process by which individuals are appointed as members of the Board. Under the policy, the Board will consider, among other factors: (i) the skills, qualifications and experience of the nominee, including other directorships held in listed companies in the last three years and other major appointments; (ii) the nominee's shareholding in the Company; (iii) the independence of the nominee under the Hong Kong Listing Rules; and (iv) board diversity. The Board will then decide whether to appoint such nominee to fill a casual vacancy on the Board or to add the nominee to the existing Directors, and to appoint such nominee into one of the three classes of Directors as stipulated in the Articles of Association of the Company.

VII. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS

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

(I) AUDIT COMMITTEE

As of the publication date of this annual report, the Company's audit committee (the "Audit Committee") consisted of three members, namely Mr. Fan Ren Da Anthony (Chairman of Audit Committee), Mr. Zhou Jie and Mr. William Tudor Brown. None of the members of the Audit Committee has been an executive officer or employee of the Company or any of its subsidiaries. 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, result announcements, 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 (as defined and discussed below), 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 programs and budget of the Company's accounting and financial reporting function;
- reviewing the Company's internal controls, 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.

During the year ended December 31, 2020, the Audit Committee reviewed:

- the Company's budget for 2020;
- the 2019 annual report as of December 31, 2019 and the 2020 interim financial report for the six months ended June 30, 2020;
- the quarterly financial statements, result announcements and any updates thereto;
- the audit opinion of the Company's 2017, 2018, and 2019 financial reports prepared in accordance with the CAS by external auditors in response to the initial public offering of the SSE STAR Market, as well as reports on the differences in the preparation between the CAS and IFRS and the financial information disclosure reports of the SSE STAR Market.
- the quarterly report submitted by the Company's external auditors, which summarizes the significant matters, key audit matters discovered during the review of the Company's financial reports and conclusion thereof.
- the effectiveness of the Company's internal control structure in operations, financial reporting integrity and compliance with applicable laws and regulations;
- 2019 risk management systems and assessment results, the 2020 quarterly risk assessment early warning index;
- 2020 internal audit plan and quarterly audit result;
- the audit service fees and non-audit service fees for the Company's independent auditors; and
- the reports of the Company's ethics hotline, the results of investigation and handling of violation cases.

The Audit Committee reports its work, findings and recommendations to the Board regularly.

The Audit Committee meets 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. The Company Secretary assists the chairman of the Audit Committee in preparing the agenda for meetings and also assists the Audit Committee in complying with the relevant rules and regulations. The relevant papers for the Audit Committee meetings are dispatched to the Audit Committee members in accordance with the CG Code. Members of the Audit Committee may include matters for discussion in the agenda if the need arises. Within reasonable time after an Audit Committee meeting is held, minutes are circulated to the members of the Audit Committee for their comment and review prior to their approval of the minutes at the following or a subsequent Audit Committee meeting.

During the year ended December 31, 2020, the Audit Committee held a total of four (4) meetings. Details of individual members' attendance at the Audit Committee meetings are set forth below:

Audit Committee	Attendance	Note
Independent Non-executive Director		
Fan Ren Da Anthony	4/4	
William Tudor Brow	4/4	
Non-executive Director		
Zhou Jie	3/4	The meeting on November 10, 2020 was attended by Mr. Fan Ren Da Anthony as a proxy on his behalf

At each quarterly Audit Committee meeting, the Audit Committee reviews with the Chief Financial Officer and the Company's independent auditor the financial statements for the financial period and the financial and accounting principles, policies and controls of the Company and its subsidiaries. In particular, the Committee discusses: (i) the changes in accounting policies and practices, if any; (ii) the going concern assumptions; (iii) compliance with accounting standards and applicable rules and other legal requirements in relation to financial reporting; and (iv) the internal controls of the Company and the accounting and financial reporting systems. Upon the recommendation of the Audit Committee, the Board approves the financial statements.

(II) COMPENSATION COMMITTEE

As of the publication date of this annual report, the members of the Company's compensation committee (the "Compensation Committee") are Mr. William Tudor Brown (Chairman of Compensation Committee), Mr. Zhou Jie, Dr. Tong Guohua, Professor Lau Lawrence Juen-Yee and Dr. Young Kwang Leei. None of these members of the Compensation Committee have been an executive officer or employee of the Company or any of its subsidiaries.

The responsibilities of the Compensation Committee include, among other things:

- approving and overseeing the total compensation package for the Company's executives after taking the recommendation from executive Directors, evaluating the performance of and determining and approving the compensation to be paid to the Company's Co-Chief Executive Officer;
- determining the compensation packages of executive Directors and making recommendations to the Board with respect to non-executive Directors' 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 the compensation philosophy, strategy and principles covering Directors and executives and reviewing new and existing employment, consulting, retirement and severance agreements proposed for the Company's executive Directors; and
- ensuring appropriate oversight of the Company's human resources policy and reviewing strategies established to fulfill the Company's ethical, legal, and human resources responsibilities.

During the year ended December 31, 2020, the Compensation Committee reviewed:

- 2020 labor costs and comprehensive remuneration budget of the Group;
- the annual bonus and long-term incentives based on the achievement rate of the Company's annual goals and personal performance;
- bonus, stock grant and rewards for executive Directors;
- annual bonus and stock grant for non-executive Directors;
- compensation package for the new executive Director;
- corporate goals and incentive plan for 2020;
- remuneration proposal for re-election of Directors at the 2020 AGM; and
- share options and restricted share units granted in accordance with the terms of the equity plan.

The Compensation Committee reports its work, findings and recommendations to the Board periodically but no fewer than four times per year. The Compensation Committee meets at least four times per year and on such other occasions as may be required to discuss and vote upon significant issues affecting the compensation policy of the Company. The Company Secretary assists the chairman of the Compensation Committee in preparing the agenda for meetings and also assists the Compensation Committee in complying with the relevant rules and regulations. The relevant papers for the Compensation Committee meeting are dispatched to Compensation Committee members in accordance with the CG Code. Members of the Compensation Committee may include matters for discussion in the agenda if the need arises. Within reasonable time after a Compensation Committee meeting is held, minutes are circulated to the members of the Compensation Committee for their comment and review prior to their approval of the minutes at the following or a subsequent Compensation Committee meeting.

During the year ended December 31, 2020, the Compensation Committee held a total of five (5) meetings. Details of the Directors' attendance at the Compensation Committee meetings are set forth below:

Compensation Committee	Attendance	Note
Independent Non-executive Director		
William Tudor Brown	5/5	
Lau Lawrence Juen-Yee	5/5	
Young Kwang Leei	5/5	
Non-executive Director		
Zhou Jie	3/5	The meetings on November 10, 2020 and December 15, 2020 were attended by Mr. William Tudor Brown as a proxy on his behalf, respectively
Tong Guohua	2/5	The meetings on February 12, 2020, May 12, 2020 and December 15, 2020 were attended by Mr. William Tudor Brown as a proxy on his behalf, respectively

(III) NOMINATION COMMITTEE

As of the publication date of this annual report, the Company's nomination committee (the "Nomination Committee") is composed of Dr. Zhou Zixue (Chairman of Nomination Committee), Mr. Lu Jun, Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Mr. Fan Ren Da Anthony.

Board Nomination Policy

This policy sets out the principles which guide the Nomination Committee of the Company to identify and evaluate a candidate suitably qualified to become a director of the Board and make recommendations to the Board on the selection of candidates nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

Skills and Experience: The candidate should possess the skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries.

Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company and the balance of skills and experience in board composition.

Commitment: The candidate should be able to devote sufficient time to attend board meetings and participate in induction, trainings and other board associated activities. In particular, if the proposed candidate will be nominated as an independent non-executive director ("INED") and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board.

Standing: The candidate must satisfy the Board, Hong Kong Stock Exchange and SSE that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

Independence: The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

NOMINATION PROCEDURES

1. If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

2. The Nomination Committee may propose to the Board a candidate as a nominee for election to the Board.

3. The Board may appoint the candidate as director to fill a casual vacancy or as an addition to the Board or recommend.

4. The Shareholders approve the election of candidate, who stands for election at the next following annual general meeting, as a director.

The responsibilities of the Nomination Committee include:

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

- monitoring the implementation of Board Diversity Policy (including any measurable objectives and the progress in achieving those objectives), and ensuring 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, consistent with criteria approved by the Board, and making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of 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 Co-Chief Executive Officers.

The Nomination Committee meets 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.

The Company Secretary assists the chairman of the Nomination Committee in preparing the agenda for meetings and also assists the Nomination Committee in complying with the relevant rules and regulations. The relevant papers for the Nomination Committee meetings are dispatched to Nomination Committee members in accordance with the CG Code. Members of the Nomination Committee may include matters for discussion in the agenda if the need arises. Within reasonable time after a Nomination Committee meeting is held, minutes are circulated to the Nomination Committee members for their comment and review prior to their approval of the minutes at the following or a subsequent Nomination Committee meeting.

During the year ended December 31, 2020, the Nomination Committee:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- set criteria and reviewed potential nominees for directorships;
- evaluated the independence of the independent non-executive Directors;
- reviewed the re-election of Directors;
- nominated executive Director; and
- nominated new members for Strategic Committee.

During the year ended December 31, 2020, the Nomination Committee held two (2) meetings. Details of Directors' attendance at the Nomination Committee meetings are set forth below:

Nomination Committee	Attendance	Note
Executive Director		
Zhou Zixue (Chairman)	2/2	
Non-executive Director		
Lu Jun	1/2	The meeting on May 12, 2020 was attended by Dr. Zhou Zixue as a proxy on his behalf
Independent Non-executive Director		
William Tudor Brown	2/2	
Lau Lawrence Juen-Yee	2/2	
Fan Ren Da Anthony	2/2	

(IV) STRATEGIC COMMITTEE

As of the publication date of this annual report, the members of the Company's strategic committee ("Strategic Committee") are Dr. Chen Shanzhi (Chairman of Strategic Committee), Dr. Chiang Shang-Yi, Mr. Ren Kai, Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Dr. Liu Ming.

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

The responsibilities of the Strategic Committee include, among other things:

- to evaluate and consider any strategic alternative of the Company;
- to make recommendations to the Board on major matters of the Company and major investment and financing options;
- to contribute and participate in discussions with potential strategic partners with respect to strategic alternative; and
- to make recommendations to the Board and the management of the Company with respect to strategic alternative.

(V) BOARD STRATEGIC MEETING

The Board considers strategy planning is important for the sustainability and development of the Company. Together with Strategic Committee, the Board holds strategic meeting once a year to:

- assess opportunities and challenges of the Company;
- set strategic goals and measurable targets;
- determines the scope of Company's business operation to support the goals; and
- review and evaluate the progress of strategies implementation.

VIII. EVALUATION MECHANISM FOR SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

The compensation committee under the Board is responsible for formulating the remuneration policy of the Company's senior management personnel. In addition to the basic salary, the Company's senior management personnel are granted short-term and long-term incentives linked to the Company's performance. The appraisal spirit of the remuneration committee under the Board is strictly implemented adhering to performance orientation by performing appraisal on senior management personnel on an annual basis.

IX. CORPORATE GOVERNANCE FUNCTIONS

Pursuant to the Board Delegation Policy of the Company which came into effect on September 22, 2005, the Board (or any of its committees) is responsible for performing the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year ended December 31, 2020, the aforesaid corporate governance functions had been carried out by the Board pursuant to the Board Delegation Policy.

X. AUDITORS' REMUNERATION

The Company did not change or dismiss its accounting firms in the past three years (including the reporting period). Please refer to "III. THE APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS" of "Section 7 Significant Events" of this report for details of the auditors' remuneration.

XI. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities is set out in the independent auditor's report.

XII. COMPANY SECRETARIES

As of the publication date of this report, Dr. Gao Yonggang acts as the Company Secretary of the Company. Dr. Liu Wei has resigned as the Joint Company Secretary on November 11, 2020. The biographical detail of Dr. Gao Yonggang is set out in "I. CHANGES IN SHAREHOLDING AND REMUNERATION" under "Section 9 Directors, Senior Management and Employees" of this report.

The Company Secretary report to the chairman of the Board. All Directors have access to the Company Secretary, who is responsible for assisting the Board in complying with applicable procedures regarding compliance matters. The Company Secretary continuously updates all Directors on the latest development of the Hong Kong Stock Exchange Listing Rules and other applicable regulatory requirements to assist the Company's compliance with and maintenance of good corporate governance practices.

Pursuant to Rule 3.29 of the Hong Kong Stock Exchange Listing Rules, Dr. Gao had taken no less than 15 hours of relevant professional training for the year ended December 31, 2020.

XIII. RELEVANT INFORMATION ON INTERNAL CONTROL

(I) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for ensuring that the Group maintains sound and effective risk management and internal control systems and for overseeing management in the operating of such systems on an ongoing basis. Under the Corporate Governance Code issued by HKEX, management should provide a confirmation to the Board on the effectiveness of such systems. The successful risk management and internal control systems are designed to ensure the achievement of business objectives in operations, reliability and completeness of financial reporting and compliance with applicable laws and regulations. They are also designed to manage, rather than completely eliminate, risks impacting the Group's ability to achieve its business objectives. Accordingly, the risk management and internal control systems can only provide reasonable but not absolute assurance that the financial statements do not contain a material misstatement or loss.

Based on the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), the Board supervises the management's designing, implementing and monitoring the risk management system to ensure the effectiveness of the risk management system. The implementation methods of the management are as follows:

- identifying risks, such as operational risk, strategy risk, market risk, legal risk and financial risk, etc.;
- assessing the identified risks by considering the impacts (including financial, reputation, business continuity & operational) and likelihoods of their occurrence;
- designing, operating and monitoring internal control systems, and evaluating the effectiveness of implementation to mitigate and control such risks; and
- monitoring the risk early warning index on the material risks.

The Board has reviewed the effectiveness of risk management and internal control systems of the Group once a year and has required strengthening the comprehensive anti-fraud mechanism ensured that the risk management and internal control systems in place are effective.

(II) INTERNAL AUDIT

Internal Audit supports the Audit Committee to evaluate the effectiveness of and contribute to the improvement of risk management, internal control, and governance systems. On an annual basis, the risk-based audit plan, the budget and the staffing plan are reviewed and approved by the Audit Committee and the Chairman of the Board.

In addition to the agreed plan, the Internal Audit shall check and investigate major problems identified by senior managers. Major internal control audit results, will be reported to the Audit Committee, the Chairman and the Co-Chief Executive Officers. The audit report is quarterly reported to the Audit Committee.

Responsibilities of the internal audit includes:

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

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

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

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

The Internal Audit may meet privately with the Audit Committee, without the presence of members of the Group's management or the independent auditor upon request.

(III) INSIDE INFORMATION

The Company adopts the policy and standard operating procedure on disclosure of price sensitive information (the "Policy and SOP") . According to the Policy and SOP, the Company maintains and regularly reviews a sensitivity list identifying factors which are likely to give rise to the emergence of inside information. The Company ensures that confidentiality agreements are signed by all relevant parties to a transaction that is likely to give rise to the emergence of inside information. The Company also adopts appropriate measures to maintain the confidentiality of the information, such as using project codes and restricting access to such information to a limited group of recipients on a need-to-know basis. The Company organizes periodic training as it deems necessary for employees who, because of their office or employment, are likely to be in possession of inside information in relation to the Company, to help them understand the Company's policies and procedures as well as their relevant disclosure duties and obligations.

XIV. CODE OF BUSINESS CONDUCT AND ETHICS

The Board has adopted a code of business conduct and ethics (the "Code of Conduct") which provides guidance about doing business with integrity and professionalism. The Code of Conduct addresses issues including among others, fraud, conflicts of interest, protection of intellectual property, transactions in the Company's securities, use of the Company's assets, and relationships with customers and third parties. For any violation of the Code of Conduct reported to the Company's Compliance Office through ethic hotline, the Compliance Office will carry out investigations according to the Company's relevant policies and report the findings to the Audit Committee.

XV. COMPLIANCE WITH LAWS AND REGULATIONS

(I) PREFERENTIAL INDUSTRIAL POLICIES RELATING TO INTEGRATED CIRCUIT PRODUCTION ENTERPRISES (THE "ICPES")

SMIS, SMIB, SMIT, SMIZ, SMNC, SMSC and SJ Semi are entitled to the preferential industrial policies described below.

Pursuant to the Interim Provisions on Promoting Industrial Structure Adjustment, or the Interim Provisions, issued by the State Council on December 2, 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 all the State Council Institutions on March 27, 2011 and amended on February 16, 2013, March 10, 2015 and October 30, 2019, the Chinese government encourages (1) the design of integrated circuits; (2) the production of integrated circuits with a line width of less than 0.8 micron (including 0.8 micron); and (3) the advanced packaging and testing of BGA, PGA, CSP, MCM, LGA, SIP, FC, WLP and MEMS.

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 except for such equipment listed in the Catalogue of Import Commodities for Domestic Investment Projects Not Entitled to Tax Exemptions, as stipulated by the State Council 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 (2011) (Announcement No. 36 [2011] of the General Administration of Customs) and in the Notice of the State Council on Adjusting the Taxation Policies for Imported Equipment (Guo Fa [1997] No. 37).

(II) ENVIRONMENTAL REGULATIONS

Our Chinese subsidiaries are subject to a variety of Chinese environmental laws and regulations issued by the central and local governments, concerning the governmental permit and acceptance of construction projects, discharge and disposal of waste water, waste gases and solid waste, and controlling industrial noise according to the laws and regulations. These laws and regulations stipulate the detailed procedures to be implemented in the construction and operation stages of the project, including the environmental impact assessment which must be completed and got the approval before the startup of the project construction, and apply for discharge permit from relevant environmental departments after the completion of construction and plan to discharge pollutants. The discharge permit will register the type and quantity of waste water, waste gases and solid waste plan to discharge, and the method of discharge or disposal, the level of industrial noise. SMIS, SMIB, SMIT, SMIZ, SMNC, SMSC and SJ Semi have all received the approval of environmental impact assessment report and got the discharge permit. Also, the environmental self-check acceptance shall be conducted according to the environmental impact assessment and relevant regulations with the production capacity and other factors. During the operation of Chinese subsidiaries, the relevant environmental protection departments will monitor and audit the environmental compliance level of these subsidiaries from time to time. If the discharge of waste water, waste gases and noise is higher than the limit of discharge permit, it may lead to fines or penalties, or require rectification or suspension of operation within a period of time.

(III) PREFERENTIAL TAXATION POLICIES

The Company is incorporated in the Cayman Islands and not currently subject to taxation in the Cayman Islands. The subsidiaries of the Company are subject to different preferential taxation policies. For details, please refer to Note 10 to the consolidated financial statements.

According to the Enterprise Income Tax Law of the People's Republic of China (the "EIT Law") (No. 63 of the Order of the President of the People's Republic of China, effective from January 1, 2008), a foreign-invested enterprise must withhold and pay the withholding income tax at a rate of 10% when distributing its profits to its direct holding company (a non-Chinese resident company) since January 1, 2008. If there are arrangements on avoidance of double taxation and preventing in fiscal evasion with respect to taxes on income between the Mainland China and the countries or jurisdiction where the direct holding company is located, a lower withholding income tax rate can be applied. For example, according to the Arrangement on Avoidance of Double Taxation between the Mainland China and the Hong Kong Special Administrative Region, a holding company that is a Hong Kong tax resident (which should have commercial substance and submit an Information Reporting Form for Claiming Treaty Benefits with the competent tax authority) can pay the withholding income tax at a rate of 5%.

According to the EIT Law and the Announcement of the State Taxation Administration on Issues Concerning the Implementation of Preferential Income Tax Policies for High-tech Enterprises (Announcement No. 24 of 2017 of the State Taxation Administration), a high-tech enterprise that needs full support from the PRC's government will enjoy a 15% tax rate reduction for EIT Law. Upon qualified as a high-tech enterprise, it will enjoy a preferential tax from the year of the issuance of the high-tech enterprise certificate.

Pursuant to Caishui Circular [2008] No. 1 ("2008 Circular No. 1") promulgated on February 22, 2008, the ICPES whose total investment exceeds RMB8,000 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 EIT for five years starting from the first profitable year after utilizing all prior years' tax losses and 50% reduction of the EIT for the following five years. Pursuant to Caishui Circular [2009] No. 69 ("2009 Circular No. 69"), EIT with 50% reduction shall be levied at 50% of tax payable based on the calculation at statutory EIT tax rate of 25%.

On January 28, 2011, the State Council of China issued Guofa [2011] No. 4 ("2011 Circular No. 4"), which continues to implement the EIT incentives policies stipulated by 2008 Circular No. 1 for the software and integrated circuit enterprises.

On April 20, 2012, the State Taxation Administration issued CaiShui [2012] No. 27 ("2012 Circular No. 27"), stipulating the income tax policies for the development of integrated circuit industry. Pursuant to the 2012 Circular No. 27, certain preferential taxation policies concerning the development of the integrated circuit industry in 2008 Circular No. 1 ceased to be implemented.

On July 25, 2013, the State Taxation Administration issued Notice of the State Taxation Administration [2013] No. 43 ("2013 Circular No. 43"), clarifying the implementation standard for integrated circuit enterprises established before December 31, 2010 to enjoy the tax incentives policy.

On May 4, 2016, the State Taxation Administration, Ministry of Finance and other joint ministries issued Caishui [2016] No.49 ("2016 Circular No. 49"), which highlights the implementation of the record-filing system, improvement on certain conditions for enjoying preferential tax treatments and clarification on post-record filing examination mechanism and enhancement of post-administration.

On March 28, 2018, the State Taxation Administration, Ministry of Finance and other joint ministries issued Caishui [2018] No. 27 ("2018 Circular No. 27"), which further announced the preferential tax policy for the ICPES established before and after January 1, 2018 and also adjusted certain conditions for enjoying preferential tax treatments in 2016 Circular No. 49.

Pursuant to Guofa [2020] No. 8 ("2020 Circular No. 8") issued by the State Council of China on July 27, 2020, state encouraged ICPES producing products with intergrated circuits line width equal to or less than 28 nanometers with an operating period of more than 15 years are entitiled to be exempt from EIT for ten years starting from the first profitable year after utilizing all prior years' tax loss; state encouraged ICPES producing products with integrated circuits line width equal to or less than 65 nanometers with an operating period of more than 15 years are entitled to be exempt from EIT for five years starting from the first profitable year after utilizing all prior years' tax losses and 50% reduction of the EIT for the following five years.

Pursuant to Announcement No. 45 of 2020 ("2020 Announcement No. 45") issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology on December 11, 2020, if enterprises qualified for the tax preferential policies issued before 2020 Circular No. 8 and started their tax holdings in 2019 or before may still enjoy their tax holidays until the end; if enterprises that possibly entitled to multiple tax preferences as prescribed in 2020 Announcement No. 45 should only choose to adopt one of the tax preferences with no duplication. Among these, if an enterprise has already started to enjoy tax holidays, the enterprises should choose to adopt only one tax preference for the remaining period.

SECTION 11 SOCIAL RESPONSIBILITY

I. PERFORMANCE OF SOCIAL RESPONSIBILITIES

At SMIC, we comply with strict legal requirements for corporate governance, financial accounting, and transparent reporting. Our business practices are also ethical, safe, environmental friendly, and fair to our employees, in accordance with all the laws, rules, and regulations of the countries where we operate. In addition to obeying the letter and mandates of such laws, we seek to promote their spirits. Through our CSR Program (http://www.smics.com/en/site/responsibility_social), we hope to advance social, environmental, and ethical responsibility according to internationally recognized standards.

To achieve these goals:

- Declare our support for the Responsible Business Alliance (Formerly the Electronic Industry Citizenship Coalition) Code of Conduct (http://www.smics.com/en/site/responsibility_criterion) and will actively pursue conformance to the Code and participation by our suppliers.

- Uphold the human rights of our staff and the highest standards of business integrity, as required by the RBA Code, the SMIC Code of Business Conduct & Ethics (http://www.smics.com/uploads/ethic_codebusiness.pdf), SMIC Human Resources policies, and all other SMIC policies.

- Strive to maintain a safe workplace for our employees and a healthy environment for the public while minimizing adverse effects on the community, environment, and natural resources, consistent with our Environmental Protection, Safety & Health Policy and our related ISO and other international certifications (http://www.smics.com/en/site/about_ESH).

- Develop and maintain management systems to implement this CSR Policy with continual improvement as part of a holistic CSR Program. See our latest CSR Report at:
http://www.smics.com/uploads/2019%20SMIC%20CSR%20Report%20Final-&e8&8b&b1&e6&96&87.pdf

Our CSR practices comply with all the laws where we operate and align with the leading international standards for our industry. These practices help us to reduce costs and risks, increase efficiency and integration, and improve employee morale and retention, all while benefiting our local communities and contributing to a cleaner and greener electronics industry supply chain. Visit our CSR Web page at http://www.smics.com/en/site/responsibility_social. To help us preserve and develop our socially responsible culture, key managers serve on our CSR Committee to oversee our CSR program and reporting.

Our CSR practices have led to our ongoing inclusion in the Hang Seng Corporate Sustainability Index Series for maintaining a "high standard of performance in environmental, social, and corporate governance" areas. See www.hsi.com.hk.

SMIC IN THE COMMUNITY

As the Group grows and prospers, so do the communities where we operate. We also serve them as neighbors through the scores of programs and activities held on our own campuses, and through charitable outreach to the larger community. For example, in 2020, we and our cooperative partner donated an additional RMB4.13 million to our "SMIC Liver Transplant Program for Children" to fund liver transplants for impoverished children. To date, a grand total of RMB28.93 million were donated towards the program. By the end of 2020, 530 children from around China had received another chance at life. We also encourage individual efforts by our employees, who support local charities, to lecture at local universities, finance rural schools, provide disaster relief, and volunteer for projects throughout the region, focusing on community development and environmental preservation.

SUPPORT FOR EDUCATION

The Company invests in the establishment of high-quality schools to give priority to the children of employees in order to erase the employees' worries about their children' s future and open the schools to the society, sharing quality educational resources and serving children whose parents are not our employees with quality resources and competitive fees. The Company and employees also support education in other ways. For example, we participate in external charity projects and donate books, gift bags of winter clothing and learning supplies to school children from migrant communities.

SUPPORT FOR THE ENVIRONMENT

SMIC is a conscientious steward of natural resources. This commitment to the environment is reflected in our environmental protection, safety, and health ("ESH") policies and international standards certifications. See our ESH Web page at http://www.smics.com/en/site/about_ESH.

SMIC first earned ISO 14001 certification in 2002. To retain this certification, we must maintain a world-class environmental management system that abides by a rigorous set of international standards. This management system helps us ensure responsible use of energy and materials through recycling, waste reduction, and pollution prevention.

For many years, SMIC has held QC 080000 certification, demonstrating our products and processes are free of environmentally hazardous substances, fulfilling customer requirements, the European Union's Restriction of Hazardous Substances (RoHS) Directive and regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

SMIC also established ISO 14064 carbon verification certification at all sites in 2010. We maintain this system to monitor greenhouse gas emissions, and are prepared for increasingly stringent carbon emission controls and regulations. We also established ISO 50001 energy management System at the majority of sites to promote energy-saving management.

We achieve environmental protection largely through:

- expanding environmental protection projects, such as energy saving, and waste reduction;
- promoting green products and supply chains while sorting and recycling waste products;
- managing the transfer and safe handling of hazardous waste by qualified vendors;
- controlling hazardous substances in our products and processes; and
- monitoring environmental impact, including carbon verification, and publicizing the results.

Our ISO and other international standards certificates are available on our Web pages for ESH (link above) and for Quality and Reliability (http://www.smics.com/en/site/about_quality).

EMPLOYEE WELL-BEING

Our Group's success depends on the well-being of our staff and the communities where we operate. We ensure that our employees receive fair treatment, good health and safety benefits, and meaningful opportunities for advancement. Together, we fuel the economic and social development of our communities. From our founding in 2000, SMIC has attracted far-sighted people who make a difference across our industry and around the world. Our employees and their families have inspired and led our good corporate citizenship. For more information, see our latest CSR report at the link above.

EMPLOYEE HEALTH & SAFETY

SMIC attained OHSAS 18001 (Occupational Health and Safety Assessment Series) certification in 2003. The OHSAS 18001 (renamed ISO 45001) standard is a key component of our comprehensive health and safety management system and is based on international safety and health standards. With this certification, we have demonstrated our commitment to safety, risk management, and a healthier environment for our employees. Our safety management philosophy embraces accident prevention, ownership management, frequent safety audits, safety education, engineering control, personal accountability, and enforcement. This safety management philosophy is implemented through:

- mandatory, recurrent safety training for employees and vendors;
- equipment and facilities compliance with domestic and international safety standards, such as those of Semiconductor Equipment and Materials International (SEMI), the National Fire Protection Association (NFPA), and Factory Mutual Research Corporation (FMRC);
- maintenance of process standards;
- an Emergency Response Center to centralize response at each site, staffed 24 hours a day;
- continuous monitoring of work area conditions via gas monitoring system and closed-circuit TV;
- constant monitoring of airborne chemicals, radiation, noise, and drinking water;
- regular occupational hazards monitoring for work area by third-party professionals;
- regular occupational health examinations;
- regular emergency drills and routine emergency training and drills.

SMIC provides occupational health and hygiene management for the welfare of employees. In addition, SMIC provides on-site health monitoring and primary care services such as:

- a 24-hour, professionally staffed health clinic at each manufacturing site;
- medical emergency response and disaster planning;
- occupational physical examinations and record keeping;
- general physical examinations and record keeping; and
- injury and illness case management.

For more information, visit our ESH Web page and our latest CSR report at the links above.

EMPLOYEE CARE

SMIC provides employees with convenient living service and facilities. In addition to the housing and schooling described above, our employees and their families enjoy good health insurance as well as access to the professionally staffed health treatment in the manufacturing sites, residential campuses and schools. We also care for our employees through on-the-job training, subsidize university continuing education, athletic and recreational facilities, transportation and catering facilities, and strive to enrich the lives of employees.

II. ENVIRONMENTAL INFORMATION

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

1. Information on pollutant discharging

None of the following companies have excessive emissions.

Name of unit	Type	Number of outlets	Name of major pollutants	Methods of emission/ discharge	Distribution of outlets	Emission concentration of Waste Water (mg/l) Exhaust gases (mg/m^3)	Total emissions (ton)	Pollutant emission standards implemented	Approved total emissions (ton)
SMIS	Acid exhaust	40	Nitrogen oxides	Continuous emission	Exhaust gas outlets	0.58	8.03	Integrate emission standards of air pollutants of Shanghai (DB31/933-2015)	58.81
			Fluoride	Continuous emission	Exhaust gas outlets	0.43	6.05	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A
	Alkaline exhaust gas	12	Ammonia	Continuous emission	Exhaust gas outlets	0.17	0.16		N/A
	Organic exhaust gas	8	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	7.29	13.23	Integrate emission standards of air pollutants of Shanghai (DB31/933-2015)	64.09
	Industrial wastewater	4	Fluoride	Continuous discharge	Wastewater outlets	9.23	27.14	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A
			Chemical Oxygen Demand (COD)	Continuous discharge	Wastewater outlets	53.98	158.64	Integrate emission standards of water pollutants of Shanghai (DB31/199-2018)	2,370.92
			Ammonia nitrogen	Continuous discharge	Wastewater outlets	10.37	30.48		213.38
			Arsenic	Continuous discharge	Wastewater outlets	0.0035	0.010		0.017
SMIB	Acid exhaust	18	Nitrogen oxides	Continuous discharge	Exhaust gas outlets	2.18	11.53	Emission standard of air pollutants for electronic industry of Beijing (DB11/1631-2019)	N/A
			Fluoride	Continuous discharge	Exhaust gas outlets	0.11	0.56		N/A
	Alkaline exhaust gas	7	Ammonia	Continuous emission	Exhaust gas outlets	0.30	0.19		N/A
	Organic exhaust gas	4	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	2.35	1.82		N/A
	Industrial wastewater	1	Fluoride	Continuous discharge	Wastewater outlets	2.63	8.47	Integrated discharge standard of water pollutants of Beijing (DB11/307-2013)	N/A
			Chemical Oxygen Demand (COD)	Continuous discharge	Wastewater outlets	119.82	388.04		N/A
			Ammonia nitrogen	Continuous discharge	Wastewater outlets	8.84	28.57		N/A
			Arsenic	Continuous discharge	Wastewater outlets	0.00023	0.00077		N/A
SMNC	Acid exhaust	13	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.49	7.96	Emission standard of air pollutants for electronic industry of Beijing (DB11/1631-2019)	N/A
			Fluoride	Continuous emission	Exhaust gas outlets	0.17	0.92		N/A
	Alkaline exhaust gas	5	Ammonia	Continuous emission	Exhaust gas outlets	0.74	0.48		N/A
	Organic exhaust gas	3	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	1.10	0.55		N/A
	Industrial wastewater	1	Fluoride	Continuous discharge	Wastewater outlets	4.37	16.57	Integrated discharge standard of water pollutants of Beijing (DB11/307-2013)	N/A
			Chemical Oxygen Demand (COD)	Continuous discharge	Wastewater outlets	75.83	264.39		N/A
			Ammonia nitrogen	Continuous discharge	Wastewater outlets	12.11	41.18		N/A
			Arsenic	Continuous discharge	Wastewater outlets	0.00048	0.0018		N/A

SECTION 11 SOCIAL RESPONSIBILITY

Name of unit	Type	Number of outlets	Name of major pollutants	Methods of emission/discharge	Distribution of outlets	Emission concentration of Waste Water (mg/l) Exhaust gases (mg/m^3)	Total emissions (ton)	Pollutant emission standards implemented	Approved total emissions (ton)
SMIT	Acid exhaust	13	Nitrogen oxides	Continuous emission	Exhaust gas outlets	47.50	6.39	Integrated emission standard of air pollutants (GB16297-1996)	12.80
			Fluoride	Continuous emission	Exhaust gas outlets	1.95	2.78		N/A
	Alkaline exhaust gas	6	Ammonia	Continuous emission	Exhaust gas outlets	1.48	1.80	Emission standards of odor pollutants of Tianjin (DB12-059-2018)	N/A
	Organic exhaust gas	2	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	3.52	1.99	Emission standard of air pollutants for industrial furnaces of Tianjin (DB12/556-2015)	N/A
	Industrial wastewater	2	Fluoride	Continuous discharge	Wastewater outlets	9.25	9.26	Integrated wastewater discharge standard of Tianjin (DB12-356-2018)	N/A
			Chemical Oxygen Demand (COD)	Continuous discharge	Wastewater outlets	60.75	131.66		133.40
			Ammonia nitrogen	Continuous discharge	Wastewater outlets	7.02	7.32		15.93
SMIZ	Acid exhaust	7	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.89	4.55	Emission limits of air pollutants of Guangdong (DB44/27-2001)	N/A
			Fluoride	Continuous emission	Exhaust gas outlets	0.37	0.89		N/A
	Alkaline exhaust gas	3	Ammonia	Continuous emission	Exhaust gas outlets	9.94	1.98	Emission standards of odor pollutants (GB14554-93)	N/A
	Organic exhaust gas	2	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	6.17	2.89	Emission limits of air pollutants of Guangdong (DB44/27-2001)	N/A
	Industrial wastewater	2	Fluoride	Continuous discharge	Wastewater outlets	3.83	2.26	Discharge limits of water pollutants of Guangdong (DB44/26-2001)	N/A
			Chemical Oxygen Demand (COD)	Continuous discharge	Wastewater outlets	63.13	34.21		N/A
			Ammonia nitrogen	Continuous discharge	Wastewater outlets	11.77	6.38		N/A

2. Construction and operation of pollution prevention and control facilities

Name of entity	Construction of pollution prevention facilities
SMIS	23,800 m^3 of wastewater and 83,422,800 m^3 of exhaust gas can be treated per day, and all facilities are in normal operation.
SMIB	12,000 m^3 of wastewater and 35,760,000 m^3 of exhaust gas can be treated per day, and all facilities are in normal operation.
SMNC	(1) 18,000 m^3 of wastewater and 53,760,000 m^3 of exhaust gas can be treated per day, and all facilities are in normal operation. (2) The new constructions of 1 set of ammonia-containing wastewater treatment system, 1 set of fluorine-containing wastewater treatment system, 1 set of copper-containing wastewater treatment system, 1 set of slurry wastewater treatment system and 3 sets of acid exhaust treatment system have been completed.
SMIT	(1) 18,490 m^3 of wastewater and 21,924,000 m^3 of exhaust gas can be treated per day, and all facilities are in normal operation. (2) The new construction of the domestic wastewater treatment system in the newly expanded factory area has been completed.
SMIZ	(1) 3,011m^3 of wastewater and 14,160,000 m^3 of exhaust gas can be treated per day, and all facilities are in normal operation. (2) The new construction of accident wastewater emergency pools for chemical warehouses and hazardous waste warehouse has been completed. (3) The construction of a new arsenic-containing exhaust system and an exhaust chimney has been completed.

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

The construction projects of all key pollutant discharging companies have completed the environmental impact assessment and obtained the required environmental protection administrative permits according to the construction progress:

SMIS has (1) completed the environmental impact assessment of the photomask capacity expansion project and obtained approval; (2) completed the environmental protection acceptance of the boiler transformation project; (3) completed the environmental protection acceptance of the 220 kV power supply project; (4) completed the environmental protection acceptance of 220 kV substation for 12-inch wafer FAB SN1 and SN2 construction project; (5) completed environmental protection acceptance of 12-inch SN1 FAB construction project.

SMNC has completed the environmental impact assessment of the production expansion technical transformation project and obtained relevant approval.

SMIT has completed the environmental protection acceptance of the domestic wastewater treatment system in the newly expanded factory.

4. Response plan for environmental emergencies

In accordance with the requirements of the environmental protection department, the above key pollutant discharging companies have all completed the preparation and filing of the Emergency Response Plan for Environmental Incidents (the "Plan"). Units carried out emergency drills for environmental emergencies in accordance with the requirements of the Plan.

5. Environmental self-monitoring program

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

6. Other environmental information that should be disclosed

The above key pollutant discharging companies have achieved certification of ISO 14001 environmental management system, ISO 14064 greenhouse gas emission verification system and IECQQC 080000 hazardous substance management system, and have effectively implemented them in accordance with the system requirements.

(II) EXPLANATIONS ON THE ENVIRONMENTAL PROTECTION OF THE COMPANIES OTHER THAN KEY POLLUTANT DISCHARGING COMPANIES

SMSC is not a key pollutant discharging unit.

Discharge of pollutant: there is no excessive discharge of pollutants.

Name of unit	Type	Number of outlets	Names of major pollutants	Methods of emission/ discharge	Distribution of outlets	Emission concentration of wastewaters (mg/l) and Exhaust gases (mg/m3)	Total emissions (ton)	Pollutant emission standards implemented	Total emissions approved (ton)
SMSC	Acid exhaust	14	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.09	4.16	Integrate emission standards of air pollutants of Shanghai DB31/933-2015	N/A
			Fluoride	Continuous emission	Exhaust gas outlets	0.58	2.19	The discharge standards of pollutants for semiconductor industry of Shanghai DB31/374-2006	N/A
	Alkaline exhaust gas	5	Ammonia	Continuous emission	Exhaust gas outlets	0.13	0.05	The discharge standards of pollutants for semiconductor industry of Shanghai DB31/374-2006	N/A
	Organic exhaust gas	1	Non-methane total hydrocarbons	Continuous emission	Exhaust gas outlets	3.55	1.62	Integrate emission standards of air pollutants of Shanghai DB31/933-2015	N/A
	Industrial wastewater	1	Fluoride	Continuous discharge	Wastewater outlet	7.60	10.66	The discharge standards of pollutants for semiconductor industry of Shanghai DB31/374-2006	N/A
			Chemical Oxygen Demand (COD)	Continuous discharge	Wastewater outlet	166.27	233.09	Integrated wastewater discharge standard of Shanghai DB31/199-2018	N/A
			Ammonia nitrogen	Continuous discharge	Wastewater outlet	8.78	12.31		N/A
			Arsenic	Continuous discharge	Wastewater outlet	0.0047	0.00009		N/A

Construction of pollution prevention facilities:

Name of unit	Construction of pollution prevention facilities
SMSC	(1) 12,000m³ of wastewater and 44,640,000 m³ of exhaust gas can be treated per day, and all facilities are in normal operation; (2) The new construction of 1 set of cobalt-containing wastewater treatment system, 1 set of ammonia-containing wastewater treatment system, and 1 set of fluorine-containing wastewater treatment system have been completed; (3) The new construction of 19 sets of acid exhaust treatment system and 5 sets of alkaline exhaust gas treatment system have been completed.

Environmental impact assessment and other environmental protection administrative permits of construction projects:

Unit	Environmental impact assessment and other environmental protection administrative permits of construction projects
SMSC	The phased environmental protection completion acceptance of the 6,000 pieces/month production line has been completed.

SECTION 12

FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of
Semiconductor Manufacturing International Corporation
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Semiconductor Manufacturing International Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 200, which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to summarised as follows:

- Fair value measurement of joint ventures and associates' portfolio investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of joint ventures and associates' portfolio investments Refer to note 4, note 20 and note 21 to the consolidated financial statements. Acting as limited partner, the Group has invested in a number of investment funds. Based on the assessments performed by management, the Group accounted for such investment funds as investments in joint ventures or associates by using equity method. The investment funds measured their investments in portfolio investments at fair value. These investment funds held a number of portfolio investments. The valuation of such portfolio investments is primarily based on a combination of adoption of applicable valuation methodology and the application of appropriate assumptions in the valuation. We identified the fair value measurement of joint ventures or associates' portfolio investments as a key audit matter due to the significance of the balance of the investment funds, a huge quantity of the Group's joint ventures and associates' portfolio investments, the degree of complexity involved in valuing certain investment funds and the significant degree of judgement exercised by management in determining the valuation methodology and assumptions used in the valuation process.	**Our procedures in relation to the fair value measurement of joint ventures and associates' portfolio investments include:** (i) We obtained an understanding of the management's internal control and assessment process of fair value measurement of joint ventures and associates' portfolio investments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We tested the key controls in relation to the valuation process including management's approval of assumptions used in the valuation model. (iii) With the assistance of our internal valuation experts, we assessed the appropriateness of valuation methodology and assumptions used. We performed the following procedures on a sample basis: — for portfolio investment that traded in active markets, we assessed the fair value by comparing the fair value applied by the Group with publicly available market data; — for portfolio investment that had recent equity transaction, we assessed the fair value by reading the recent investment agreements, understanding the relevant investment terms and comparing the fair value of investment with the transaction price specified in the related agreements; — for portfolio investment that did not have direct open market quoted value or recent equity transaction, we assessed the appropriateness of the valuation methodology (e.g. market approach) adopted and the key assumptions in the valuation based on our industry knowledge as well as the information of comparable companies; and — we tested the accuracy of mathematical calculation applied in the valuation models. Based on the above, we considered that management's judgements and assumptions applied in the fair value measurement of joint ventures and associates' portfolio investments were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jane Kong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 31, 2021

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(In USD'000, except share and per share data)

	Notes	Year ended 12/31/20	Year ended 12/31/19
Revenue	5	**3,906,975**	3,115,672
Cost of sales		**(2,986,062)**	(2,473,213)
Gross profit		**920,913**	642,459
Research and development expenses		**(677,413)**	(687,369)
Sales and marketing expenses		**(29,466)**	(26,836)
General and administration expenses		**(266,376)**	(254,924)
Net impairment losses recognized on financial assets	39	**(199)**	(1,076)
Other operating income, net	7	**364,487**	376,656
Profit from operations		**311,946**	48,910
Interest income		**170,794**	138,988
Finance costs	8	**(73,234)**	(63,460)
Foreign exchange gain		**89,818**	9,495
Other gains, net	9	**50,741**	42,981
Share of gain of investment accounted for using equity method		**187,343**	5,362
Profit before tax		**737,408**	182,276
Income tax expense	10	**(68,310)**	(23,416)
Profit for the year	11	**669,098**	158,860
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**66,389**	(16,769)
Cash flow hedges	28	**(21,286)**	(26,524)
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit plans		**—**	(1,532)
Total comprehensive income for the year		**714,201**	114,035
Profit (loss) for the year attributable to:			
Owners of the Company[1]		**715,550**	234,681
Non-controlling interests		**(46,452)**	(75,821)
		669,098	158,860
Total comprehensive income (loss) for the year attributable to:			
Owners of the Company[1]		**760,639**	188,831
Non-controlling interests		**(46,438)**	(74,796)
		714,201	114,035
Earnings per share			
Basic	14	**$0.11**	$0.04
Diluted	14	**$0.11**	$0.04

(1) Profit for the year attributable to owners of the Company contains the distribution paid to perpetual subordinated convertible securities holders. Please see Note 14 for further information.

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020 and 2019

(In USD'000)

	Notes	12/31/20	12/31/19
Assets			
Non-current assets			
Property, plant and equipment	16	**12,138,021**	7,757,247
Right-of-use assets	17	**491,238**	376,867
Intangible assets	18	**81,953**	96,943
Investments in associates	20	**1,440,976**	1,139,317
Investments in joint ventures	21	**31,521**	27,117
Deferred tax assets	10	**24,900**	62,975
Financial assets at fair value through profit or loss	22	**156,367**	90,067
Financial assets at amortized cost	22	**1,638,721**	—
Derivative financial instruments	22	**29,046**	1,872
Restricted cash	23	**114,811**	—
Other assets		**1,666**	11,574
Total non-current assets		**16,149,220**	9,563,979
Current assets			
Inventories	24	**798,776**	628,885
Prepayment and prepaid operating expenses		**48,176**	34,256
Trade and other receivables	25	**975,927**	836,143
Financial assets at fair value through profit or loss	22	**111,477**	42,985
Financial assets at amortized cost	22	**2,806,517**	2,276,370
Derivative financial instruments	22	**4,891**	—
Restricted cash	23	**575,258**	804,547
Cash and cash equivalent	40	**9,826,537**	2,238,840
		15,147,559	6,862,026
Assets classified as held-for-sale	26	**23,796**	11,815
Total current assets		**15,171,355**	6,873,841
Total assets		**31,320,575**	16,437,820

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020 and 2019

(In USD'000)

	Notes	12/31/20	12/31/19
Equity and liabilities			
Capital and reserves			
Ordinary shares	27	30,814	20,227
Share premium	27	13,512,397	5,011,915
Reserves	28	73,939	86,749
Retained earnings	29	1,258,056	550,506
Equity attributable to owners of the Company		14,875,206	5,669,397
Perpetual subordinated convertible Securities	30	299,388	563,848
Non-controlling interests		6,507,144	3,964,617
Total equity		21,681,738	10,197,862
Non-current liabilities			
Borrowings	31	4,030,776	2,003,836
Lease liabilities	17	150,321	167,081
Bonds payable	33	596,966	—
Convertible bonds	32	11,131	—
Medium-term notes	34	229,217	214,193
Deferred tax liabilities	10	—	34,360
Deferred government funding	35	707,016	535,266
Derivative financial instruments	22	20,700	58,243
Other liabilities	22	—	21,780
Total non-current liabilities		5,746,127	3,034,759
Current liabilities			
Trade and other payables	36	1,648,556	1,034,079
Contract liabilities	5	181,425	92,333
Borrowings	31	1,260,057	562,833
Lease liabilities	17	94,949	80,651
Convertible bonds	32	—	630,428
Short-term notes	34	—	286,512
Deferred government funding	35	282,601	329,545
Accrued liabilities	37	253,690	151,178
Derivative financial instruments	22	133,814	4,782
Other financial liabilities	22	—	11,747
Current tax liabilities	10	17,579	3,210
Other liabilities	22	20,039	17,901
Total current liabilities		3,892,710	3,205,199
Total liabilities		9,638,837	6,239,958
Total equity and liabilities		31,320,575	16,437,820

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(In USD'000)

	Ordinary shares	Share premium	Equity-settle employee benefits reserve	Foreign currency translation reserve	Convertible bonds equity reserve
	(Note 27)	(Note 27)	(Note 28)	(Note 28)	(Note 28)
Balance at December 31, 2018	20,159	4,993,163	58,679	(38,409)	52,053
Profit for the year	—	—	—	—	—
Other comprehensive income (losses) for the year	—	—	—	(17,794)	—
Total comprehensive income (losses) for the year	—	—	—	(17,794)	—
Exercise of stock options	68	18,752	(11,884)	—	—
Share-based compensation	—	—	5,756	—	—
Issuance of convertible bonds	—	—	—	—	34,147
Capital contribution from non-controlling interests	—	—	—	—	—
Transaction with non-controlling interests	—	—	—	—	—
Distribution to perpetual subordinated convertible securities	—	—	—	—	—
Deconsolidation of subsidiaries due to loss of control	—	—	—	(72)	—
Subtotal	68	18,752	(6,128)	(72)	34,147
Balance at December 31, 2019	20,227	5,011,915	52,551	(56,275)	86,200
Profit for the year	—	—	—	—	—
Other comprehensive income (losses) for the year	—	—	—	66,375	—
Total comprehensive income (losses) for the year	—	—	—	66,375	—
Issuance of ordinary shares	7,754	7,506,131	—	—	—
Exercise of stock options	66	21,796	(9,351)	—	—
Share-based compensation	—	—	9,275	—	—
Capital contribution from non-controlling interests	—	—	—	—	—
Conversion options of convertible bonds exercised during the year	2,119	708,743	—	—	(84,236)
Conversion options of perpetual subordinated convertible securities exercised during the year	648	263,812	—	—	—
Share of other capital reserve of associates accounted for using equity method	—	—	—	—	—
Transaction with non-controlling interests	—	—	—	—	—
Deconsolidation of subsidiaries due to loss of control	—	—	—	(331)	—
Perpetual subordinated convertible securities distribution	—	—	—	—	—
Subtotal	10,587	8,500,482	(76)	(331)	(84,236)
Balance at December 31, 2020	30,814	13,512,397	52,475	9,769	1,964

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(In USD'000)

Defined benefit pension reserve	Cash flow hedges	Others	Retained earnings	Attributable to owner of the Company	Perpetual subordinated convertible securities	Non-controlling interest	Total equity
	(Note 28)		(Note 29)		(Note 30)		
1,213	36,447	(637)	331,298	5,453,966	563,848	2,905,766	8,923,580
—	—	—	234,681	234,681	—	(75,821)	158,860
(1,532)	(26,524)	—	—	(45,850)	—	1,025	(44,825)
(1,532)	(26,524)	—	234,681	188,831	—	(74,796)	114,035
—	—	—	—	6,936	—	94	7,030
—	—	—	—	5,756	—	1,076	6,832
—	—	—	—	34,147	—	—	34,147
—	—	—	—	—	—	1,146,770	1,146,770
—	—	(5,013)	(3,854)	(8,867)	—	(3,330)	(12,197)
—	—	—	(11,300)	(11,300)	—	—	(11,300)
319	—	—	(319)	(72)	—	(10,963)	(11,035)
319	—	(5,013)	(15,473)	26,600	—	1,133,647	1,160,247
—	9,923	(5,650)	550,506	5,669,397	563,848	3,964,617	10,197,862
—	—	—	715,550	715,550	—	(46,452)	669,098
—	(21,286)	—	—	45,089	—	14	45,103
—	(21,286)	—	715,550	760,639	—	(46,438)	714,201
—	—	—	—	7,513,885	—	—	7,513,885
—	—	—	—	12,511	—	207	12,718
—	—	—	—	9,275	—	1,185	10,460
—	—	—	—	—	—	2,617,637	2,617,637
—	—	—	—	626,626	—	—	626,626
—	—	—	—	264,460	(264,460)	—	—
—	—	3,632	—	3,632	—	—	3,632
—	—	23,112	—	23,112	—	(23,112)	—
—	—	—	—	(331)	—	(6,952)	(7,283)
—	—	—	(8,000)	(8,000)	—	—	(8,000)
—	—	26,744	(8,000)	8,445,170	(264,460)	2,588,965	10,769,675
—	(11,363)	21,094	1,258,056	14,875,206	299,388	6,507,144	21,681,738

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(In USD'000)

	Notes	Year ended 12/31/20	Year ended 12/31/19
Operating activities			
Profit for the year		669,098	158,860
Adjustments for:			
Income tax expense	10	68,310	23,416
Depreciation and amortization expense	11	1,312,694	1,127,756
Expense recognized in respect of equity-settled share-based payments	11	10,460	6,832
Interest income		(170,794)	(138,988)
Finance costs	8	73,234	63,460
Gain on disposal of property, plant and equipment and assets classified as held-for-sale	7	(2,247)	(4,912)
Gain on disposal and deconsolidation of subsidiaries	7	(904)	(81,377)
Gain on disposal of associates		1,325	—
Impairment losses on assets	11	24,456	39,312
Net gain arising on financial instruments at fair value through profit or loss	9	(53,629)	(34,200)
Net (gain) loss on foreign exchange		(64,711)	26,433
Share of gain of investment accounted for using equity method		(187,343)	(5,362)
Other non-cash expenses		2,852	—
		1,682,801	1,181,230
Operating cash flows before movements in working capital:			
Increase in trade and other receivables		(148,181)	(35,685)
Increase in inventories		(193,003)	(71,164)
Increase in restricted cash relating to operating activities		(188,225)	(352,548)
Increase in prepayment and prepaid operating expense		(14,004)	(6,121)
Decrease in other operating assets		9,512	13,511
Increase in trade and other payables		199,806	18,006
Increase in contract liabilities		89,092	48,203
Increase in deferred government funding		125,064	226,201
Increase (decrease) in other operating Liabilities		101,667	(4,042)
Cash generated from operations		1,664,529	1,017,591
Interest paid		(103,305)	(110,302)
Interest received		150,544	125,963
Income taxes paid		(51,358)	(14,195)
Net cash from operating activities		1,660,410	1,019,057

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(In USD'000)

	Year ended 12/31/20	Year ended 12/31/19
Investing activities		
Payments to acquire financial assets at fair value through profit or loss	(365,726)	(91,634)
Proceeds from sale of financial assets at fair value through profit or loss	299,349	70,573
Payments to acquire financial assets at amortized cost	(6,048,862)	(3,490,637)
Proceeds from maturity of financial assets at amortized cost	4,110,400	3,064,543
Payments for property, plant and equipment	(5,274,686)	(1,869,563)
Proceeds from disposal of property, plant and equipment and assets classified as held-for-sale	38,204	11,698
Payments for intangible assets	(9,933)	(11,274)
Payments for land use right	(24,646)	(1,402)
Payments for deposit of acquire land use right	—	(1,287)
Proceeds from disposal of subsidiaries	—	140,298
Net cash inflow (outflow) from deconsolidation of subsidiaries	7,381	(3,065)
Payments for investment of joint ventures and associates	(118,772)	(19,206)
Proceeds from disposal of joint ventures and associates	54,853	—
Distributions received from joint ventures and associates	2,838	914
Proceeds from release of restricted cash relating to investing activities	269,967	251,535
Payments for contingent consideration	(11,750)	—
Net cash used in investing activities	(7,071,383)	(1,948,507)
Financing activities		
Proceeds from borrowings	3,453,734	1,320,042
Repayment of borrowings	(858,451)	(1,015,572)
Principal elements of lease payments	(94,402)	(89,215)
Proceeds from issuance of new shares	7,513,885	—
Proceeds from issuance of bonds	596,768	—
Repayment of bonds	—	(500,000)
Proceeds from issuance of convertible bonds	—	229,680
Proceeds from issuance of medium-term notes	—	224,024
Repayment of medium-term notes	—	(217,954)
Proceeds from issuance of short-term notes	429,353	725,885
Repayment of short-term notes	(707,824)	(426,485)
Distribution paid to perpetual subordinated convertible securities holders	(8,000)	(11,300)
Proceeds from exercise of employee stock options	12,718	7,030
Proceeds from non-controlling interests — capital contribution	2,617,637	1,146,770
Payments to acquire non-controlling interests	—	(12,197)
Payments to settle derivative financial instruments	(251,203)	(4,430)
Net cash from financing activities	12,704,215	1,376,278
Net increase in cash and cash equivalent	7,293,242	446,828
Cash and cash equivalent at the beginning of the year	2,238,840	1,800,974
Effects of exchange rate changes on the balance of cash held in foreign currencies	294,455	(8,962)
Cash and cash equivalent at the end of the year	9,826,537	2,238,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL INFORMATION

Semiconductor Manufacturing International Corporation (the "Company" or "SMIC") was established as an exempt company incorporated under the laws of the Cayman Islands on April 3, 2000. The address of the principal place of business is 18 Zhangjiang Road, Pudong New Area, Shanghai, China, 201203. The registered address is at P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.

SMIC is an investment holding company. The various subsidiaries of SMIC (SMIC and its subsidiaries are hereinafter collectively referred to as the "Group") are engaged in the different business activities, such as the computer-aided design, sales and marketing, technical research and development, manufacturing, testing, packaging and trading of integrated circuits and other services, as well as designing and manufacturing semiconductor masks, respectively. The principal subsidiaries and their activities are set out in Note 19.

These financial statements are presented in US dollars, unless otherwise stated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") THAT ARE EARLY ADOPTED FOR THE YEAR ENDED DECEMBER 31, 2020

Amended standards early adopted

The Group has elected to early adopt amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships and financial instruments.

Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

Hedge relationships

The 'phase 2' amendments address issues arising during interest rate benchmark reform, including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

The 'phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate ("IBOR") reform. The reliefs had the effect that IBOR reform should not generally cause hedge accounting to terminate prior to contracts being amended.

However, any hedge ineffectiveness continued to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs would end, which included the uncertainty arising from interest rate benchmark reform no longer being present.

For the year ended December 31, 2020, The Group has adopted the following hedge accounting reliefs provided by 'Phase 2' of the amendments:

- **Hedge designation:** When the phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of these changes:

  a designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

  b amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

  c amending the description of the hedging instrument.

  The Group will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships. The Group has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

- **Amounts accumulated in the cash flow hedge reserve:** When the Group amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based is changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur.

The reliefs applied under 'phase 1' of the amendments are detailed within the existing hedge accounting policies.

The Group has incorporated the uncertainty over when the floating-rate debt will move to an alternative benchmark rate, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalized, by adding an additional spread to the discount rate used in the calculation.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

LONG-TERM DEBT AND LEASE LIABILITIES

'Phase 2' of the amendments requires that, for financial instruments measured using amortized cost measurement (that is, financial instruments classified as amortized cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognized. A similar practical expedient exists for lease liabilities. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognized immediately in profit or loss where the instrument is not derecognized).

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

For the year ended December 31, 2020, the impact of adopting the practical expedients provided under 'phase 2' is not material.

The following table contains details of all of the financial instruments that the Group holds at December 31, 2020 which reference LIBOR and have not yet transitioned to an alternative interest rate benchmark:

	Carrying Value at December 31, 2020		**Of which: Have yet to transition to an alternative benchmark interest rate as at December 31, 2020:**	
	Assets USD'000	**Liabilities USD'000**	Assets USD'000	Liabilities USD'000
Assets and liabilities exposed to LIBOR				
Cash and cash equivalent	**100,555**	**—**	100,555	—
Borrowings	**—**	**(458,000)**	—	(458,000)
Derivatives	**—**	**(7,700)**	—	(7,700)
Total assets and liabilities exposed to LIBOR	**100,555**	**(465,700)**	100,555	(465,700)

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") THAT ARE MANDATORILY EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2020

In the current year, the Group has adopted the following amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after January 1, 2020. Such adoption did not have a material effect on the Group's consolidated financial statements.

Definition of Material – Amendments to IAS 1 and IAS 8

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Revised Conceptual Framework for Financial Reporting

A revised Conceptual Framework has been issued, which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

NEW OR REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group intends to adopt the below new standards and amendments to existing standards when they become effective. The directors of the Company are of the opinion that the adoption of the below new standard and amendments to existing standards would not have a material impact on the Group's financial statements.

New or revised IFRS	Effective date
Amendment to IFRS 16 – Covid-19-related Rent Concessions	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 – Interest rate benchmark reform – Phase 2	January 1, 2021
Amendments to IFRS 3 – Update reference to the conceptual framework	January 1, 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Onerous contracts – costs of fulfilling a contract	January 1, 2022
Annual Improvements – Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 17 – Insurance contracts	January 1, 2023
Amendments to IAS 1 – Classification of liabilities as current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8 – Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable IFRS issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as explained in the accounting policies set out below. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

SEPARATE PRINCIPAL STATEMENT

Investments in subsidiaries are accounted for at the equity method in accordance with IAS 27 and IAS 28. Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 28 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. The difference between the recoverable amount and the carrying amount is recognized as impairment loss in the profit or loss. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held-for-sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In accordance with IAS 28, when the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the Group, adjustments are made by the Group for the effects of significant transactions or events. In no circumstances can the difference between the reporting date of the associate and that of the Group be more than three months and the length of the reporting periods and any difference in the reporting dates are the same from period to period.

INVESTMENTS IN JOINT VENTURES

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

REVENUE RECOGNITION

The new IFRS 15 standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognize revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The standard permits either a full retrospective method to each prior reporting period presented or a modified retrospective approach with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Group has performed a detailed assessment on the impact of the adoption of IFRS 15 and decided to adopt a full retrospective approach. The adoption of IFRS 15 did not have any significant impact on the Group's financial statements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. Contract liabilities has been presented in the consolidated statement of financial position to reflect the terminology of IFRS 15, in relation to advance payment received from customers were previously included in trade and other payables.

Sale of goods

The Group manufactures semiconductor wafers for its customers based on the customers' designs and specifications pursuant to manufacturing agreements and/or purchase orders. The Group also sells certain semiconductor standard products to customers.

Revenues are recognized when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(continued)*

Sale of goods (continued)

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer when that right is considered on something other than the passage of time.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Customers have the right of return within one year pursuant to warranty provisions. The Group typically performs tests of its products prior to shipment to identify yield rate per wafer. Occasionally, product tests performed after shipment identify yields below the level agreed with the customer. In those circumstances, the customer arrangement may provide for a reduction to the price paid by the customer or for the costs to return products and to ship replacement products to the customer. The Group estimates the amount of sales returns and the cost of replacement products based on the historical trend of returns and warranty replacements relative to sales as well as a consideration of any current information regarding specific known product defects at customers that may exceed historical trends.

Transfer of intellectual property

The Group transferred certain pieces of intellectual property to customers. If the license to a customer is to provide the customer a right to access the Group's intellectual property as it exists throughout the license period, revenues from licensing are recognized over time when the control of the license is transferred to the customer. If the license to a customer is to provide the customer a right to use the Group's intellectual property as it exists at the point in time at which the license is granted, revenues from licensing are recognized at a point in time as the control of the technology license is transferred to the customer.

GAIN ON SALE OF REAL ESTATE PROPERTY

Gain from sales of real estate property is recognized when all the following conditions are satisfied: 1) sales contract executed, 2) full payment collected, or down payment collected and non-cancellable mortgage contract is executed with borrowing institution, 3) the legal title has passed to the buyers, 4) and the control over the property has been transferred to the buyers.

INTEREST INCOME

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

FOREIGN CURRENCIES

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Untied States dollar ("US dollar"), which is the Company's functional and the Group's presentation currency.

In preparing the financial statements of each individual group entity transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

GOVERNMENT FUNDING

Government funding relating to property, plant and equipment, whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets, are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government funding that is receivable as compensation for expenses or losses already incurred is recorded as a liability upon receipt and recognized as other operating income until the requirements (if any) specified in the terms of the funding have been reached.

Government funding that is receivable as compensation for interest expenses already incurred is recorded as a liability upon receipt and recognized as deductions to interest expenses until the requirements (if any) specified in the terms of the funding have been reached.

RETIREMENT BENEFITS

The Group's local Chinese employees are entitled to a retirement benefit based on their salary and their length of service in accordance with a state-managed pension plan. The PRC government is responsible for the pension liability to these retired staff. The Group is required to make contributions to the state-managed retirement plan at a rate equal to 19.0% to 20.0% (the standard in Shenzhen site ranges from 13% to 14% according to Shenzhen government regulation) of the monthly basic salary of current employees. The Group has no further payment obligations once the contributions have been paid. The costs are recognized in profit or loss when incurred.

SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. When share options are exercised, the amount previously recognized in the reserve will be transferred to share premium.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

The Group constructs certain of its plant and equipment. In addition to costs under the construction contracts, external costs that are directly related to the construction and acquisition of such plant and equipment are capitalized. Depreciation is recorded at the time assets are ready for their intended use. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

An item at property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation.

Buildings	25 years
Machinery and equipment	5-10 years
Office equipment	3-5 years

INTANGIBLE ASSETS

Acquired intangible assets which consists primarily of technology, licenses and patents, are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization is computed using the straight-line method over the expected useful lives of the assets of three to ten years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

GOODWILL

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized as income.

LEASES

The Group leases equipment. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of building, machinery and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss as the lease agreements.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Land use rights, which are all located in the PRC, are recorded at cost and are charged to profit or loss ratably over the term of the land use agreements which range from 50 to 70 years.

CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subjected to an insignificant risk of changes in value, with original maturities of three months or less.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RESTRICTED CASH

Restricted cash consists of bank deposits pledged against letters of credit, short-term and long-term credit facilities, and unused government funding for certain research and development projects. Changes of restricted cash paid for property, plant and equipment are presented as investing activity in consolidated statement of cash flows. Changes of restricted cash of pledged against letter of credit, short-term and long-term credit facilities and unused government funding for expensed research and development activities are presented as operating activity in consolidated statement of cash flows.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Classification

From January 1, 2018 the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three below measurement categories and the Group recognizes its debt instruments as amortized cost and FVPL only:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains or losses, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income ("FVOCI") are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. The Group subsequently measures all equity investments at fair value through profit or loss. Changes in the fair value of financial assets at FVPL are recognized in other gains or losses in the statement of profit or loss as applicable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Derivatives and hedging

The Group has made the accounting policy choice to continue applying hedge accounting under IAS 39.

CONVERTIBLE BONDS

The component parts of the convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

The Group assesses if the embedded derivatives in respect of the early redemption features are deemed to be clearly and closely related to the host debt contract. Embedded derivatives need not be separated if they are regarded as closely related to its host contract. If they are not, they would be separately accounted for.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest method.

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities 'at FVPL' or 'other financial liabilities'.

Financial liabilities at FVPL

Financial liabilities are classified as at FVPL (including foreign currency forward contracts, cross currency swap contracts and contingent consideration) when the financial liability is held for trading.

Financial liabilities at FVPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains, net' line item.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, long-term payables, long-term financial liabilities, short-term and medium-term notes and bonds payable) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or (where appropriate) shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACCOUNTING

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including a put option, foreign exchange forward contracts and cross currency swap contracts. Further details of derivative financial instruments are disclosed in Note 22 and Note 39.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of gain or loss on cash flow hedges.

The effective portion of the gain or loss on cash flow hedges is recognized directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

Amounts recognized in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

CRITICAL ACCOUNTING JUDGMENTS

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost (weighted average) or net realizable value ("NRV"), with NRV being the "estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale". The Group estimates the recoverability for such finished goods and work-in-progress based primarily upon the latest invoice prices and current market conditions. If the NRV of an inventory item is determined to be below its carrying value, the Group records a write-down to cost of sales for the difference between the carrying cost and NRV.

Long-lived assets

The Group assesses the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of asset or cash-generating unit ("CGU") may not be recoverable. Factors that the Group considers in deciding when to perform an impairment review include, but are not limited to significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets.

An impairment analysis is performed at the lowest level of identifiable independent cash flows for an asset or CGU. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The Group makes subjective judgments in determining the independent cash flows that can be related to a specific CGU based on its asset usage model and manufacturing capabilities. The Group measures the recoverability of assets that will continue to be used in the Group's operations by comparing the carrying value of CGU to the Group's estimate of the related total future discounted cash flows. If a CGU's carrying value is not recoverable through the related discounted cash flows, the impairment loss is measured by comparing the difference between the CGU's carrying value and its recoverable amount, based on the best information available, including market prices or discounted cash flow analysis. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate and sales margin used for extrapolation purposes.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Long-lived assets *(continued)*

In order to remain technologically competitive in the semiconductor industry, the Group has entered into technology transfer and technology license arrangements with third parties in an attempt to advance the Group's process technologies. The payments made for such technology licenses are recorded as an intangible asset or as a deferred cost and amortized on a straight-line basis over the estimated useful life of the asset. The Group routinely reviews the remaining estimated useful lives of these intangible assets and deferred costs. The Group also evaluates these intangible assets and deferred costs for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When the carrying amounts of such assets are determined to exceed their recoverable amounts, the Group will impair such assets and write down their carrying amounts to recoverable amount in the year when such determination was made.

Share-based compensation expense

The fair value of options and shares issued pursuant to the Group's option plans at the grant date was estimated using the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including the expected term of the options and the expected stock price volatility. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The Group estimated forfeiture rates using historical data to estimate option exercise and employee termination within the pricing formula. The Group uses projected volatility rates based upon the Group's historical volatility rates. These assumptions are inherently uncertain. Different assumptions and judgments would affect the Group's calculation of the fair value of the underlying ordinary shares for the options granted, and the valuation results and the amount of share-based compensation would also vary accordingly. Further details on share-based compensation are disclosed in Note 38.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with tax planning strategies.

The realizability of the deferred tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Fair value of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 39 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Acting as limited partner, the Group has invested in a number of investment funds. Based on the assessments performed by management, the Group accounted for such investment funds as investments in joint ventures or associate by using equity method. The investment funds measured their investments in portfolio investments at fair value. These investment funds held a number of portfolio investments. The valuation of such portfolio investments is primarily based on a combination of adoption of applicable valuation methodology and the application of appropriate assumptions in the valuation.

Impairment of financial instruments

The Group recognizes lifetime expected credit losses ("ECL") for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12-month ECL.

5. SEGMENT INFORMATION

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

For management purposes, the Group operates in one segment, engaging principally in the computer-aided design, manufacturing and trading of integrated circuits. Management makes high level strategic decisions and reviews the consolidated results of the Group. The measurement of the whole segment profit is based on profit from operation as presented in the statements of profit or loss and other comprehensive income and no other segment analysis is presented.

The Group deriving revenue from the transfer of goods and services only at a point in time in the three geographical areas — North America, Mainland China and Hong Kong, and Eurasia. The Group's operating revenue from customers, based on the location of their headquarters, is detailed below.

	Revenue from external customers	
At a point in time	**Year ended 12/31/20 USD'000**	Year ended 12/31/19 USD'000
North America[1]	**906,493**	821,136
Mainland China and Hong Kong	**2,482,180**	1,850,516
Eurasia[2]	**518,302**	444,020
	3,906,975	3,115,672

(1) Presenting the revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

(2) Not including Mainland China and Hong Kong.

The Group's operating revenue transferred by product and service type only at a point in time is detailed below:

	Revenue from external customers	
At a point in time	**Year ended 12/31/20 USD'000**	Year ended 12/31/19 USD'000
Sales of wafers	**3,474,502**	2,896,883
Mask making, testing and others	**432,473**	218,789
	3,906,975	3,115,672

LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognized the liabilities related to contracts with customers as contract liabilities of US$181.4 million as of December 31, 2020 (December 31, 2019: US$92.3 million). The contract liabilities comprises of the prepayments received from customers, to which wafers have not been transferred. Revenue recognized that was included in the contract liabilities balance at the beginning of the year was US$92.3 million (2019: US$44.1 million).

UNSATISFIED PERFORMANCE OBLIGATIONS

The Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

5. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS

The Group's business is characterized by high fixed costs relating to FinFET technology equipment purchases, which result in correspondingly high levels of depreciation expenses. The Group will continue to incur capital expenditures and depreciation expenses as it equips and ramps-up additional fabs and expand its capacity at the existing fabs. The following table summarizes property, plant and equipment of the Group by geographical location. As of December 31, 2020 and 2019, substantially all of the non-current assets other than financial instruments, deferred tax assets and property, plant and equipment listed below of the Group were located in Mainland China.

	Property, plant and equipment	
	12/31/20 USD'000	12/31/19 USD'000
North America	**96**	—
Europe	**1,504**	1,454
Asia[1]	**34**	42
Hong Kong	**2,037**	2,228
Mainland China	**12,134,350**	7,753,523
	12,138,021	7,757,247

[1] Not including Mainland China and Hong Kong.

6. SIGNIFICANT CUSTOMERS

The following table summarizes net revenue or gross accounts receivable for customers, which accounted for 10% or more of net revenue and gross accounts receivable:

	Net revenue Year ended December 31,		Gross accounts receivable December 31,	
	2020	2019	**2020**	2019
Customer A	**809,663**	590,349	**24,134**	100,906
Customer B	**442,291**	397,618	**101,512**	86,627
Customer A	**20.7%**	18.9%	**5.4%**	21.3%
Customer B	**11.3%**	12.8%	**22.5%**	18.3%

7. OTHER OPERATING INCOME, NET

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Gain on disposal of property, plant and equipment and assets classified as held-for-sale[1]	**2,247**	4,912
Impairment loss recognized on tangible and intangible assets (Note 11)	**(1,145)**	(2,948)
Government funding (Note 35)	**362,483**	293,305
Gain on disposal and deconsolidation of subsidiaries	**904**	81,377
Others	**(2)**	10
	364,487	376,656

[1] The gain on disposal of property, plant and equipment and assets classified as held-for-sale for the years ended December 31, 2020 and 2019 were primarily from the disposal of equipment and the sales of the staff living quarters to employees.

8. FINANCE COSTS

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Interest on:		
Bank and other borrowings	77,449	63,083
Leases (Note 17)	11,464	10,442
Convertible bonds (Note 32)	7,329	16,508
Corporate bonds (Note 33)	14,255	16,918
Medium-term notes (Note 34)	7,412	10,102
Short-term notes (Note 34)	6,193	8,193
	124,102	125,246
Less: amounts capitalized	(50,868)	(61,786)
	73,234	63,460

The weighted average effective interest rate on the above borrowed funds is 2.67% per annum (2019: 3.17% per annum).

9. OTHER GAINS, NET

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Net gain (loss) arising on financial instruments at FVPL		
Cross currency swap contracts — cash flow hedges	—	505
Cross currency swap contracts	—	(1,158)
Foreign currency forward contracts	(333)	—
Structural deposits and monetary funds	8,499	6,454
Equity securities	45,463	28,399
	53,629	34,200
Others	(2,888)	8,781
	50,741	42,981

10. INCOME TAXES

INCOME TAX EXPENSE

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Current tax — Land Appreciation Tax	—	866
Current tax — Enterprise Income Tax	64,595	8,222
Deferred tax	3,715	14,328
	68,310	23,416

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Profit before tax	737,408	182,276
Income tax expense calculated at 25%	184,352	45,569
Effect of tax holiday	(128,909)	(109,497)
Additional deduction for research and development expenditures	(96,141)	(51,650)
Tax losses for which no deferred tax assets were recognized(1)	52,093	21,930
Temporary differences without deferred tax recognized	71,343	115,156
Effect of different tax rates of subsidiaries operating in other jurisdictions	(14,471)	1,042
Others	43	866
	68,310	23,416

(1) The tax losses were calculated from the profit or loss of some subsidiaries after adjusting the additional deduction for research and development expenditures and the effect of different tax rates and cannot be carried forward from prior years to offset future profits in five years.

The Company has undistributed earnings of US$952.8 million (2019: US$311.8 million) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the Company is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

CURRENT TAX LIABILITIES

The Group has recognized the income tax payable as liabilities of US$17.6 million as of December 31, 2020 (December 31, 2019: US$3.2 million).

10. INCOME TAXES *(continued)*

DEFERRED TAX BALANCES

The following is the analysis of deferred tax assets (liabilities) presented in the consolidated statement of financial position:

	12/31/20 USD'000	12/31/19 USD'000
Deferred tax assets		
Property, plant and equipment	44,680	49,188
Intangible assets	1,375	1,531
Others	11,767	12,256
	57,822	62,975
Deferred tax liabilities		
Property, plant and equipment	(32,922)	(34,360)
Set-off of deferred tax liabilities	32,922	–
Net deferred tax assets	24,900	62,975
Net deferred tax liabilities	—	(34,360)

December 31, 2020	Opening balance USD'000	Recognize in profit or loss USD'000	Closing balance USD'000
Net deferred tax assets in relation to			
Property, plant and equipment	14,828	(3,070)	11,758
Intangible assets	1,531	(156)	1,375
Others	12,256	(489)	11,767
	28,615	(3,715)	24,900

December 31, 2019	Opening balance USD'000	Deconsolidation of subsidiary USD'000	Recognize in profit or loss USD'000	Closing balance USD'000
Net deferred tax assets in relation to				
Property, plant and equipment	41,025	—	(26,197)	14,828
Intangible assets	1,688	—	(157)	1,531
Others	1,074	(845)	12,027	12,256
	43,787	(845)	(14,327)	28,615

10. INCOME TAXES *(continued)*

DEFERRED TAX BALANCES *(continued)*

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

SMIS

SMIS has obtained a certificate of new high-tech enterprise on November 23, 2017 and November 18, 2020. The income tax rate for SMIS was 15% in 2020 (2019: 15%).

SMIT

SMIT is qualified as an integrated circuit enterprise and enjoying a 10-year tax holiday (five year full exemption followed by five year half reduction) beginning from 2013 after utilizing all prior years' tax losses. SMIT has obtained a certificate of new high-tech enterprise on November 28, 2019. The income tax rate for SMIT was 12.5% in 2020 (2019: 12.5%).

SMIB

SMIB is qualified as an integrated circuit enterprise and enjoying a 10-year tax holiday (five year full exemption followed by five year half reduction) beginning from 2015 after utilizing all prior years' tax losses. SMIB has obtained a new high-tech enterprise certificate dated November 30, 2018. The income tax rate for SMIB was 12.5% in 2020 (2019: 0%).

SMNC

SMNC has obtained a certificate of new high-tech enterprise on December 2, 2019 and was applicable to use the income tax rate of 15% in 2020 (2019: 15%). As of December 31, 2020, SMNC was in an accumulative tax loss position.

SJ Semi

SJ Semi has obtained a new high-tech enterprise certificate dated November 22, 2019 and was applicable to use the income tax rate of 15% in 2020 (2019: 15%). As of December 31, 2020, SJ Semi was in an accumulative tax loss position.

SMZC

SMIC Shenzhen has obtained a certificate of new high-tech enterprise on December 11, 2020 and was applicable to use the income tax rate of 15% in 2020 (2019: 25%). As of December 31, 2020, SMZC was in an accumulative tax loss position.

Other PRC entities

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

UNUSED TAX LOSSES

At the end of the reporting period, no deferred tax asset was recognized in respect of tax losses of US$739.6 million (December 31, 2019: US$731.9 million) due to the unpredictability of future profit streams, of which US$19.2 million, US$61.4 million, US$286.6 million, US$174.9 million and US$197.5 million will expire in 2021, 2022, 2023, 2024 and 2025, respectively.

11. PROFIT FOR THE YEAR

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

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Impairment losses on assets		
(Reversal) addition in allowance on doubtful trade receivables (Note 39)	(490)	179
Addition in allowance on doubtful other receivables (Note 39)	689	897
Impairment losses on inventory (Note 24)	23,112	35,288
Impairment losses on intangible assets (Note 18)	1,145	2,948
	24,456	39,312
Depreciation and amortization expense		
Depreciation of property, plant and equipment (Note 16)	1,184,571	995,580
Depreciation of right-of-use assets (Note 17)	98,766	99,950
Amortization of intangible assets (Note 18)	29,357	32,226
	1,312,694	1,127,756
Employee benefits expense		
Wages, salaries and social security contributions	503,232	506,045
Bonus	197,117	83,198
Non-monetary benefits	27,401	35,587
Equity-settled share-based payments (Note 38)	10,460	6,832
	738,210	631,662
Royalties expense	26,355	32,290
Government funding (Note 35)	(362,483)	(293,305)
Auditors' remuneration		
Audit services	1,653	1,312
Non-audit services	85	99
	1,738	1,411

12. DIRECTORS' REMUNERATION

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Salaries, bonus and benefits	7,871	2,672
State-managed pension(1)	12	16
Equity-settled share-based payments	2,772	751
	10,655	3,439

(1) The Group contributes the pension insurance premiums to the local social basic pension agency on a monthly basis based on the local social basic pension payment base and proportion. After retirement, the local labor and social security department is responsible for paying social basic pensions to retired employees.

The equity-settled share-based payments granted to directors include both stock options and restricted share units ("RSUs").

During the year ended December 31, 2020, 2,359,665 stock options were granted to the directors (2019: 312,500). 314,531 stock options were exercised (2019: nil) and no stock options were expired (2019: 310,701).

During the year ended December 31, 2020, 1,072,451 RSUs were granted to the directors (2019: 312,500), 438,750 RSUs automatically vested (2019: 821,595) and no RSUs were forfeited (2019: 274,430).

12. DIRECTORS' REMUNERATION *(continued)*

In 2020 and 2019 no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No other directors waived any emoluments in 2020 and 2019.

The Group has no contributions to pension schemes for directors or past directors, except for the state-managed pension for the executive directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid or payable to independent non-executive directors of the Company during the year were as follows:

2020	Salaries, bonus and benefits USD'000	State-managed pension USD'000	Equity-settled share-based payment USD'000	Total remuneration USD'000
William Tudor Brown	**93**	**—**	**218**	**311**
Cong Jingsheng Jason	**45**	**—**	**196**	**241**
Lau Lawrence Juen-Yee	**78**	**—**	**65**	**143**
Fan Ren Da Anthony	**83**	**—**	**65**	**148**
Young Kwang Leei	**68**	**—**	**184**	**252**
	367	**—**	**728**	**1,095**

2019	Salaries, bonus and benefits USD'000	State-managed pension USD'000	Equity-settled share-based payment USD'000	Total remuneration USD'000
William Tudor Brown	81	—	108	189
Cong Jingsheng Jason	51	—	45	96
Lau Lawrence Juen-Yee	63	—	148	211
Fan Ren Da Anthony	68	—	148	216
Young Kwang Leei	20	—	96	116
Chiang Shang-Yi	30	—	35	65
	313	—	580	893

There were no other emoluments payable to the independent non-executive directors during the year.

12. DIRECTORS' REMUNERATION *(continued)*

EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTOR

2020	Salaries, bonus and benefits USD'000	State-managed pension USD'000	Equity-settled share-based payment USD'000	Total remuneration USD'000
Executive directors:				
Zhou Zixue	1,060	6	517	1,583
Chiang Shang-Yi[(1)]	32	—	—	32
Zhao Haijun	972	—	139	1,111
Liang Mong Song	4,413[(2)]	—	517	4,930
Gao Yonggang	1,027	6	457	1,490
	7,504	12	1,630	9,146
Non-executive directors:				
Chen Shanzhi	—	—	218	218
Zhou Jie	—	—	—	—
Ren Kai	—	—	—	—
Lu Jun	—	—	—	—
Tong Guohua	—	—	196	196
	—	—	414	414

(1) Chiang Shang-Yi did not offer himself for re-election as independent non-executive directors as at 2019 AGM and his term as independent non-executive director expired on June 21, 2019. On December 15, 2020, Chiang Shang-Yi rejoined the Company as Vice Chairman and executive director.

(2) In November 2020, the Group granted a living quarter unit fair value of which amounted to US$3.4 million, to Liang Mong Song for domestic living purpose.

2019	Salaries, bonus and benefits USD'000	State-managed pension USD'000	Equity-settled share-based payment USD'000	Total remuneration USD'000
Executive directors:				
Zhou Zixue	705	8	18	731
Zhao Haijun	750	—	—	750
Liang Mong Song	341	—	—	341
Gao Yonggang	518	8	—	526
	2,314	16	18	2,348
Non-executive directors:				
Chen Shanzhi	15	—	108	123
Zhou Jie	—	—	—	—
Ren Kai	—	—	—	—
Lu Jun	—	—	—	—
Tong Guohua	14	—	45	59
	29	—	153	182

There was no other arrangement under which a director waived or agreed to waive any remuneration in 2020.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included four (2019: three) directors, details of whose remuneration are set out in Note 12 above. Details of the remuneration of the remaining one (2019: two) non-directors, highest paid individuals for the year are as follows:

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Salaries and benefits	550	712
Bonus	394	408
State-managed pension	—	—
Equity-settled share-based payment	—	—
	944	1,120

The bonus is determined on the basis of the basic salary and the performance of the Group and the individual.

In 2020 and 2019, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The Group has no contributions to pension schemes for directors or past directors, except for the state-managed pension for the executive directors and employees.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$3,500,001 (US$451,465) to HK$4,000,000 (US$515,960)	—	1
HK$4,500,001 (US$580,455) to HK$5,000,000 (US$644,950)	—	1
HK$7,000,001 (US$902,931) to HK$7,500,000 (US$967,425)	1	—
	1	2

14. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

	(In USD'000, except share and per share data)	
	Year ended 12/31/20	Year ended 12/31/19
Profit for the year attributable to owners of the Company	715,550	234,681
Distribution to perpetual subordinated convertible securities holders	(8,000)	(11,300)
Earnings used in the calculation of basic earnings per share	707,550	223,381
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,353,497,375	5,049,540,755
Basic earnings per share	$0.11	$0.04

14. EARNINGS PER SHARE *(continued)*

DILUTED EARNINGS PER SHARE

The earnings used in the calculation of diluted earnings per share are as follows:

	(In USD'000, except share and per share data)	
	Year ended 12/31/20	Year ended 12/31/19
Earnings used in the calculation of basic earnings per share	**707,550**	223,381
Interest expense from convertible bonds	**7,329**	15,840
Distribution to perpetual subordinated convertible securities holders	**8,000**	11,300
Earnings used in the calculation of diluted earnings per share	**722,879**	250,521
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**6,353,497,375**	5,049,540,755
Employee option and restricted share units	**22,255,752**	17,614,079
Convertible bonds	**219,232,491**	371,589,975
Perpetual subordinated convertible securities	**247,547,767**	344,985,992
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**6,842,533,385**	5,783,730,801
Diluted earnings per share	**$0.11**	$0.04

During the year ended December 31, 2020, the Group had 477,111 weighted average outstanding employee stock options (2019: 16,609,700) excluded from the computation of diluted earnings per share due to the exercise price higher than the average market price of the ordinary shares, no potential shares upon the conversion of convertible bonds (2019: 9,662,892) and no potential shares upon the conversion of perpetual subordinated convertible securities (2019: nil) excluded from the computation of diluted earnings per share due to anti-dilutive effect.

15. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended December 31, 2020 (December 31, 2019: nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings USD'000	Machinery and equipment USD'000	Office equipment USD'000	Construction in progress ("CIP") USD'000	Total USD'000
Cost					
Balance at December 31, 2018	870,423	12,882,997	216,922	2,336,072	16,306,414
Transfer from (out) CIP	209,764	1,611,604	26,884	(1,848,252)	—
Addition	—	—	—	1,988,493	1,988,493
Disposals	(1,099)	(45,043)	(4,566)	(1,465)	(52,173)
Deconsolidation of subsidiary due to loss of control	—	—	(3,997)	(40)	(4,037)
Exchange differences	—	(5,907)	(100)	(1,350)	(7,357)
Balance at December 31, 2019	1,079,088	14,443,651	235,143	2,473,458	18,231,340
Transfer from (out) CIP	225,903	3,528,754	55,685	(3,810,342)	—
Addition	—	—	—	5,607,893	5,607,893
Disposals	(5,426)	(21,277)	(717)	(4,578)	(31,998)
Deconsolidation of subsidiary due to loss of control	—	—	(17)	—	(17)
Reclassified as held-for-sale	(3,872)	—	—	(15,672)	(19,544)
Balance at December 31, 2020	1,295,693	17,951,128	290,094	4,250,759	23,787,674
Accumulated depreciation and impairment					
Balance at December 31, 2018	220,707	9,127,607	169,560	10,570	9,528,444
Disposal	(1,099)	(42,707)	(1,691)	—	(45,497)
Depreciation expense	37,719	928,161	29,700	—	995,580
Deconsolidation of subsidiary due to loss of control	—	—	(2,677)	—	(2,677)
Exchange differences	—	(1,696)	(61)	—	(1,757)
Balance at December 31, 2019	257,327	10,011,365	194,831	10,570	10,474,093
Disposal	(719)	(4,817)	(717)	—	(6,253)
Depreciation expense	51,290	1,095,305	37,976	—	1,184,571
Impairment loss	—	(3)	—	(544)	(547)
Deconsolidation of subsidiary due to loss of control	—	—	(2)	—	(2)
Reclassified as held-for-sale	(2,209)	—	—	—	(2,209)
Balance at December 31, 2020	305,689	11,101,850	232,088	10,026	11,649,653
Net carrying amount					
Balance at December 31, 2019	821,761	4,432,286	40,312	2,462,888	7,757,247
Balance at December 31, 2020	990,004	6,849,278	58,006	4,240,733	12,138,021

CONSTRUCTION IN PROGRESS

The construction in progress balance of approximately US$4,240.7 million as of December 31, 2020, primarily consisted of US$2,965.6 million, US$761.4 million, US$88.5 and US$219.9 million used for the facilities construction, machinery and equipment of the fabs in Shanghai, the two 300mm fabs in Beijing, the fabs in Shenzhen and the 200mm fab in Tianjin, respectively; US$146.7 million used for purchasing machinery and equipment acquired for more research and development activities; in addition, US$58.6 million was related to various ongoing capital expenditures projects of other SMIC subsidiaries.

IMPAIRMENT LOSSES RECOGNIZED IN THE YEAR

In 2020, no impairment loss of equipment was recorded by the Group (2019: nil).

ASSETS PLEDGED AS SECURITY

Property, plant and equipment with carrying amount of approximately US$101.1 million (2019: approximately US$130.9 million) have been pledged to secure borrowings of the Group under mortgages (Note 31). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to other entities.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

CAPITALIZED INTEREST

Interest incurred on borrowed funds used to construct plant and equipment during the active construction period is capitalized. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for the assets under construction during the period. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful life of the assets. Capitalized interest of US$50.9 million in 2020 (2019: US$61.8 million) was added to the cost of the underlying assets and was amortized over the respective useful life of the assets. In 2020, the Group recorded depreciation expenses relating to the accumulative capitalized interest of US$43.3 million (2019: US$33.4 million).

17. LEASES

The consolidated financial statements show the following amounts relating to leases:

	Buildings USD'000	Machinery and equipment USD'000	Land use right USD'000	Total USD'000
Cost				
Balance at December 31, 2018	—	—	126,194	126,194
Additions	2,267	334,372	34,742	371,381
Balance at December 31, 2019	2,267	334,372	160,936	497,575
Additions	1,047	91,147	129,059	221,253
Disposals	—	—	(6,439)	(6,439)
Reclassified as held-for-sale	—	—	(2,168)	(2,168)
Balance at December 31, 2020	3,314	425,519	281,388	710,221
Accumulated amortization and impairment				
Balance at December 31, 2018	—	—	20,758	20,758
Depreciation expense	383	97,653	1,914	99,950
Balance at December 31, 2019	383	97,653	22,672	120,708
Depreciation expense	1,001	94,641	3,124	98,766
Disposals	—	—	(54)	(54)
Reclassified as held-for-sale	—	—	(437)	(437)
Balance at December 31, 2020	1,384	192,294	25,305	218,983
Net carrying amount				
Balance at December 31, 2019	1,884	236,719	138,264	376,867
Balance at December 31, 2020	1,930	233,225	256,083	491,238

	12/31/20 USD'000	12/31/19 USD'000
Lease liabilities		
Current	94,949	80,651
Non-current	150,321	167,081
	245,270	247,732

	Year ended 12/31/20	Year ended 12/31/19
Interest expense	11,464	10,442
Cash outflow for leases	94,402	89,215

From January 1, 2019, the Group has recognized right-of-use assets for non-cancellable operating leases, except for the short-term and low-value leases with insignificant amounts.

Land use right with carrying amount of approximately US$10.0 million (2019: nil) has been pledge to secure borrowings of the Group.

18. INTANGIBLE ASSETS

	Patents and license USD'000
Cost	
Balance at December 31, 2018	437,608
Additions	9,845
Exchange differences	(2,332)
Balance at December 31, 2019	445,121
Additions	15,512
Balance at December 31, 2020	460,633
Accumulated amortization and impairment	
Balance at December 31, 2018	314,754
Amortization expense for the year[(1)]	32,226
Impairment loss[(2)]	2,948
Exchange differences	(1,750)
Balance at December 31, 2019	348,178
Amortization expense for the year[(1)]	29,357
Impairment loss[(2)]	1,145
Balance at December 31, 2020	378,680
Net carrying amount	
Balance at December 31, 2019	96,943
Balance at December 31, 2020	81,953

(1) Amortization expenses are mainly included in cost of sales US$14.8 million (2019: US$15.5 million) and research and development expenses US$14.6 million (2019: US$15.3 million).

(2) In 2020, the Group recorded US$1.1 million (2019: US$2.9 million) impairment loss of other intangible assets due to the recoverable amount of a batch of intellectual property was estimated to be less than its carrying amount. The whole amount of impairment loss in 2020 and 2019 was recognized as other operating expense in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

19. SUBSIDIARIES

The principle subsidiaries of the Company at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Legal nature	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
Semiconductor Manufacturing International (Shanghai) Corporation ("SMIS" or "SMIC Shanghai")#	People's Republic of China (the "PRC")	Limited corporation	Ordinary	USD1,770,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing International (Beijing) Corporation ("SMIB" or "SMIC Beijing")#	PRC	Limited corporation	Ordinary	USD1,000,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing International (Tianjin) Corporation ("SMIT" or "SMIC Tianjin")#	PRC	Limited corporation	Ordinary	USD870,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing International (Shenzhen) Corporation ("SMIZ" or "SMIC Shenzhen")#	PRC	Limited corporation	Ordinary	USD700,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing North China (Beijing) Corporation ("SMNC")#	PRC	Limited corporation	Ordinary	USD4,800,000,000	Indirectly	51%	51%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing South China Corporation ("SMSC")# (1)	PRC	Limited corporation	Ordinary	USD6,500,000,000,000	Indirectly	38.52%	38.52%	Manufacturing and trading of semiconductor products
Semiconductor Manufacturing Beijing Corporation (SMBC) (2)	PRC	Limited corporation	Ordinary	USD1,132,650,000	Indirectly	67.54%	100%	Manufacturing and trading of semiconductor products
SJ Semiconductor (Jiangyin) Corp. ("SJ Jiangyin")#	PRC	Limited corporation	Ordinary	USD330,000,000	Indirectly	55.97%	55.97%	Bumping and circuit probe testing activities
SMIC New Technology Research & Development (Shanghai) Corporation	PRC	Limited corporation	Ordinary	USD400,000,000	Indirectly	100%	100%	Research and development activities
Better Way Enterprises Limited ("Better Way")#	Samoa	—	Ordinary	USD1	Directly	100%	100%	Provision of marketing related activities
SMIC, Americas	United States of America	—	Ordinary	USD500,000	Directly	100%	100%	Provision of marketing related activities
SMIC Japan Corporation	Japan	—	Ordinary	JPY10,000,000	Directly	100%	100%	Provision of marketing related activities
SMIC Europe S.R.L	Italy	—	Ordinary	EUR100,000	Directly	100%	100%	Provision of marketing related activities
SJ Semiconductor USA Co.	United States of America	—	Ordinary	USD500,000	Indirectly	55.97%	55.97%	Provision of marketing related activities
Semiconductor Manufacturing International (BVI) Corporation ("SMIC (BVI)")#	British Virgin Islands	—	Ordinary	USD10	Directly	100%	100%	Provision of marketing related activities
SMIC Investment (Shanghai) Corporation (formerly "SMIC Commercial (Shanghai) Limited Company")	PRC	Limited corporation	Ordinary	USD465,800,000	Directly	100%	100%	Investment holding
SMIC Shanghai (Cayman) Corporation	Cayman Islands	—	Ordinary	USD50,000	Directly	100%	100%	Investment holding
SMIC Tianjin (Cayman) Corporation	Cayman Islands	—	Ordinary	USD50,000	Directly	100%	100%	Investment holding
SilTech Semiconductor Corporation	Cayman Islands	—	Ordinary	USD10,000	Directly	100%	100%	Investment holding
SilTech Semiconductor (Hong Kong) Corporation Limited	Hong Kong	—	Ordinary	HKD1,000	Indirectly	100%	100%	Investment holding
SilTech Semiconductor (Shanghai) Corporation Limited ("SilTech Shanghai")#	PRC	Limited corporation	Ordinary	USD12,000,000	Indirectly	100%	100%	Investment holding
SMIC Holdings Corporation ("SMIC Holdings")#	PRC	Limited corporation	Ordinary	USD50,000,000	Directly	100%	100%	investment holding
Magnificent Tower Limited	British Virgin Islands	—	Ordinary	USD50,000	Indirectly	100%	100%	investment holding
China IC Capital Co., Ltd	PRC	Limited corporation	Ordinary	RMB1,392,000,000	Indirectly	100%	100%	Investment holding
China IC Capital (Ningbo) Co., Ltd	PRC	Limited corporation	Ordinary	RMB199,500,000	Indirectly	100%	100%	Investment holding
Shanghai Hexin Investment Management Limited Partnership	PRC	Limited partnership	Ordinary	RMB17,775,918	Indirectly	99%	99%	Investment holding
SJ Semiconductor Corporation	Cayman Islands	—	Ordinary	USD5,668	Directly	55.97%	55.97%	Investment holding
SJ Semiconductor (HK) Limited	Hong Kong	—	Ordinary	HKD1,000	Indirectly	55.97%	55.97%	Investment holding
SMIC Private School (Shanghai)	PRC	Non-profit private school	Ordinary	RMB4,000,000	Indirectly	100%	100%	Private education
SMIC Private School (Beijing)	PRC	Non-profit private school	Ordinary	RMB5,000,000	Indirectly	100%	100%	Private education
SMIC Development (Chengdu) Corporation ("SMICD")#	PRC	Limited corporation	Ordinary	USD5,000,000	Directly	100%	100%	Construction, operation, and management of living quarters

Abbreviation for identification purposes.

19. SUBSIDIARIES *(continued)*

(1) On May 15, 2020, SMIC Holdings, China Integrated Circuit Industry Investment Fund Co., Ltd. ("China IC Fund"), Shanghai Integrated Circuit Industry Investment Fund Co., Ltd. ("Shanghai IC Fund"), China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd ("China IC Fund II"), Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. ("Shanghai IC Fund II") entered into the joint venture agreement and the capital contribution agreement pursuant to which SMIC Holdings, China IC Fund II and Shanghai IC Fund II agreed to make cash contribution to the registered capital of SMSC in the amount of US$750.0 million, US$1.5 billion and US$750.0 million, respectively. As a result of the capital contribution: (i) the registered capital of SMSC will increase from US$3.5 billion to US$6.5 billion; (ii) the Company's equity interest in SMSC, through SMIC Holdings, will decrease from 50.1% to 38.52%; and (iii) SMSC will be owned as to 23.08%, 14.56%, 12.31% and 11.54% by China IC Fund II, China IC Fund, Shanghai IC Fund and Shanghai IC Fund II, respectively. The capital contribution was completed in 2020.

(2) On December 4, 2020, SMIC Holdings, China IC Fund II and Beijing E-Town International Investment & Development Co., Ltd. ("E-Town Capital") entered into the joint venture agreement pursuant to which SMIC Holdings, China IC Fund II and E-Town capital agreed to make cash contribution to the registered capital of SMBC in the amount of US$2.55 billion, US$1.2245 billion and US$1.2255 billion, respectively. As a result of the capital contribution: (i) the Company's shareholding in SMBC will be 51%; and (ii) SMBC will be owned as to 24.49% and 24.51% by China IC Fund II and E-Town Capital, respectively. The capital contribution will be completed by the end of 2024.

According to the joint venture agreements entered into by the Company and the NCI of SMBC, first capital injection into SMBC will be completed in 2021. The capital injection from NCI amounted to US$367.7 million in 2020.

MATERIAL NON-CONTROLLING INTERESTS ("NCI")

The table below shows details of the non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of company	Place of establishment and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		12/31/20	12/31/19	12/31/20 USD'000	12/31/19 USD'000	12/31/20 USD'000	12/31/19 USD'000
SMNC	Beijing, PRC	49.0%	49.0%	93,509	(22,878)	2,233,828	2,150,340
SMSC	Shanghai, PRC	61.5%	49.9%	(143,412)	(46,786)	3,776,349	1,693,231
SJ Semiconductor Corporation and its subsidiaries	Cayman Islands	44.0%	44.0%	3,585	783	127,916	123,952
				(46,318)	(68,881)	6,138,093	3,967,523

According to the joint venture agreements entered into by the Group and the NCI of SMNC, additional capital injection into SMNC was completed in 2019. The additional capital injection from NCI amounted to US$441.0 million in 2019.

According to the joint venture agreements entered into by the Company and the NCI of SMSC, additional capital injection into SMSC was completed in 2020 and 2019. The additional capital injection from NCI amounted to US$2,250 million in 2020 and US$698.6 million in 2019.

Summarized financial information in respect of the Company's subsidiaries that have material non-controlling interests are set out below. The summarized financial information below represents amounts before intragroup eliminations.

19. SUBSIDIARIES *(continued)*

SMNC

	12/31/20 USD'000	12/31/19 USD'000
Current assets	2,847,918	3,669,273
Non-current assets	3,042,113	2,230,247
Current liabilities	(1,028,081)	(1,064,404)
Non-current liabilities	(303,117)	(446,666)
Net assets	4,558,833	4,388,450
Equity attributable to owners of the Company	2,325,005	2,238,110
Non-controlling interests	2,233,828	2,150,340
Net assets	4,558,833	4,388,450

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Revenue	967,886	623,485
Expense	(968,611)	(718,501)
Other income	191,559	48,327
Profit (loss) for the year	190,834	(46,689)
Profit (loss) attributable to owners of the Company	97,325	(23,811)
Profit (loss) attributable to the non-controlling interests	93,509	(22,878)
Profit (loss) for the year	190,834	(46,689)
Total comprehensive income (loss) attributable to owners of the Company	97,325	(23,811)
Total comprehensive income (loss) attributable to the non-controlling interests	93,509	(22,878)
Total comprehensive income (loss) for the year	190,834	(46,689)
Dividends paid to non-controlling interests	—	—
Net cash inflow from operating activities	445,470	333,822
Net cash outflow from investing activities	(323,521)	(1,218,357)
Net cash (outflow) inflow from financing activities	(116,818)	779,562
Net cash inflow (outflow)	5,131	(104,973)

19. SUBSIDIARIES *(continued)*

SMSC

	12/31/20 USD'000	12/31/19 USD'000
Current assets	4,052,065	2,117,356
Non-current assets	5,411,470	1,824,094
Current liabilities	(2,330,471)	(409,432)
Non-current liabilities	(990,662)	(138,770)
Net assets	6,142,402	3,393,248
Equity attributable to owners of the Company	2,366,053	1,700,017
Non-controlling interests	3,776,349	1,693,231
Net assets	6,142,402	3,393,248

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Revenue	139,158	9,031
Expense	(468,798)	(133,578)
Other income	78,863	30,787
Loss for the year	(250,777)	(93,760)
Loss attributable to owners of the Company	(107,365)	(46,974)
Loss attributable to the non-controlling interests	(143,412)	(46,786)
Loss for the year	(250,777)	(93,760)
Total comprehensive loss attributable to owners of the Company	(107,365)	(46,974)
Total comprehensive loss attributable to the non-controlling interests	(143,412)	(46,786)
Total comprehensive loss for the year	(250,777)	(93,760)
Dividends paid to non-controlling interests	—	—
Net cash inflow (outflow) from operating activities	140,252	(48,106)
Net cash outflow from investing activities	(2,195,496)	(1,288,188)
Net cash inflow from financing activities	3,762,750	1,339,419
Net cash inflow	1,707,506	3,125

19. SUBSIDIARIES *(continued)*

SJ SEMICONDUCTOR CORPORATION AND ITS SUBSIDIARIES

	12/31/20 USD'000	12/31/19 USD'000
Current assets	**146,933**	135,576
Non-current assets	**330,698**	245,931
Current liabilities	**(95,753)**	(92,783)
Non-current liabilities	**(91,357)**	(7,238)
Net assets	**290,521**	281,486
Equity attributable to owners of the Company	**162,605**	157,534
Non-controlling interests	**127,916**	123,952
Net assets	**290,521**	281,486

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Revenue	**216,803**	115,127
Expense	**(213,908)**	(122,887)
Other income	**5,247**	9,538
Profit for the year	**8,142**	1,778
Profit attributable to owners of the Company	**4,557**	995
Profit attributable to the non-controlling interests	**3,585**	783
Profit for the year	**8,142**	1,778
Total comprehensive income attributable to owners of the Company	**4,557**	995
Total comprehensive income attributable to the non-controlling interests	**3,585**	783
Total comprehensive income for the year	**8,142**	1,778
Dividends paid to non-controlling interests	**—**	—
Net cash inflow from operating activities	**101,822**	28,858
Net cash outflow from investing activities	**(153,906)**	(55,116)
Net cash inflow from financing activities	**61,011**	30,121
Net cash inflow	**8,927**	3,863

20. INVESTMENTS IN ASSOCIATES

The details of the Company's associates, which are all unlisted companies except for JCET listed on the Shanghai Stock Exchange, at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Class of share held	Proportion of ownership interest and voting power held by the Group	
			12/31/20	12/31/19
Toppan SMIC Electronic (Shanghai) Co., Ltd ("Toppan")	Shanghai, PRC	Ordinary	30.0%	30.0%
Zhongxin Xiecheng Investment (Beijing) Co., Ltd ("Zhongxin Xiecheng")	Beijing, PRC	Ordinary	49.0%	49.0%
Brite Semiconductor (Shanghai) Corporation ("Brite Shanghai")	Shanghai, PRC	Ordinary	23.48%	46.6%
JCET Group Co., Ltd. ("JCET")	Jiangsu, PRC	Ordinary	14.3%(1)	14.3%(1)
Sino IC Leasing Co., Ltd. ("Sino IC Leasing")	Shanghai, PRC	Ordinary	8.17%(1)	7.4%(1)
China Fortune-Tech Capital Co., Ltd ("China Fortune-Tech")	Shanghai, PRC	Ordinary	19.5%(1)	19.5%(1)
Ningbo Semiconductor International Corporation ("NSI")	Ningbo, PRC	Ordinary	15.85%	38.6%
Semiconductor Manufacturing Electronics (Shaoxing) Corporation ("SMEC")	Shaoxing, PRC	Ordinary	19.57%	23.5%
Semiconductor Global Solutions ("SGS")	Ningbo, PRC	Ordinary	18.7%	27.3%
Shanghai IC Manufacturing Innovation Center Co., Ltd ("Shanghai Innovation Center")	Shanghai, PRC	Ordinary	33.3%	33.3%
Semiconductor Technology Innovation Center (Beijing) Co., Ltd. ("Beijing Innovation Center")(3)	Beijing,PRC	Ordinary	25.0%	N/A
Beijing Wu Jin Venture Investment Center (Limited Partnership) ("WuJin")(2)	Beijing, PRC	Limited partner interest	32.6%	32.6%
Shanghai Fortune-Tech Qitai Invest Center (Limited Partnership) ("Fortune-Tech Qitai")(2)	Shanghai, PRC	Limited partner interest	33.0%	33.0%
Shanghai Fortune-Tech Zaixing Invest Center (Limited Partnership) ("Fortune-Tech Zaixing")(2)	Shanghai, PRC	Limited partner interest	66.2%(1)	66.2%(1)
Suzhou Fortune-Tech Oriental Invest Fund Center (Limited Partnership) ("Fortune-Tech Oriental")(2)	Jiangsu, PRC	Limited partner interest	44.8%	44.8%
Juyuan Juxin Integrated Circuit Fund ("Juyuan Juxin")(2)	Shanghai, PRC	Limited partner interest	31.6%	31.6%
Suzhou Fortune-Tech Zhuxin Capital Co., Ltd(2)	Suzhou, PRC	Limited partner interest	19.4%	—
Juyuan Xincheng (Jiaxing) Capital Fund, LLP(2)	Jiaxing, PRC	Limited partner interest	18.10%	—
SME Development (Shaoxing) Venture Fund, LLP(2)	Shaoxing, PRC	Limited partner interest	23.60%	—

(1) In accordance with investment agreements, the Group has significant influence, but not control, over JCET, Sino IC Leasing, China Fortune-Tech and Fortune-Tech Zaixing through the right the Group owned to appoint director(s) to the Board of directors of these companies or to cast voters at the partners meeting of the partnership entity.

(2) The Group invested in these associates indirectly through China IC Capital Co., Ltd (the "Fund"), a wholly-owned investment fund company of SMIC, as set out in Note 19. The Fund is intended to invest primarily in integrated circuits related fund products and investment projects.

(3) On September 29, 2020, the Group lost control of Beijing Innovation Center due to a capital increase agreement and a share transfer agreement. The Group recorded its ownership interest of Beijing Innovation Center as investment in associate. The remeasurement gain at the date of deconsolidation of Beijing Innovation Center was US$0.9 million. The deconsolidation has no material impact on the consolidated financial statements.

20. INVESTMENTS IN ASSOCIATES *(continued)*

All of these associates are accounted for using the equity method in these consolidated financial statements. Summarized financial information in respect of the Group's material associates represents, which include JCET and Sino IC Leasing as below:

	12/31/20 USD'000	09/30/19 USD'000
Current assets	3,529,706	4,049,270
Non-current assets	9,204,959	7,386,751
Current liabilities	(2,693,519)	(4,192,724)
Non-current liabilities	(5,582,814)	(3,672,459)
Net assets	4,458,332	3,570,838
Less: non-controlling interests	(124,935)	(113,402)
Equity attributable to owners of the associate	4,333,397	3,457,436
Proportion of the Group's interest – JCET	14.3%	14.3%
Proportion of the Group's interest – Sino IC Leasing	8.17%	7.40%
	478,358	376,224
Valuation premium	340,996	338,967
Less: unrealized profit	(500)	(540)
Carrying amount of the Group's interest	818,854	714,651

	Fifteen months ended 12/31/20 USD'000	Twelve months ended 09/30/19 USD'000
Total revenue	5,348,514	3,474,611
Profit (loss) attributable to owners	313,968	(79,456)
Total comprehensive income (loss) attributable to owners	181,682	(56,256)
Dividends received from the associate	4,451	1,077

For the year ended December 31, 2019, the Group applied the equity method on one-quarter-lag basis to account for its investments income or loss of certain associates ("investees") because the report release date of the Group was earlier than the report release dates of investees and the financial statements of investees were not available on the report release date of the Group. The Group recognized the investment income or loss and other comprehensive income ("OCI") and adjusted the cost of investment in associates based on its share of net profit or loss and OCI determined by prior quarter financial data of the investees.

For the year ended December 31, 2020, given the financial information of the associates can be obtained in a timely manner, in the preparation of IFRS financial statements, the Group chose to recognize the investment income or loss and OCI based on financial data of investees in the same accounting period.

21. INVESTMENTS IN JOINT VENTURES

The details of the Group's joint venture, which is unlisted entities invested indirectly through China IC Capital (Ningbo) Co., Ltd, at the end of the reporting period are as follow:

Name of entity	Place of establishment and operation	Class of share held	Proportion of ownership interest and voting power held by the Group	
			12/31/20	12/31/19
Shanghai Xinxin Investment Centre (Limited Partnership) ("Shanghai Xinxin")	Shanghai, PRC	Limited partner interest	49.0%	49.0%

As of December 31, 2020, the carrying amount of the Group's interest in Shanghai Xinxin was US$31.5 million (2019: US$27.1 million).

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

Financial assets	12/31/20 USD'000	12/31/19 USD'000
Non-current		
Financial assets at fair value through profit or loss		
Listed equity securities	773	749
Unlisted equity securities	155,594	89,318
Financial assets at amortized cost		
Bank deposits with more than 1 year(1)	1,638,721	—
Derivative financial instruments		
Cross currency swap contracts		
— cash flow hedges	29,046	—
Interest rate swap contracts		
— cash flow hedges	—	1,872
Current		
Financial assets at fair value through profit or loss		
Structural deposits	111,094	—
Monetary funds	383	42,985
Financial assets at amortized cost		
Bank deposits with more than 3 months(1)	2,806,517	2,275,797
Debentures	—	573
Trade and other receivables(2) (Note 25)	608,906	615,881
Derivative financial instruments		
Cross currency swap contracts		
— cash flow hedges	4,891	—
	5,355,925	3,027,175

(1) The credit risk on bank deposits with more than 3 months and more than 1 year are limited because the counterparties are banks with high credit-ratings.

(2) Trade and other receivables at amortized cost excluded the value-added tax to be deducted, which was not recognized as financial assets at amortized cost.

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

The Group's exposure to various risks associated with the financial instruments is discussed in Note 39. The maximum exposure to credit risk at the end of the year is the carrying amount of each class of financial assets mentioned above.

Financial liabilities	12/31/20 USD'000	12/31/19 USD'000
Non-current		
Liabilities at amortized cost		
Borrowings (Note 31)	**4,030,776**	2,003,836
Lease liabilities (Note 17)	**150,321**	167,081
Bonds payable (Note 33)	**596,966**	—
Convertible bonds (Note 32)	**11,131**	—
Medium-term notes (Note 34)	**229,217**	214,193
Derivative financial instruments		
Cross currency swap contracts		
— cash flow hedges	**13,000**	58,243
Interest rate swap contracts		
— cash flow hedges	**7,700**	—
Other liabilities		
Long-term payables[(2)]	**—**	21,780
Current		
Liabilities at amortized cost		
Trade and other payables (Note 36)	**1,648,556**	1,034,079
Borrowings (Note 31)	**1,260,057**	562,833
Lease liabilities (Note 17)	**94,949**	80,651
Convertible bonds (Note 32)	**—**	630,428
Short-term notes (Note 34)	**—**	286,512
Derivative financial instruments		
Cross currency swap contracts		
— cash flow hedges	**133,481**	4,782
Foreign currency forward contracts	**333**	—
Other financial liabilities		
Contingent consideration[(1)]	**—**	11,747
Other liabilities		
Long-term payables[(2)]	**20,039**	17,901
	8,196,526	5,094,066

(1) The Group had contingent consideration in respect of a potential cash compensation accrued in 2017 that may be incurred depending on the profit of Suzhou Changjiang Electric Xinke Investment Co., Ltd. during the three years of 2017, 2018 and 2019. Contingent consideration was reclassified from other liabilities to other financial liabilities as of January 1, 2018, compliment with IFRS 9.The contingent consideration was paid in 2020.

(2) Long-term payables for the purchased tangible assets were classified into the non-current and current liabilities.

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

The Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

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

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

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following tables provide an analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. There is no transfer within different levels of the fair value hierarchy in the year ended December 31, 2020 and 2019:

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

December 31, 2020	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Financial assets at fair value through profit or loss					
Listed equity securities	Using quoted market prices	36,482	—	—	36,482
Unlisted equity securities	Using recent transaction price or market approach	—	—	119,885	119,885
Structural deposits	Using indicated return rate provided by financial institution	—	—	111,094	111,094
Monetary funds	Using observable prices	—	383	—	383
Derivative financial instruments					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	33,937	—	33,937
		773	34,320	266,688	301,781
Financial liabilities					
Derivative financial instruments					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	146,481	—	146,481
Interest rate swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	7,700	—	7,700
Foreign currency forward contracts	Using forward exchange rates at the balance sheet date	—	333	—	333
		—	154,514	—	154,514

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

December 31, 2019	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Financial assets at fair value through profit or loss					
Listed equity securities	Using quoted market prices	749	—	—	749
Unlisted equity securities	Using recent transaction price or market approach	—	—	89,318	89,318
Monetary funds	Using observable prices	—	42,985	—	42,985
Derivative financial *instruments*					
Interest rate swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	1,872	—	1,872
		749	44,857	89,318	134,942
Financial liabilities					
Derivative financial instruments					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	63,025	—	63,025
Other financial liabilities					
Contingent consideration	Using discounted cash flow analysis	—	—	11,747	11,747
		—	63,025	11,747	74,772

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 instruments for the twelve months ended December 31, 2020:

	Unlisted equity securities USD'000	**Structural deposits** USD'000	**Contingent consideration** USD'000	**Total** USD'000
Balance at December 31, 2018	53,964	2,345	(11,948)	44,361
Addition	7,091	11,106	—	18,197
Disposals	—	(13,409)	—	(13,409)
Gain or loss recognized	29,149	(18)	—	29,131
Foreign exchange (loss) gain	(886)	(24)	201	(709)
Balance at December 31, 2019	89,318	—	(11,747)	77,571
Addition	7,258	322,718	—	350,820
Disposals	(4,036)	(224,636)	11,750	(215,104)
Gains or loss recognized	20,867	3,938	—	35,442
Foreign exchange gain (loss)	6,478	9,074	(3)	17,959
Balance at December 31, 2020	119,885	111,094	—	266,688

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

VALUATION PROCESSES

The finance department performs the valuations of financial assets required for financial reporting purposes and reports directly to the chief financial officer. Discussions of valuation processes, results and change analyses are held by the chief financial officer and the financial team annually, in line with the Group's yearly reporting periods. The valuation is reviewed by the audit committee.

23. RESTRICTED CASH

	12/31/20 USD'000	12/31/19 USD'000
Non-current[(1)]	114,811	—
Current[(2)]	575,258	804,547
	690,069	804,547

(1) As of December 31, 2020, the non-current restricted cash was bank time deposit pledged against for borrowings.

(2) As of December 31, 2020, the current restricted cash consisted of US$201.4 million (December 31, 2019: US$316.4 million) of bank time deposits pledged against letters of credit and borrowings, and US$373.9 million (December 31, 2019: US$488.1 million) of government funding received for the payment of the research and development equipment and expenses to be incurred

24. INVENTORIES

	12/31/20 USD'000	12/31/19 USD'000
Raw materials	307,621	177,602
Work in progress	406,807	350,062
Finished goods	84,348	101,221
	798,776	628,885

The cost of inventories recognized as an expense during the year in respect of inventory provision was US$23.1 million (2019: US$35.3 million).

25. TRADE AND OTHER RECEIVABLES

	12/31/20 USD'000	12/31/19 USD'000
Trade receivables	445,990	473,515
Allowance on doubtful trade receivables (Note 39)	(1,777)	(2,267)
	444,213	471,248
Other receivables	31,303	50,337
Allowance on doubtful other receivables (Note 39)	(1,586)	(897)
	29,717	49,440
Notes receivables	4,910	14,710
Value-added tax to be deducted	367,021	220,262
Interest receivable	68,345	50,492
Refundable deposits and surety	61,721	29,991
	975,927	836,143

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

Age of trade receivables	12/31/20 USD'000	12/31/19 USD'000
Within 6 months	442,908	460,191
6 months-1 year	1,789	11,583
1-2 years	526	824
2-3 years	129	235
Over 3 years	638	682
	445,990	473,515

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 39.

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

Age of other receivables	12/31/20 USD'000	12/31/19 USD'000
Within 6 months	5,516	16,587
6 months-1 year	11,387	6,540
1-2 years	2,163	2,017
2-3 years	857	25,077
Over 3 years	11,380	116
	31,303	50,337

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

26. ASSETS CLASSIFIED AS HELD-FOR-SALE

	12/31/20 USD'000	12/31/19 USD'000
Machinery and equipment	—	7,090
Assets related to employee's living quarters	23,796	4,725
	23,796	11,815

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

27. SHARES AND ISSUED CAPITAL

FULLY PAID ORDINARY SHARES

	Number of shares	Share capital USD'000	Share premium USD'000
Balance at December 31, 2018	5,039,819,199	20,159	4,993,163
Issuance of ordinary shares under the Company's employee share option plan	17,049,713	68	18,752
Balance at December 31, 2019	5,056,868,912	20,227	5,011,915
Issuance of ordinary shares under the Company's employee share option plan (Note 38)	16,484,979	66	21,796
Conversion options of convertible bonds exercised	529,883,056	2,119	708,743
Conversion options of perpetual subordinated convertible securities exercised	161,807,580	648	263,812
Issuance of ordinary shares at July 16, 2020	1,938,463,000	7,754	7,506,131
Balance at December 31, 2020	7,703,507,527	30,814	13,512,397

On July 16, 2020, the Company was listed on the SSE STAR Market. By way of the share issue, 1,938,463,000 ordinary shares of the Company were subscribed with gross proceeds of RMB53,230.2 million (equivalent to US$7,615.9 million, after the exercise of Over-allotment Option). After deducting issuance costs including underwriting fees and other issuance costs, the net proceeds were RMB52,515.6 million (equivalent to US$7,513.9 million), which resulted in an increase of RMB54.2 million (equivalent to US$7.8 million) in the share capital of ordinary shares and an increase of RMB52,461.4 million (equivalent to US$7,506.1 million) in share premium.

STOCK INCENTIVE PLANS

The Company has adopted the stock incentive plans under which options to subscribe for the Company's shares have been granted to certain employees, officers and other service providers (Note 38).

28. RESERVES

EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

The equity-settled employee benefits reserve related to share options and RSUs granted by the Company to the Group's employees and service providers under stock incentive plans. Items included in equity-settled employee benefits reserve will not be reclassified subsequently to profit or loss.

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. United States dollars) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal/deconsolidation of the foreign operation.

CONVERTIBLE BONDS EQUITY RESERVE

The conversion option from the issuance of convertible bonds classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument (i.e. convertible bond) as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to ordinary shares and share premium. Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognized in equity will be transferred to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

CASH FLOW HEDGES

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

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

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Other comprehensive income (loss) on cash flow hedges recognized during the year:		
Fair value losses	**(46,862)**	(51,375)
Offset foreign exchange gains	**24,968**	24,807
Add finance cost	**608**	44
	(21,286)	(26,524)
Balance of cash flow hedges reserve at beginning of the year	**9,923**	36,447
Balance of cash flow hedges reserve at of end the year	**(11,363)**	9,923

29. RETAINED EARNINGS

As stipulated by the relevant laws and regulations applicable to China's foreign investment enterprise, the Company's PRC subsidiaries are required or allowed to make appropriations to non-distributable reserves. The general reserve fund requires annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end), after offsetting accumulated losses from prior years, until the accumulative amount of such reserve fund reaches 50% of registered capital of the relevant subsidiaries. The general reserve fund can only be used to increase the registered capital and eliminate future losses of the relevant subsidiaries under PRC regulations. The staff welfare and bonus reserve is determined by the board of directors of the respective PRC subsidiaries and used for the collective welfare of the employee of the subsidiaries. The enterprise expansion reserve is for the expansion of the subsidiaries' operations and can be converted to capital subject to approval by the relevant authorities. These reserves represent appropriations of the retained earnings determined in accordance with Chinese law.

In 2020 and 2019 the Company did not declare or pay any cash dividends on the ordinary shares.

In 2020 and 2019, the Company paid the distribution to perpetual subordinated convertible securities holders amounted to US$8.0 million and US$11.3 million respectively.

The sale of SMIC Hong Kong International Limited and its subsidiaries completed with Wuxi Xichanweixin Semiconductor Co., Ltd. on July 29, 2019 decreased the retained earnings for the Company by US$4.2 million and the non-controlling interests by US$9.7 million.

30. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

On April 23, 2018, the Company entered into the perpetual subordinated convertible securities ("PSCS") subscription agreement with China IC Fund and Xinxin HK, pursuant to which, on and subject to the terms of the PSCS subscription agreement, the Company conditionally agreed to issue, and China IC Fund, through Xinxin HK, conditionally agreed to subscribe for PSCS in an aggregate principal amount of US$300.0 million. On August 29, 2018, the Company completed the issue of the PSCS in the principal amount of US$300.0 million.

On April 23, 2018, the Company entered into the PSCS subscription agreement with Datang Holding and Datang HK, pursuant to which, on and subject to the terms of the PSCS subscription agreement, the Company conditionally agreed to issue, and Datang Holding, through Datang HK, conditionally agreed to subscribe for PSCS in an aggregate principal amount of US$200.0 million. On June 29, 2018, the Company completed the issue of the PSCS in the principal amount of US$200.0 million.

On December 14, 2017, the Company issued the perpetual subordinated convertible securities (the "PSCS") at a par value of US$250,000 each in the principal amount of US$65.0 million and the net book value of PSCS amounted to US$64.1 million after the deduction of issue expenses of US$0.9 million.

On June 29, 2018, the Company issued the PSCS at a par value of US$250,000 each in the principal amount of US$200.0 million.

On August 29, 2018, the Company issued the PSCS at a par value of US$250,000 each in the principal amount of US$300.0 million.

The PSCS are included in equity in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the PSCS. The PSCS will remain as equity reserve until the PSCS are converted, in which case, the balance recognized in equity will be transferred to ordinary shares and share premium.

As at December 31, 2020, the net book value of PSCS amounted to US$299.4 million (2019: US$563.8 million).

As at December 31, 2020, assuming full conversion of the PSCS, the PSCS would be convertible into 183,178,412 ordinary shares.

For the year ended December 31, 2020, 161,807,580 PSCS (2019: Nil) have been converted into ordinary shares of the Company, and the Company paid the distribution amounting to US$8.0 million(2019: US$11.3 million).

KEY TERMS OF THE PSCS

The PSCS will be paid semi-annually in arrears at 2.00% per annum with distribution payment date on June 14, and December 14, in each year, commencing on June 14, 2018.

The Company may elect to defer distribution unless payments is not made in full on a distribution payment date or a compulsory distribution payment event has occurred. The Company will procure that no dividend or other payment is made on any junior securities or parity securities; or redeem, reduce, cancel, buy-back or acquire for any consideration any junior securities or parity securities unless and until the Company satisfies in full all outstanding arrears of distribution and any additional distribution amounts; or it is permitted to do so by an extraordinary resolution of the securityholders.

The PSCS has no fixed redemption date. The Company may redeem the PSCS in whole, but not in part, at their principal amount, together with distribution accrued on or at any time after December 14, 2020 in certain specified circumstances specified in the agreements.

In the event of the winding-up of the Company, the rights and claims of the securityholders shall rank ahead of those persons whose claims are in respect of any junior securities of the Company, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company, other than the claims of holders of parity securities.

Securityholders may convert their PSCS into ordinary shares at any time on or after 40 days from the Issue date at the conversion price in effect on the relevant conversion date. The initial conversion ratio was 152,648.6697 shares per US$250,000 principal amount at the initial conversion price, HK$12.78 per Share with a fixed exchange rate of 7.8034 HK$/US$. The Conversion Price will be adjusted in certain circumstances, including subdivisions, consolidation or redenomination, rights issue, bonus issue, reorganization, capital distributions and certain other dilutive event.

Upon the occurrence of any delisting or suspension arising from or as a result of an application to HKSE having been initiated or made by the Group, the securityholders will have the right to require the Company to redeem all or some only of PSCS at their principal amount, together with any distribution accrued. In the opinion of the management of the Company, the occurrence of such events is highly remote.

31. BORROWINGS

At amortized cost	12/31/20 USD'000	12/31/19 USD'000
Short-term bank borrowings		
– secured	150,000	50,000
– unsecured nor unguaranteed	302,627	50,000
Long-term bank borrowings		
– guaranteed	1,546,856	1,052,478
– secured	159,502	121,768
– unsecured nor unguaranteed	2,661,145	820,799
Other borrowings		
– secured	470,703	471,624
	5,290,833	2,566,669
Current		
Short-term bank borrowings	452,627	100,000
Current maturities of long-term bank borrowings and other borrowings	807,430	462,833
	1,260,057	562,833
Non-current		
Non-current maturities of long-term bank borrowings and other borrowings	4,030,776	2,003,836
	5,290,833	2,566,669
Borrowing by repayment schedule		
Within 1 year	1,260,057	562,833
1-2 years	563,237	836,765
2-5 years	3,104,738	944,308
Over 5 years	362,801	222,763
	5,290,833	2,566,669

As at December 31, 2020, the Group's bank borrowings amounted to US$1,418.3 million were guaranteed by the Company.

The Group's bank borrowings amounted to US$780.2 million were secured by the mortgage of assets and the pledge of bank deposits of the Group as follows:

	12/31/20 USD'000	12/31/19 USD'000
Secured by:		
– Property, plant and equipment and land use rights	530,703	471,624
– Restricted cash	249,502	171,768
	780,205	643,392

Other borrowings represented several batches of production equipment of the Group sold and leased back under the below arrangements:

US$470.7 million (December 31, 2019: US$471.6 million) of borrowings under five arrangements entered into by the Group and third-party financing companies in the form of a sale and leaseback transaction with a repurchase option.

31. BORROWINGS *(continued)*

As the repurchase prices are set at below US$1.0 which are minimal compared to the expected fair value and the Group is certain that it will exercise the repurchase options, the above arrangements have been accounted for as collateralized secured borrowings of the Group.

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

	12/31/20 USD'000	12/31/19 USD'000
RMB	3,830,605	1,895,603
USD	1,460,228	671,066
	5,290,833	2,566,669

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

	12/31/20 USD'000	12/31/19 USD'000
RMB	2.42%	3.04%
USD	1.62%	2.73%

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

The carrying amounts of non-current borrowings approximate their fair values, as the interest rates of the non-current borrowings are close to the market rates. The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at each balance sheet dates.

32. CONVERTIBLE BONDS

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

The Convertible Bonds is a compound instrument included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the Convertible Bonds. For the 2016 Issue, such embedded derivatives are deemed to be clearly and closely related to the host contract and therefore do not need to be separately accounted for. For the 2019 Issue, such embedded derivatives are deemed to be not clearly and closely related to the host contract and therefore need to be separately accounted for. As of December 31, 2019, the fair value of embedded derivatives in relation to the 2019 Issue is not significant.

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

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

32. CONVERTIBLE BONDS *(continued)*

Subsequent to the initial recognition, the liability component of the Convertible Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the Convertible Bonds was 3.88% per annum. The movement of the liability component and the equity component of the Convertible Bonds for the year ended December 31, 2020 is set out below:

	Liability Component USD'000	Equity Component USD'000	Total USD'000
Balance at December 31, 2018	418,592	52,053	470,645
Issuance	195,328	34,147	229,475
Interest charged	16,508	—	16,508
Balance at December 31, 2019	630,428	86,200	716,628
Interest charged	7,329	—	7,329
Conversion options exercised	(626,626)	(84,236)	(710,862)
Balance at December 31, 2020	11,131	1,964	13,095

The equity component will remain in convertible bond equity reserve until the embedded conversion option is exercised or the Convertible Bonds mature.

As at December 31, 2020, 9,657,141 ordinary shares will be issued upon full conversion of the Convertible Bonds.

KEY TERMS OF THE CONVERTIBLE BONDS

The Convertible Bonds with no interest born will mature on July 7, 2022. If payment of principal or premium is improperly withheld or refused, such unpaid amount shall bear interest at the rate of 2.00% per annum. All the Convertible Bonds which are redeemed, converted or purchased by the Company will forthwith be cancelled.

The Company will redeem the outstanding Convertible Bonds at principal amount on July 7, 2022 or in certain specified circumstances specified in the agreements.

The Company may at any time and from time to time purchase the Convertible Bonds at any price in the open market or otherwise.

Bondholders may convert their bonds into ordinary shares at any time on or after August 17, 2016. Conversion shares will be issued upon full conversion of the Convertible Bonds based on the conversion price of HK$9.25 with a fixed exchange rate of 7.7677 HK$/US$.

Upon the occurrence of a change of control of the Company, the bondholders will have the right, at such holder's option, to require the Company to redeem all or some only of such holder's bonds on the change of control put date at their principal amount of the Convertible Bonds. The bondholders will also have the right to require the Company to redeem all or some only of the Convertible Bonds of such holders on July 7, 2020 at their principal amount.

33. BONDS PAYABLE

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

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

The movement of the corporate bonds for the period ended December 31, 2020 is set out below:

	USD'000
At the date of issue	**596,400**
Interest charged	**14,255**
Interest payable recognized	**(13,689)**
As at December 31, 2020	**596,966**

34. MEDIUM-TERM AND SHORT-TERM NOTES

On January 10, 2020, the Company issued short-term notes in a principal amount of RMB1,500.0 million (approximately US$216.3 million) with a maturity date of May 28, 2020 and with a interest rate of 2.4%. On April 14, 2020, the Company issued short-term notes in a principal amount of RMB1,500.0 million (approximately US$213.1 million) with a maturity date of August 5, 2020 and with a interest rate of 1.9%. Such short-term notes were issued through China Interbank Market Dealers Association.

The movement of the medium-term and short-term notes for the period ended December 31, 2020 is set out below:

	Medium-term Notes	**Short-term Notes**
	USD'000	USD'000
Balance at December 31, 2018	218,247	—
Issuance	223,040	725,635
Repayment	(217,954)	(426,485)
Interest charged	10,102	8,193
Interest payable recognized	(9,533)	(8,193)
Foreign exchange gain	(9,709)	(12,638)
Balance at December 31, 2019	214,193	286,512
Issuance	—	429,353
Repayment	—	(707,824)
Interest charged	7,412	6,193
Interest payable recognized	(7,095)	(6,193)
Foreign exchange loss (gain)	14,707	(8,041)
Balance at December 31, 2020	229,217	—

35. DEFERRED GOVERNMENT FUNDING

The Group received government funding under specific R&D projects (including those with primary condition that the Group should purchase, construct or otherwise acquire non-current assets) of US$414.1 million and US$444.5 million and recognized US$286.7 million and US$210.4 million as other operating income (Note 7) in 2020 and 2019 for several specific R&D projects respectively. The government funding is recorded as a liability upon receipt and recognized as other operating income over the useful life of R&D equipment or until the milestones specified in the terms of the funding have been reached.

In addition, the Group received government funding for specific intended use of US$76.6 million and US$82.9 million in 2020 and 2019, respectively. The Group recognized US$75.8 million and US$82.9 million as other operating income (Note 7) in 2020 and 2019, respectively. The government funding is recorded as a liability upon receipt and recognized as reduction of interest expense or as other operating income until the requirements (if any) specified in the terms of the funding have been reached.

36. TRADE AND OTHER PAYABLES

	12/31/20 USD'000	12/31/19 USD'000
Trade payables	1,473,273	894,460
Deposit received	99,928	29,523
Other payable	75,355	110,096
	1,648,556	1,034,079

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

As of December 31, 2020 and 2019, payables for property, plant and equipment were US$906.0 million and US$578.8 million, respectively.

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

Age of payables	12/31/20 USD'000	12/31/19 USD'000
Within 30 days	1,034,060	548,963
31-60 days	33,075	49,741
Over 60 days	406,138	295,756
	1,473,273	894,460

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

37. ACCRUED LIABILITIES

The amounts of accrued liabilities as of December 31, 2020 and 2019 were US$253.7 million and US$151.2 million, within which the amounts of accrued payroll expenses were US$175.1 million and US$70.9 million respectively.

38. SHARE-BASED PAYMENTS

STOCK INCENTIVE PLANS

The Company's stock incentive plans allow the Company to offer the below incentive awards to employees, consultants or external service advisors of the Group.

The expense arising from equity-settled share-based payments for the year ended December 31, 2020 was US$10.5 million (2019: US$6.8 million).

Stock option plan

The options are granted at the fair market value of the Company's ordinary shares and expire 10 years from the date of grant and vest over a requisite service period of four years.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted.

Restricted share units ("RSUs")

The Company adopted the Equity Incentive Plan ("EIP") whereby the Company provided additional incentives to the Group's employees, directors and external consultants through the issuance of restricted shares, RSUs and stock appreciation rights to the participants at the discretion of the Board of Directors. The RSUs vest over a requisite service period of 4 years and expire 10 years from the date of grant.

The fair value of each RSU granted is estimated on the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Share option plan for subsidiary ("Subsidiary Plan")

The options granted under the Subsidiary Plan shall entitle a participant of the Subsidiary Plan to purchase a specified number of subsidiary shares during a specified period at the price fixed by the relevant subsidiary committee at the time of grant or by a method specified by the relevant subsidiary committee at the time of grant and expire 10 years from the date of grant. The options vest over a requisite service period of four years.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted.

38. SHARE-BASED PAYMENTS *(continued)*

MOVEMENTS DURING THE YEAR

i. The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year (excluding Restricted Share Units ("RSUs") and share option plan for subsidiary ("Subsidiary Plan"):

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at January 1	39,355,224	US$1.04	51,608,194	US$1.00
Granted during the period	13,147,502	US$2.51	1,230,500	US$1.24
Forfeited and expired during the period	(2,852,324)	US$1.40	(4,742,797)	US$1.08
Exercised during the period	(12,911,774)	US$0.97	(8,740,673)	US$0.79
Outstanding at December 31	36,738,628	US$1.56	39,355,224	US$1.04
Exercisable at December 31	11,486,071	US$0.95	18,661,149	US$0.83

The weighted average remaining contractual life for the share options outstanding as at December 31, 2020 was 6.68 years (2019: 5.45 years).

The range of exercise prices for options outstanding at the end of the year was from US$0.37 to US$2.97 (2019: from US$0.34 to US$1.35).

The weighted average closing price of the Company's shares immediately before the dates while the share options were exercised was US$2.56 (2019: US$1.21).

During the year ended December 31, 2020, share options were granted on May 5, September 9 and November 23, 2020 with the fair values calculated by the Black-Scholes Option Pricing model of US$0.89, US$0.88 and US$ 1.37, respectively (May 21, September 12 and November 26, 2019: US$0.65, US$0.48 and US$0.58, respectively).

The following table list the inputs to the Black-Scholes Option Pricing models used for the option granted during the years ended December 31, 2020 and 2019 respectively:

	2020	2019
Dividend yield (%)	—	—
Expected volatility	49.39%	43.64%
Risk-free interest rate	0.36%	1.75%
Expected life of share options	5 years	6 years

The risk-free rate for periods within the contractual life of the option is based on the yield of the US Treasury Bond. The expected term of options granted represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on the average volatility of the Company's stock prices with the time period commensurate with the expected term of the options. The dividend yield is based on the Company's intended future dividend plan.

The valuation of the options are based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in variables and assumptions may affect the fair value of these options.

38. SHARE-BASED PAYMENTS *(continued)*

MOVEMENTS DURING THE YEAR *(continued)*

ii. The following table illustrates the number and weighted average fair value ("WAFV") of, and movements in, RSUs during the year (excluding stock option plan and Subsidiary Plan):

	2020 Number	2020 WAFV	2019 Number	2019 WAFV
Outstanding at January 1	9,807,319	US$1.16	19,853,214	US$1.12
Granted during the period	5,565,797	US$2.45	712,500	US$1.22
Forfeited during the period	(875,444)	US$1.49	(2,449,355)	US$1.10
Exercised during the period	(3,573,205)	US$1.17	(8,309,040)	US$1.06
Outstanding at December 31	10,924,467	US$1.78	9,807,319	US$1.16

The weighted average remaining contractual life for the RSUs outstanding as at December 31, 2020 was 8.02 years (2019: 7.66 years).

The exercise prices for options outstanding was HKD0.031 (approximately US$0.004).

The weighted average closing price of the Company's shares immediately before the dates on which the RSUs were vested was US$2.10 (2019: US$1.33).

During the year ended December 31, 2020, RSUs were granted on May 25, September 9 and November 23, 2020. The fair values calculated by the Black-Scholes Option Pricing model of US$2.26, US$2.37 and US$2.88, respectively (May 21, September 12 and November 26, 2019: US$1.09, US$1.25 and US$1.28, respectively).

The following table list the inputs to the models used for the plans for the years ended December 31, 2020 and 2019, respectively:

	2020	2019
Dividend yield (%)	—	—
Expected volatility	49.63%	45.23%
Risk-free interest rate	0.36%	1.82%
Expected life of share options	1 years	1 years

The risk-free rate for periods within the contractual life of the RSUs is based on the yield of the US Treasury Bond. The expected term of RSUs granted represents the period of time that RSUs granted are expected to be outstanding. Expected volatilities are based on the average volatility of the Company's stock prices with the time period commensurate with the expected term of the RSUs. The dividend yield is based on the Company's intended future dividend plan.

The valuation of the RSUs is based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in variables and assumptions may affect the fair value of these RSUs.

38. SHARE-BASED PAYMENTS *(continued)*

MOVEMENTS DURING THE YEAR *(continued)*

iii. The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options of the Subsidiary Plan during the year (excluding stock option plan and RSUs):

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at January 1	**28,052,623**	**US$0.29**	20,046,635	US$0.25
Granted during the period	**3,577,833**	**US$0.45**	11,092,332	US$0.36
Forfeited and expired during the period	**(2,030,480)**	**US$0.37**	(2,808,512)	US$0.31
Exercised during the period	**(1,006,876)**	**US$0.26**	(277,832)	US$0.33
Outstanding at December 31	**28,593,100**	**US$0.30**	28,052,623	US$0.29
Exercisable at December 31	**18,913,424**	**US$0.26**	14,500,187	US$0.22

The weighted average remaining contractual life for the share options outstanding as at December 31, 2020 was 7.1 years (2019: 7.9 years).

The range of exercise prices for options outstanding at the end of the year was from US$0.05 to US$0.45 (2019: from US$0.05 to US$0.36).

During the year ended December 31, 2020, share options of the Subsidiary Plan were granted on April 10, 2020 with the fair values calculated by the Black-Scholes Option Pricing model of US$0.18 (December 3, 2019: US$0.21, March 26,2019: US$0.19).

The following table list the inputs to the Black-Scholes Option Pricing models used for the option of the Subsidiary Plan granted during the years ended December 31, 2020 and 2019, respectively:

	2020	2019
Dividend yield (%)	**—**	—
Expected volatility	**50%**	50%
Risk-free interest rate	**0.5%**	1.6%-2.2%
Expected life of share options	**6 years**	6 years

The risk-free rate for periods within the contractual life of the option of the Subsidiary Plan is based on the yield of the US Treasury Bond. The expected term of options of the Subsidiary Plan granted represents the period of time that options of the Subsidiary Plan granted are expected to be outstanding. Expected volatilities are based on the average volatility of the relevant subsidiary's set of public comparables with the time period commensurate with the expected term of the options. The dividend yield is based on the relevant subsidiary's intended future dividend plan.

The valuation of the options of the Subsidiary Plan are based on the best estimates from the relevant subsidiary by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in variables and assumptions may affect the fair value of these options.

39. RISK MANAGEMENT

CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt and equity of the Group.

The Group manages its capital through issuing/repurchasing shares and raising/repayment of debts and reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associates with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at end of the reporting period was as follows.

	12/31/20 USD'000	12/31/19 USD'000
Net debt (Note 40)	(8,585,093)	(1,417,208)
Equity	21,681,738	10,197,862
Net debt to equity ratio	-39.6%	-13.9%

FINANCIAL RISK MANAGEMENT

The Group's corporate treasury function co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non- derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

i. forward foreign exchange contracts and cross currency swap contracts to protect against volatility of future cash flows caused by the changes in exchange rates associated with outstanding long-term debts and financial asset at amortized cost denominated in a currency other than the US dollar; and

ii. interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using the sensitivity analysis and the analysis in the following sections relate to the position as at December 31, 2020 and 2019.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

FOREIGN CURRENCY RISK

The Group undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	12/31/20 USD'000	12/31/19 USD'000	12/31/20 USD'000	12/31/19 USD'000
EUR	29,447	7,242	54,460	568
JPY	86,306	52,529	84,939	33,103
RMB	9,287,820	2,929,860	9,542,699	3,154,481
Others	89,168	59,967	17,924	4,725

39. RISK MANAGEMENT *(continued)*

FOREIGN CURRENCY RISK *(continued)*

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of RMB, Japanese Yen ("JPY") and Euros ("EUR").

The following table details the Group's sensitivity to a 5% increase in the foreign currencies against USD. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. For a 5% decrease of the foreign currency against USD, there would be an equal and opposite impact on the profit or equity below predicted.

	EUR		JPY		RMB		Others	
	2020 USD'000	2019 USD'000	**2020 USD'000**	2019 USD'000	**2020 USD'000**	2019 USD'000	**2020 USD'000**	2019 USD'000
Profit or loss	**1,251**	(334)	**(72)**	(1,022)	**13,415**	11,822	**(3749)**	(2,906)
Equity	**1,251**	(334)	**(72)**	(1,022)	**13,415**	11,822	**(3749)**	(2,906)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within the exposure generated. The Group also enters into forward foreign exchange contracts to manage the foreign currency exposure from purchases/sales and financing activities.

The following table details the forward foreign currency ("FC") contracts outstanding at the end of the reporting period:

	Average exchange rate		Foreign currency		Notional value		Net fair value assets (liabilities)	
	2020	2019	**12/31/20 FC'000**	12/31/19 FC'000	**12/31/20 USD'000**	12/31/19 USD'000	**12/31/20 USD'000**	12/31/19 USD'000
Sell RMB								
Less than 3 months	**6.5182**	—	**1,694,734**	—	**260,000**	—	**(333)**	—

The Group does not enter into foreign currency exchange contracts for speculative purposes.

Cross currency swap contracts

It is the policy of the Group to enter into cross currency swap contracts to protect against volatility of future cash flows caused by the changes in exchange rates associated with outstanding debt denominated in a currency other than the US dollar.

To minimize the currency risk, the Group entered into cross currency swap contracts with a contract term fully matching the repayment schedule of the whole part of these RMB Debts and repurchase schedule of the whole part of these RMB Assets to protect against the adverse effect of exchange rate fluctuations arising from the RMB Debts and Assets. The following table details the cross currency swap contracts outstanding at the end of the reporting period:

	Average exchange rate		Foreign currency		Notional value		Net fair value assets (liabilities)	
	2020	2019	**12/31/20 FC'000**	12/31/19 FC'000	**12/31/20 USD'000**	12/31/19 USD'000	**12/31/20 USD'000**	12/31/19 USD'000
Buy RMB								
Within 1 year	**6.5469**	6.7906	**2,150,000**	800,000	**329,124**	114,605	**4,585**	(2,920)
1-5 years	**6.6638**	6.6379	**7,673,429**	7,277,254	**1,174,654**	1,042,512	**16,046**	(58,243)
Sell RMB								
Within 1 year	**6.7005**	7.0092	**30,927,025**	2,803,930	**4,734,332**	401,680	**(133,175)**	(1,862)
					6,238,110	1,558,797	**(112,544)**	(63,025)

The Group does not enter into cross currency swap contracts for speculative purposes.

39. RISK MANAGEMENT *(continued)*

INTEREST RATE RISK

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 10 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's profit for the year ended December 31, 2020 would increase by US$4.7 million (2019: profit increase by US$2.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contracts, and is disclosed below.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The average interest rate is based on the outstanding balances at the end of the reporting period. The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

	Average interest rate		Notional value		Net fair value assets (liabilities)	
	2020	2019	**12/31/20 USD'000**	12/31/19 USD'000	**12/31/20 USD'000**	12/31/19 USD'000
Receive floating pay fixed rates						
1-5 years	**2.0%**	2.6%	**418,097**	28,651	**(7,700)**	1,872

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is linking to 3 month Libor. The Company will settle the difference between the fixed and floating interest rate on a net basis. The notional amount directly impacted by IBOR reform is US$418.1 million.

PRICE RISK

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position as at fair value through profit or loss (Note 22).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

CREDIT RISK

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is mainly exposed to credit risk from trade receivables, other financial assets at amortized cost and financial assets at FVPL.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and is offered credit terms only with the approval from Finance and Sales Division. Credit quality of a customer is assessed using publicly available financial information and its own trading records to rate its major customers. The Group's exposure and credit ratings of its counterparties are continuously monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Apart from the four largest customers of the Group, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the four largest customers did not exceed 1% respectively of gross monetary assets at the end of current year. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at the end of current year.

39. RISK MANAGEMENT *(continued)*

CREDIT RISK *(continued)*

Net revenue and accounts receivable for customers which accounted for 10% or more of the Group's net sales and gross accounts receivable is disclosed in Note 6.

Trade receivables and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and agings.

The loss allowance as at December 31, 2020 and 2019 was determined as follows for trade receivables:

December 31, 2020	Balance	Expected loss rate	Allowance on doubtful receivables
Within 6 months	442,908	0.2%	881
6 months to 1 year	1,789	5%	89
1-2 years	526	20%	105
2-3 years	129	50%	64
Over 3 years	638	100%	638
	445,990		1,777

December 31, 2019	Balance	Expected loss rate	Allowance on doubtful receivables
Within 6 months	460,191	0.2%	723
6 months to 1 year	11,583	5%	579
1-2 years	824	20%	165
2-3 years	235	50%	118
Over 3 years	682	100%	682
	473,515		2,267

For other receivables, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECL. Based on the assessment, the loss allowance recognized during the year for other receivables was US$1.6 million (2019: US$0.9 million).

The closing allowance on doubtful trade receivables and other receivables as at December 31, 2020 reconcile to the opening balance as follows:

	12/31/20 USD'000	12/31/19 USD'000
Balance at the beginning of the year	3,164	2,155
(Reversal) addition in allowance on doubtful trade receivables	(490)	179
Addition in allowance on doubtful other receivables	689	897
Amounts written off during the year as uncollectible	—	(67)
Balance at the end of the year	3,363	3,164

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Other financial assets at amortized cost

Other financial assets at amortized cost include bank deposits with more than 3 months, debentures and refundable deposits. The main credit risk on bank deposits with more than 3 months is limited because the counterparties are banks with high credit-ratings. All of the Group's financial assets at amortized cost are considered to have low credit risk as no significant increase in credit risk since the initial recognition.

Based on the assessment, the loss allowance recognized during the year for other financial assets at amortized cost was immaterial to 12 months expected losses. Thus there were no loss allowance for other financial assets at amortized cost as at December 31, 2020 and December 31, 2019 reconciles to the opening loss allowance on January 1, 2019.

39. RISK MANAGEMENT *(continued)*

CREDIT RISK *(continued)*

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to financial assets that are measured at fair value through profit or loss. The maximum exposure at the end of the year is the carrying amount of these investments, amounted to US$267.8 million (December 31, 2019: US$133.1 million).

LIQUIDITY RISK

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

December 31, 2020		Weighted average effective interest rate	Less than 3 months USD'000	3 months to 1 year USD'000	1-5 years USD'000	5+ years USD'000	Total USD'000
Interest-bearing bank and	Fixed	2.05%	8,272	66,143	731,572	199,722	1,005,709
other borrowings	Floating	2.23%	865,407	567,049	3,165,617	196,883	4,794,956
Lease payable		3.70-5.00%	26,022	76,787	155,613	—	258,422
Convertible bonds		3.88%	—	—	11,500	—	11,500
Medium-term notes		3.57%	7,997	—	232,021	—	240,018
Bonds payable		2.69%	8,079	8,079	656,553	—	672,711
Trade and other payables			1,520,679	127,877	—	—	1,648,556
Other liabilities			—	20,039	—	—	20,039
			2,436,456	865,974	4,952,876	396,605	8,651,911

December 31, 2019		Weighted average effective interest rate	Less than 3 months USD'000	3 months to 1 year USD'000	1-5 years USD'000	5+ years USD'000	Total USD'000
Interest-bearing bank and	Fixed	2.54%	178,342	44,593	570,108	223,472	1,016,515
other borrowings	Floating	2.49%	22,009	319,658	1,216,555	—	1,558,222
Lease payable		3.70-5.00%	26,630	62,960	175,356	—	264,946
Convertible bonds		3.88%	—	642,500	—	—	642,500
Medium-term notes		3.57%	7,997	—	240,018	—	248,015
Short-term notes		3.10%	—	293,174	—	—	293,174
Trade and other payables			781,731	15,770	230,443	6,135	1,034,079
Other liabilities			—	31,087	22,382	—	53,469
			1,016,709	1,409,742	2,454,862	229,607	5,110,920

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Interest rates above do not include effect by hedging Instrument.

39. RISK MANAGEMENT *(continued)*

LIQUIDITY RISK *(continued)*

Liquidity and interest risk tables (continued)

The Group has access to short-term credit facilities, of which US$4,146.3 million were unused at the end of the reporting period (2019: US$2,739.1 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2020	Less than 3 months USD'000	3 months to 1 year USD'000	1-5 years USD'000	5+ years USD'000	Total USD'000
Cross currency swap contracts					
— cash flow hedges					
Gross settled:					
— inflows	**1,455,062**	**3,245,382**	**930,544**	**—**	**5,630,988**
— (outflows)	**(1,519,853)**	**(3,325,157)**	**(884,218)**	**—**	**(5,729,228)**
Net settled:					
— net inflows	**1,183**	**323**	**14,523**	**—**	**16,029**
	(63,608)	**(79,452)**	**60,849**	**—**	**(82,211)**

December 31, 2019	Less than 3 months USD'000	3 months to 1 year USD'000	1-5 years USD'000	5+ years USD'000	Total USD'000
Cross currency swap contracts					
— cash flow hedges					
Gross settled:					
— inflows	—	400,000	719,514	—	1,119,514
— (outflows)	—	(405,265)	(746,905)	—	(1,152,170)
Net settled:					
— net outflows	(1,044)	(1,479)	(15,756)	—	(18,279)
	(1,044)	(6,744)	(43,147)	—	(50,935)

40. CASH FLOW INFORMATION

NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net Debt	12/31/20 USD'000	12/31/19 USD'000
Cash and cash equivalents	**9,826,537**	2,238,840
Restricted cash – current[(1)]	**575,258**	804,547
Liquid investments[(2)]	**4,556,715**	2,319,355
Borrowings	**(5,290,833)**	(2,566,669)
Lease liabilities	**(245,270)**	(247,732)
Bonds payable	**(596,966)**	—
Convertible bonds	**(11,131)**	(630,428)
Medium-term notes	**(229,217)**	(214,193)
Short-term notes	**—**	(286,512)
	8,585,093	1,417,208

40. CASH FLOW INFORMATION *(continued)*

NET DEBT RECONCILIATION *(continued)*

	Liabilities from financing activities										
	Borrowings USD'000	Lease liabilities USD'000	Bonds payable USD'000	Convertible bonds USD'000	Medium-term notes USD'000	Short-term notes USD'000	Subtotal USD'000	Cash and cash equivalents USD'000	Restricted cash – current USD'000	Liquid investments USD'000	Total USD'000
Balance at December 31, 2018	(2,290,768)	—	(498,551)	(418,592)	(218,247)	—	(3,426,158)	1,786,420	592,290	2,038,493	991,045
Recognized on adoption of IFRS 16	—	(279,681)	—	—	—	—	(279,681)	—	—	—	(279,681)
Balance at January 1, 2019	(2,290,768)	(279,681)	(498,551)	(418,592)	(218,247)	—	(3,705,839)	1,786,420	592,290	2,038,493	711,364
Net cash flows out (in)	(300,040)	89,215	500,000	(229,680)	(6,070)	(299,400)	(245,975)	461,382	211,817	447,155	874,379
Acquisition of leases	—	(56,959)	—	—	—	—	(56,959)	—	—	—	(56,959)
Equity component of convertible bonds	—	—	—	34,147	—	—	34,147	—	—	—	34,147
Foreign exchange gain (loss)	24,139	—	—	—	9,709	12,894	46,742	(8,962)	440	(54,339)	(16,119)
Other changes[3]	—	(307)	(1,449)	(16,303)	415	(6)	(17,650)	—	—	(111,954)	(129,604)
Balance at December 31, 2019	(2,566,669)	(247,732)	—	(630,428)	(214,193)	(286,512)	(3,945,534)	2,238,840	804,547	2,319,355	1,417,208
Net cash flows out (in)	(2,595,283)	94,402	(596,768)	—	—	278,471	(2,819,178)	7,293,242	(229,661)	2,004,839	6,249,242
Acquisition – leases	—	(92,194)	—	—	—	—	(92,194)	—	—	—	(92,194)
Conversion options exercised	—	—	—	626,626	—	—	626,626	—	—	—	626,626
Foreign exchange (loss) gain	(128,881)	—	—	—	(14,707)	8,041	(135,547)	294,455	372	142,537	301,817
Other changes[3]	—	254	(198)	(7,329)	(317)	—	(7,590)	—	—	89,984	82,394
Balance at December 31, 2020	(5,290,833)	(245,270)	(596,966)	(11,131)	(229,217)	—	(6,373,417)	9,826,537	575,258	4,556,715	8,585,093

(1) Restricted cash – current mainly comprised government funding received for the payment of the research and development equipment and expenses.

(2) Liquid investments comprise current investments of structural deposits, monetary funds, debentures and bank deposits with more than 3 months and more than 1 year, being the financial assets disclosed in Note 22.

(3) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

NON-CASH INVESTING AND FINANCING ACTIVITIES

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Payables for property, plant and equipment	905,962	578,752
Conversion options of convertible bonds exercised during the year	626,626	—
Conversion options of perpetual subordinated convertible securities exercised during the year	264,460	—
Increase of right-of-use assets (excluded land use right)	92,194	336,639
	1,889,242	915,391

41. RELATED PARTY TRANSACTIONS

The names of the related parties which had transactions with the Group for the year ended December 31, 2020 and the relationships with the Group are disclosed below:

Related party name	Relationship with the Group
Subsidiaries ("Datang") of China Information and Communication Technology Group Co., Ltd. ("CICT")	CICT indirectly holding more than 5% shares of the Group
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd. ("China IC Fund II")	A non-controlling interests shareholder holding more than 10% shares of the Group's subsidiary
Shanghai Integrated Circuit Industry Investment Fund Co., Ltd. ("Shanghai IC Fund")	A non-controlling interests shareholder holding more than 10% shares of the Group's subsidiary
Shanghai Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd ("Shanghai IC Fund II")	A non-controlling interests shareholder holding more than 10% shares of the Group's subsidiary
Toppan SMIC Electronic (Shanghai) Co., Ltd ("Toppan")	An associate of the Group
Brite Semiconductor (Shanghai) Corporation ("Brite") and its subsidiaries	An associate of the Group
China Fortune-Tech Capital Co., Ltd ("China Fortune-Tech")	An associate of the Group
JCET Group Co., Ltd. ("JCET") and its subsidiaries	An associate of the Group
Sino IC Leasing Co., Ltd ("Sino IC Leasing") and its subsidiaries	An associate of the Group
Semiconductor Manufacturing Electronics (Shaoxing) Corp. ("SMEC")	An associate of the Group
Ningbo Semiconductor International Corporation ("NSI")	An associate of the Group
Semiconductor Global Solutions Corporation ("SGS")	An associate of the Group
Subsidiaries of National Silicon Industry Group ("Silicon")	A director of the Group served as the director
Grinm Semiconductor Materials Co., Ltd ("Grinm")	A director of the Group served as the director
Wuhan Xinxin Semiconductor Manufacturing Co., Ltd ("XMC")	A director of the Group served as the director
Haitong Securities Co., Ltd	A director of the Group served as the director
Semiconductor Technology Innovation Center (Beijing) Co., Ltd. ("Beijing Innovation Center")	An associate of the Group
Directors and senior management entered into purchase contracts of living quarter units with the Group	Directors and senior management of the Group

TRADING TRANSACTIONS

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

	Year ended		Year ended	
	12/31/20	12/31/19	**12/31/20**	12/31/19
	USD'000	USD'000	**USD'000**	USD'000
	Sale of goods		Sale of services	
Datang[(1)]	**7,235**	9,866	**—**	—
Brite and its subsidiaries	**47,548**	43,535	**—**	415
JCET and its subsidiaries	**—**	—	**54,220**	27,591
SMEC	**44,107**	36,920	**3,911**	9,303
NSI[(1)]	**12,327**	4,816	**564**	785
XMC	**—**	—	**3**	6
Beijing Innovation Center	**—**	—	**1,348**	—

41. RELATED PARTY TRANSACTIONS *(continued)*

TRADING TRANSACTIONS *(continued)*

	Year ended		Year ended	
	12/31/20 USD'000	12/31/19 USD'000	12/31/20 USD'000	12/31/19 USD'000
	Purchase of goods		Purchase of services	
Datang[(1)]	—	—	—	23
Toppan	8,871	6,063	92	99
China Fortune-Tech	—	—	931	297
SMEC	55	152	2,418	490
JCET and its subsidiaries	—	—	8,078	8,127
SGS	343	—	—	—
Silicon	9,315	8,295	—	—
Grinm	3,494	2,009	—	—
Beijing Innovation Center	—	—	40	—
	Sale of equipment		Purchase of equipment	
SMEC	8,143	3,150	4,817	—
SGS	—	—	16,494	736
JCET and its subsidiaries	—	—	—	22
	Rent income		Increase of right-of-use assets	
Toppan	4,178	3,389	—	—
China Fortune-Tech	175	—	—	—
SMEC	1,680	4,083	—	—
NSI	99	46	—	—
Beijing Innovation Center	29	—	—	—
Sino IC Leasing	—	—	91,147	54,692
JCET and its subsidiaries	—	—	—	2,267
	Payment of lease liabilities		Interest expenses on lease liabilities	
Sino IC Leasing	105,306	99,199	11,326	10,329
JCET and its subsidiaries	519	458	97	113

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

	Amounts due from related parties		Amounts due to related parties	
	12/31/20 USD'000	12/31/19 USD'000	12/31/20 USD'000	12/31/19 USD'000
Datang	1,271	989	—	—
Toppan	793	709	592	492
Brite and its subsidiaries	11,743	15,534	—	—
JCET and its subsidiaries[(2)]	439	13,497	2,440	2,582
SMEC	27,021	37,243	—	70
NSI	7,123	6,146	—	—
SGS	4,898	4	—	46
Silicon	—	—	1,306	—
Grinm	—	—	212	—
Sino IC Leasing[(2)]	—	—	243,141	245,768
Beijing Innovation Center	788	—	41	—

41. RELATED PARTY TRANSACTIONS *(continued)*

TRADING TRANSACTIONS *(continued)*

(1) The related party transactions in respect of (1) above constituted non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules. Details are disclosed in "VI.(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS DISCLOSED UNDER THE HONG KONG LISTING RULES" in "Section 7 Significant Events" in the annual report. The other party transactions did not constitute non-exempt continuing connected transaction under Chapter 14A of the Listing Rules.

(2) As of December 31, 2020, lease liabilities to JECT and its subsidiaries were US$1.7 million (2019: US$1.9 million), and to Sino IC leasing and its subsidiaries were US$243.1 million (2019: US$245.8 million) respectively.

CAPITAL CONTRIBUTION

The Group engaged in serval capital contributions in SMSC and SMBC together with the Group's related parties. Please refer to Note 19 for further details.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

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

The remuneration of directors and senior management personnel during the year are as follows:

	Year ended 12/31/20 USD'000	Year ended 12/31/19 USD'000
Salaries, bonus and benefits[1]	8,785	3,168
State-managed pension	18	16
Equity-settled share-based payments	3,025	751
	11,828	3,935

(1) In November 2020, the Group granted a living quarter unit fair value of which amounted to US$3.4 million, to one director for domestic living purpose.

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

SALE OF LIVING QUARTER UNITS

In November 2020, the Group sold a living quarter unit amounted to US$1.0 million to one director.

In March and September 2019, the Group sold self-developed living quarter units amounted to US$1.1 million and US$0.9 million to one senior management and one director, respectively.

42. COMMITMENTS

CAPITAL COMMITMENTS

As of December 31, 2020 and 2019, the Group had the following commitments to purchase machinery, equipment and construction obligations. The machinery and equipment is scheduled to be delivered to the Group's facility by December 31, 2021.

	12/31/20 USD'000	12/31/19 USD'000
Commitments for the facility construction	79,328	126,233
Commitments for the acquisition of machinery and equipment	2,031,710	1,645,867
Commitments for the acquisition of intangible assets	25,609	7,507
	2,136,647	1,779,607

NON-CANCELLABLE OPERATING LEASES

The Group leases certain of its production equipment under operating lease arrangements. Leases are negotiated for terms ranging from three to five years.

From January 1, 2019, the Group has recognized right-of-use assets for these leases. Please see Note 17 for further information.

43. FINANCIAL INFORMATION OF PARENT COMPANY

STATEMENT OF FINANCIAL POSITION

	(In USD'000)	
	12/31/20	12/31/19
Assets		
Non-current assets		
Property, plant and equipment	73,640	63,414
Intangible assets	11,392	20,630
Investment in subsidiaries	5,962,431	5,311,361
Investments in associates	210,729	147,425
Other assets	35,650	11,354
Total non-current assets	6,293,842	5,554,184
Current assets		
Prepayment and prepaid operating expenses	1,213	1,173
Trade and other receivables	26,220	28,557
Due from subsidiaries	9,880,529	2,190,675
Financial asset at amortized cost	150,000	—
Derivative financial instruments	4,621	—
Cash and cash equivalent	428,603	95,097
Total current assets	10,491,186	2,315,502
Total assets	16,785,028	7,869,686
Equity and liabilities		
Capital and reserves		
Ordinary shares	30,814	20,227
Share premium	13,512,397	5,011,915
Reserves	73,939	86,749
Retained earnings	1,258,056	550,506
Equity attributable to owners of the Company	14,875,206	5,669,397
Perpetual subordinated convertible securities	299,388	563,848
Total equity	15,174,594	6,233,245
Non-current liabilities		
Borrowings	373,800	187,267
Convertible bonds	11,131	—
Bonds payable	596,966	—
Medium-term notes	229,217	214,193
Derivative financial instruments	7,211	41,174
Total non-current liabilities	1,218,325	442,634
Current liabilities		
Trade and other payables	31,345	19,444
Due to subsidiaries	229,474	176,393
Borrowings	11,800	61,800
Convertible bonds	—	630,428
Short-term notes	—	286,512
Accrued liabilities	18,473	16,310
Derivative financial instruments	101,017	2,920
Total current liabilities	392,109	1,193,807
Total liabilities	1,610,434	1,636,441
Total equity and liabilities	16,785,028	7,869,686

43. FINANCIAL INFORMATION OF PARENT COMPANY *(continued)*

STATEMENT OF CHANGES IN EQUITY

(In USD'000)

	Ordinary shares	Share premium	Equity- settle employee benefits reserve	Foreign currency translation reserve	Convertible bonds equity reserve	Defined benefit pension reserve	Cash flow hedges	Others	Retained earnings (accumulated deficit)	Perpetual subordinated convertible securities	Total equity
Balance at December 31, 2018	20,159	4,993,163	58,679	(38,409)	52,053	1,213	36,447	(637)	331,298	563,848	6,017,814
Profit for the year	—	—	—	—	—	—	—	—	234,681	—	234,681
Other comprehensive loss for the year	—	—	—	(17,794)	—	(1,532)	(26,524)	—	—	—	(45,850)
Total comprehensive income (losses) for the year	—	—	—	(17,794)	—	(1,532)	(26,524)	—	234,681	—	188,831
Exercise of stock options	68	18,752	(11,884)	—	—	—	—	—	—	—	6,936
Share-based compensation	—	—	5,756	—	—	—	—	—	—	—	5,756
Issuance of convertible bond	—	—	—	—	34,147	—	—	—	—	—	34,147
Transaction with non-controlling interests	—	—	—	—	—	—	—	(5,013)	(3,854)	—	(8,867)
Distribution to perpetual subordinated convertible securities	—	—	—	—	—	—	—	—	(11,300)	—	(11,300)
Deconsolidation of subsidiaries due to loss of control	—	—	—	(72)	—	319	—	—	(319)	—	(72)
Subtotal	68	18,752	(6,128)	(72)	34,147	319	—	(5,013)	(15,473)	—	26,600
Balance at December 31, 2019	20,227	5,011,915	52,551	(56,275)	86,200	—	9,923	(5,650)	550,506	563,848	6,233,245
Profit for the year	—	—	—	—	—	—	—	—	715,550	—	715,550
Other comprehensive losses for the year	—	—	—	66,375	—	—	(21,286)	—	—	—	45,089
Total comprehensive income (losses) for the year	—	—	—	66,375	—	—	(21,286)	—	715,550	—	760,639
Issuance of ordinary shares	7,754	7,506,131	—	—	—	—	—	—	—	—	7,513,885
Exercise of stock options	66	21,796	(9,351)	—	—	—	—	—	—	—	12,511
Share-based compensation	—	—	9,275	—	—	—	—	—	—	—	9,275
Conversion options of convertible bonds exercised during the year	2,119	708,743	—	—	(84,236)	—	—	—	—	—	626,626
Conversion options of perpetual subordinated convertible securities exercised during the year	648	263,812	—	—	—	—	—	—	—	(264,460)	—
Share of other capital reserve of associates accounted for using equity method	—	—	—	—	—	—	—	3,632	—	—	3,632
Transaction with non-controlling interests	—	—	—	—	—	—	—	23,112	—	—	23,112
Deconsolidation of subsidiaries due to loss of control	—	—	—	(331)	—	—	—	—	—	—	(331)
Perpetual subordinated convertible securities distribution	—	—	—	—	—	—	—	—	(8,000)	—	(8,000)
Subtotal	10,587	8,500,482	(76)	(331)	(84,236)	—	—	26,744	(8,000)	(264,460)	8,180,710
Balance at December 31, 2020	30,814	13,512,397	52,475	9,769	1,964	—	(11,363)	21,094	1,258,056	299,388	15,174,594

44. CONTINGENCY EVENTS

(1) PATENT LITIGATION WITH INNOVATIVE FOUNDRY TECHNOLOGIES LLC.

On December 20, 2019, Innovative Foundry Technologies LLC ("IFT") filed a patent lawsuit against the Company with the United States District Court for the Western District of Texas. On April 2, 2020, the Company's related subsidiaries, as plaintiffs, voluntarily initiated a lawsuit for confirmation of non-infringement against IFT with the United States District Court for the Northern District of California, requesting the court to confirm that the Company's related subsidiaries did not infringe the subject patents. On April 14, 2020, IFT amended the complaint to add the Company's related subsidiaries as defendants. On September 18, 2020, the parties attended the first hearing. In addition, the Company's related subsidiaries also filed a Petition for Inter Partes Review with the United States Patent and Trademark Office for the subject patents in litigation. The lawsuit is still ongoing.

The management of the Group is of the view that the aforementioned plaintiff's claim has no factual support. As of December 31, 2020, the Group did not make provision for the contingent liabilities under the claim.

(2) ARBITRATION OF CONTRACT DISPUTED WITH PDF SOLUTIONS, INC.

On May 7, 2020, SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC New Technology"), a subsidiary of the Company, received an arbitration notice issued by the Hong Kong International Arbitration Center, whereby PDF SOLUTIONS, INC. ("PDF") filed an arbitration request with the Hong Kong International Arbitration Center. PDF disputed the rights and obligations of both parties under a series of agreements it entered into with SMIC New Technology, such as the Professional Service Agreement and the 14nm Project Agreement ("14nm Project-related Agreements"). PDF demanded SMIC New Technology to pay a fixed fee, incentive fees and overdue payment in a total of approximately US$20.72 million (accumulated up to April 30, 2020) under the 14nm Project-related Agreements. In addition, PDF also proposed to charge subsequent variable fees in accordance with the highest standards agreed under the 14nm Project-related Agreements, and SMIC shal bear the arbitration fees and interest expenses related to this case. According to the applicable rules of the Hong Kong International Arbitration Center, SMIC New Technology shall make a preliminary response within 30 days upon receiving the arbitration notice. As of June 5, 2020, SMIC New Technology has formally responded to the Hong Kong International Arbitration Center and opined that the fees it owed to PDF had already been fully paid in accordance with the contractual obligations and no additional fee is required. On December 9, 2020, under the coordination of the Hong Kong International Arbitration Centre, the parties agreed to start a 60-day "standstill period" during which friendly negotiations would be conducted.

The management of the Group is of the view that the aforementioned contract dispute is still at an early stage and the result of arbitration is uncertain and cannot be reasonably ascertainable. As of December 31, 2020, the Group did not make provision for the contingent liabilities from the contract dispute.

(3) CIVIL COMPLAINT FILED WITH THE UNITED STATES DISTRICT COURT

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

The management of the Group is of the view that the aforementioned civil complaint is still at an early stage and the result is uncertain and cannot be reasonably ascertainable. As of December 31, 2020, the Group did not make provision for the contingent liabilities from the civil complaint.

45. SUBSEQUENT EVENTS

ENTERING INTO OF COOPERATION FRAMEWORK AGREEMENT IN RELATION TO THE DEVELOPMENT OF 12-INCH WAFER PRODUCTION FACILITIES IN SHENZHEN

On March 12, 2021, the Company entered into the cooperation framework agreement ("Agreement") concluded by Shenzhen Government. Pursuant to the Agreement, the Company and Shenzhen Government (through Shenzhen Major Industry Investment Group Co., Ltd. ("Shenzhen Major")) intend to initiate the development and operation of a project through SMIC Shenzhen by way of the proposed capital contribution. The project would focus on the production of 28 nanometer and above integrated circuits and technical services. It is expected that production will commence in 2022.

The estimated new investment for the project will be US$2.35 billion. It is expected that, upon completion of the Proposed Capital Contribution, SMIC Shenzhen will be owned as to approximately 55% and not more than 23% by the Company and Shenzhen Major, respectively. The Company and Shenzhen Government will jointly drive other third-party investors to complete the remaining capital contribution.

The Company and Shenzhen Government have agreed to negotiate in good faith with a view to entering into a definitive agreement in respect of the proposed capital contribution and the specific support to be provided.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors of the Company on March 31, 2021.

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