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SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中 芯 國 際 集 成 電 路 製 造 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
PROPOSED CAPITAL CONTRIBUTION IN A JOINT VENTURE IN
BEIJING, THE PRC**

PROPOSED CAPITAL CONTRIBUTION

References are made to: (1) the Company's announcement dated 3 June 2013 in relation to the establishment of the Joint Venture Company in the PRC pursuant to a joint venture agreement dated 3 June 2013 entered into among the Company and its wholly-owned subsidiary SMIC Beijing, IDIMC and ZDG; and (2) the Company's announcement dated 10 May 2016 and circular dated 7 June 2016 relating to the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC and ZDG agreeing to amend the previous joint venture agreement through an amended and restated joint venture agreement dated 10 May 2016.

On 10 August 2017, the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings and E-Town Capital have agreed to amend the previous joint venture agreement through the Amendment JV Agreement, pursuant to which: (i) the Company, SMIC Beijing and SMIC Holdings have agreed to make further cash contribution of US\$1,224 million into the registered capital of the Joint Venture Company. Their outstanding aggregate capital contribution obligations as contained in the previous joint venture agreement will increase from nil to US\$1,224 million. Their aggregate shareholding in the Joint Venture Company will remain at 51%; (ii) China IC Fund has agreed to make further cash contribution of US\$900 million into the registered capital of the Joint Venture Company. Its shareholding in the Joint Venture Company will increase from 26.5% to 32%; and (iii) E-Town Capital has agreed to make cash contribution of US\$276 million into the registered capital of the Joint Venture Company representing 5.75% of the enlarged registered capital of the Joint Venture Company. The above parties' performance of their capital contribution obligations will lead to an increase in the registered capital of the Joint Venture Company from US\$2.4 billion to US\$4.8 billion.

On 10 August 2017, the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings, E-Town Capital and the Joint Venture Company also entered into the Capital Increase Agreement to carry out the proposed capital contribution.

IMPLICATIONS UNDER THE LISTING RULES

As China IC Fund holds approximately 15.91% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited, it is a connected person of the Company under the Listing Rules. As Beijing Semi Fund holds approximately 18% equity interest in the Joint Venture Company, a subsidiary of the Company, it is a connected person at the subsidiary level of the Company under the Listing Rules. The Company's entering into the Amendment JV Agreement and the Capital Increase Agreement with, amongst others, China IC Fund and Beijing Semi Fund constitutes a connected transaction under Chapter 14A of the Listing Rules. China IC Fund's further cash contribution of US\$900 million into the registered capital of the Joint Venture Company, a subsidiary of the Company, also constitutes a connected transaction under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules in respect of the Amendment JV Agreement and the Capital Increase Agreement exceed 25% but are less than 75%, the transaction contemplated under the Amendment JV Agreement and the Capital Increase Agreement constitutes a major transaction under Chapter 14 of the Listing Rules, and a non-exempt connected transaction subject to reporting, announcement and the Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, an Independent Board Committee comprising Mr. Lip-Bu Tan, Mr. William Tudor Brown, Ms. Carmen I-Hua Chang, Dr. Shang-yi Chiang and Dr. Jason Jingsheng Cong, all being the independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders on the Amendment JV Agreement, the Capital Increase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

Messis Capital Limited has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Amendment JV Agreement, the Capital Increase Agreement and the transactions contemplated thereunder.

GENERAL

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the Amendment JV Agreement, the Capital Increase Agreement and any transactions contemplated thereunder.

As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund will abstain from voting on the ordinary resolution to approve the Amendment JV Agreement, the Capital Increase Agreement and any transactions contemplated thereunder. Apart from Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund, no other Shareholder will be required to abstain from voting on this resolution at the EGM.

The Company expects to dispatch a circular to the Shareholders on or before 29 September 2017 as time is needed to finalise the contents therein. The circular contains, among other things, (i) further details on the Amendment JV Agreement and the Capital Increase Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders together with (iv) a notice convening the EGM.

References are made to: (1) the Company's announcement dated 3 June 2013 in relation to the establishment of the Joint Venture Company in the PRC pursuant to a joint venture agreement dated 3 June 2013 entered into among the Company and its wholly-owned subsidiary SMIC Beijing, IDIMC and ZDG; and (2) the Company's announcement dated 10 May 2016 and circular dated 7 June 2016 relating to the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC and ZDG agreeing to amend the previous joint venture agreement through an amended and restated joint venture agreement dated 10 May 2016.

On 10 August 2017, the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings and E-Town Capital have agreed to amend the previous joint venture agreement through the Amendment JV Agreement, pursuant to which: (i) the Company, SMIC Beijing and SMIC Holdings have agreed to make further cash contribution of US\$1,224 million into the registered capital of the Joint Venture Company. Their outstanding aggregate capital contribution obligations as contained in the previous joint venture agreement will increase from nil to US\$1,224 million. Their aggregate shareholding in the Joint Venture Company will remain at 51%; (ii) China IC Fund has agreed to make further cash contribution of US\$900 million into the registered capital of the Joint Venture Company. Its shareholding in the Joint Venture Company will increase from 26.5% to 32%; and (iii) E-Town Capital has agreed to make cash contribution of US\$276 million into the registered capital of the Joint Venture Company representing 5.75% of the enlarged registered capital of the Joint Venture Company. The above parties' performance of their capital contribution obligations will lead to an increase in the registered capital of the Joint Venture Company from US\$2.4 billion to US\$4.8 billion.

On 10 August 2017, the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings, E-Town Capital and the Joint Venture Company also entered into the Capital Increase Agreement to carry out the proposed capital contribution.

AMENDMENT JV AGREEMENT

The principal terms of the Amendment JV Agreement are set out as follows:

Date: 10 August 2017

Parties:

1. the Company, its wholly-owned subsidiaries SMIC Beijing and SMIC Holdings;
2. China IC Fund;
3. Beijing Semi Fund;

4. IDIMC
5. ZDG; and
6. E-Town Capital.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, IDIMC, ZDG, E-Town Capital and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Business scope of the Joint Venture Company

The Joint Venture Company principally engages in, among other things, the testing, development, design, manufacturing, packaging and sale of integrated circuits. It is located on the existing premises of SMIC Beijing in the Economic-Technological Development Area, Beijing, the PRC. Depending on the environment in which the Joint Venture Company operates and market conditions, the Joint Venture Company is expected to establish and build up significant manufacturing capacity with a focus on 45-nanometer and finer technologies and aims to reach a manufacturing capacity of 70,000 wafers per month.

Total investment under the Amendment JV Agreement

Pursuant to the Amendment JV Agreement, the total investment under the Amendment JV Agreement is estimated to be US\$7.2 billion. The Company, SMIC Beijing and SMIC Holdings have agreed to make further cash contribution of US\$1,224 million into the registered capital of the Joint Venture Company. Their outstanding aggregate capital contribution obligations as contained in the previous joint venture agreement will increase from nil to US\$1,224 million. Their aggregate shareholding in the Joint Venture Company will remain at 51%. The Company, SMIC Beijing and SMIC Holdings are proceeding to perform the capital contribution obligations which will lead to an increase in the registered capital of the Joint Venture Company from US\$2.4 billion to US\$4.8 billion. The remaining US\$2.4 billion of the total investment under the Amendment JV Agreement is intended to be funded through the Joint Venture Company's internal cash flow and debt financing.

The Company, SMIC Beijing and SMIC Holdings will contribute 51% of the registered capital in an aggregate amount of US\$2,448 million. It is currently agreed that the Company, SMIC Beijing and SMIC Holdings will each contribute 13%, 12.5% and 25.5% of the enlarged registered capital in an aggregate amount of US\$624 million, US\$600 million and US\$1,224 million, respectively. The Company, SMIC Beijing and SMIC Holdings may adjust the amount of contribution between themselves based on actual circumstances provided that their aggregate contribution remains at 51% of the registered capital of the Joint Venture Company. The cash capital contribution from the Company, SMIC Beijing and SMIC Holdings will be funded by internal cash flow and debt financing.

China IC Fund will contribute 32% of the registered capital in an aggregate amount of US\$1,536 million. Beijing Semi Fund, IDIMC, ZDG and E-Town Capital will contribute 17% of the registered capital in an aggregate amount of US\$816 million. The consideration was arrived at after arm's length negotiations among the parties. As disclosed in the two tables on the aggregate capital contribution obligations on pages 8 and 9 of this announcement, the Company, SMIC Beijing and SMIC Holdings wish to contribute an aggregate amount of US\$2,448 million to the registered capital of the Joint Venture Company (representing 51% of

such registered capital) to ensure they hold more than 50% of the interest in the Joint Venture Company. China IC Fund has agreed to contribute US\$1,536 million as one of China IC Fund's objectives behind this investment into wafer manufacturing business is to complete its IC advance manufacturing chain in the PRC. As the registered capital of the Joint Venture Company will increase to US\$4.8 billion, apart from 51% of the interest in the Joint Venture Company held by the Company, SMIC Beijing and SMIC Holdings, China IC Fund has agreed to take 32% of the interest in the Joint Venture Company and will remain the second largest shareholder of the Joint Venture Company. China IC Fund's total capital contribution of US\$1,536 million is also determined based on the potential production capacity of the manufacturing foundry at 70,000 28/40nm wafers representing the largest advance node manufacturing capacity in the PRC, as well as the potential to increase the Joint Venture Company's production capacity further with additional foundry business in the future.

The parties plan to make the registered capital by cash in stages by 2019. The progress of contributions by the parties may be adjusted by the Joint Venture Company in accordance with its actual operational needs and the progress of governmental approvals subject to the approval from more than two thirds of the directors of the Joint Venture Company. The capital contributions will be applied by the Joint Venture Company to capital expenditure and working capital.

As shown in the two tables on pages 8 and 9 of this announcement, under the previous amended and restated joint venture agreement dated 10 May 2016, as a result of the planned increase of the registered capital, the total investment of US\$7.2 billion will comprise US\$4.8 billion by way of the registered capital and US\$2.4 billion by way of internal cash flow and debt financing.

Composition of the Board and the Supervisory Board of the Joint Venture Company and General Management

The board of directors of the Joint Venture Company will comprise seven directors. The Company, SMIC Beijing and SMIC Holdings are together entitled to appoint four directors in total, China IC Fund is entitled to appoint two directors and ZDG is entitled to appoint one director. The Company is entitled to nominate the chairman of the board of directors of the Joint Venture Company. China IC Fund is entitled to nominate the vice chairman of the board of directors of the Joint Venture Company. Each of Beijing Semi Fund and E-Town Capital is entitled to appoint an observer to attend the board meetings of the Joint Venture Company.

The supervisory board of the Joint Venture Company will comprise eight members with one member to be appointed by the Company, one member to be appointed by China IC Fund, one member to be appointed by Beijing Semi Fund, one member to be appointed by IDIMC, one member to be appointed by E-Town Capital and three members to be elected by the employees of the Joint Venture Company. The chairman of the supervisory board will be elected by a majority of all members of the supervisory board.

The Company will be responsible for managing the daily operations of the Joint Venture Company.

Other Terms

The term of operation of the Joint Venture Company is 25 years from the date of its establishment (being 12 July 2013). The parties will decide whether to extend the term of operation of the Joint Venture Company at least six months prior to the expiry date of the term of operation.

The Amendment JV Agreement will, after being agreed and signed by the parties, (together with the transactions contemplated thereunder) be subject to the approval by the Independent Shareholders at the EGM. Upon obtaining the regulatory approvals and approval by the Independent Shareholders at the EGM, the Amendment JV Agreement will become effective and binding on the parties (except that, in the case of China IC Fund, the Amendment JV Agreement will also be subject to an assets valuation approved by the relevant PRC regulatory authority providing for the assessed value of every US\$1 in the Joint Venture Company's registered capital to be not less than US\$0.90). The terms of the Amendment JV Agreement are subject to applicable laws and regulations including the requirements of any regulatory authorities (including but not limited to the Stock Exchange and the New York Stock Exchange, Inc.).

For the purpose of clarification, the assets valuation is part of E-Town Capital, China IC Fund and ZDG's internal control requirements. The valuation was based on cost method and was finalised already before parties' entry into the Amendment JV Agreement. The valuation does not affect the consideration payable by E-Town Capital and China IC Fund to the Joint Venture Company, being its contribution to the registered capital of the Joint Venture Company.

CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are set out as follows:

Date: 10 August 2017

Parties:

1. the Company, its wholly-owned subsidiaries SMIC Beijing and SMIC Holdings;
2. China IC Fund;
3. Beijing Semi Fund;
4. IDIMC
5. ZDG;
6. E-Town Capital; and
7. the Joint Venture Company, a subsidiary of the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, IDIMC, ZDG, E-Town Capital and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Subscription of registered capital

The registered capital of the Joint Venture Company will increase from US\$2.4 billion to US\$4.8 billion. In respect of the increase of US\$2.4 billion, the parties have agreed that SMIC Holdings will contribute the amount of US\$1,224 million in cash while China IC Fund and E-Town Capital will contribute an RMB amount equivalent to US\$900 million and US\$276 million in cash (calculated at the middle exchange rate of RMB to US\$ as announced by the People's Bank of China on the date of contribution), respectively.

Other terms

The Capital Increase Agreement will, after being agreed and signed by the parties, (together with the transactions contemplated thereunder) be subject to the approval by the Independent Shareholders at the EGM. Upon obtaining the regulatory approvals and approval by the Independent Shareholders at the EGM, the Capital Increase Agreement will become effective and binding on the parties (except that, in the case of China IC Fund, the Capital Increase Agreement will also be subject to an assets valuation approved by the relevant PRC regulatory authority providing for the assessed value of every US\$1 in the Joint Venture Company's registered capital to be not less than US\$0.90).

CHANGES IN CAPITAL CONTRIBUTION OBLIGATIONS

Details about the changes in the aggregate capital contribution obligations of the Company, SMIC Beijing and SMIC Holdings to the Joint Venture Company are set out in the two tables below:

1. **The aggregate capital contribution obligations of the Company and SMIC Beijing to the Joint Venture Company under the previous amended and restated joint venture agreement dated 10 May 2016 prior to the entering into of the Amendment JV Agreement dated 10 August 2017 (US\$ million)**

		The Company and SMIC Beijing's commitment (representing 51% of the registered capital)	Actual amounts that the Company and SMIC Beijing have contributed as at the date of the announcement	Outstanding aggregate capital contribution obligations of the Company and SMIC Beijing
Registered capital	2,400	1,224	1,224 (624 from the Company and 600 from SMIC Beijing, respectively)	0
Amounts to be funded through the Joint Venture Company's internal cash flow and debt financing	1,190	0	0	0
Total	<u>3,590</u>	<u>1,224</u>	<u>1,224</u>	<u>0</u>

2. The aggregate capital contribution obligations of the Company, SMIC Beijing and SMIC Holdings to the Joint Venture Company under the Amendment JV Agreement dated 10 August 2017 (US\$ million)

		The Company, SMIC Beijing and SMIC Holdings' amended commitment (representing 51% of the enlarged registered capital)	Actual amounts that the Company, SMIC Beijing and SMIC Holdings have contributed as at the date of the announcement	Outstanding aggregate capital contribution obligations of the Company, SMIC Beijing and SMIC Holdings
	Total investment			
Registered capital (Note)	4,800	2,448	1,224 (624 from the Company and 600 from SMIC Beijing, respectively)	1,224 (from SMIC Holdings)
Amounts to be funded through the Joint Venture Company's internal cash flow and debt financing	2,400	0	0	0
Total	<u>7,200</u>	<u>2,448</u>	<u>1,224</u>	<u>1,224</u>

Note: The increase in the registered capital of the Joint Venture Company from US\$2.4 billion to US\$4.8 billion will, together with other terms of the Amendment JV Agreement, become effective and binding on the parties after obtaining the regulatory approvals and approval by the Independent Shareholders at the EGM (except that, in the case of China IC Fund, the increase will also be subject to an assets valuation approved by the relevant PRC regulatory authority providing for the assessed value of every US\$1 in the Joint Venture Company's registered capital to be not less than US\$0.90).

GENERAL INFORMATION ABOUT THE JOINT VENTURE COMPANY

The Joint Venture Company was duly established on 12 July 2013. As stated in the Group's annual report for the year ended 31 December 2016, the Joint Venture Company has total assets and total equity of approximately US\$2,910.42 million and US\$2,172.53 million respectively. According to the audited accounts of the Joint Venture Company prepared in accordance with the PRC GAAP, the Joint Venture Company's net profit/(loss) (before taxation and extraordinary items) for 2016 and 2015 are approximately US\$(121.26 million) and US\$(56.88 million) respectively, and the Joint Venture Company's net profit/(loss) (after taxation and extraordinary items) for 2016 and 2015 are approximately US\$(115.67 million) and US\$(56.88 million) respectively. The Joint Venture Company will continue to be a subsidiary of the Company following completion of the transactions contemplated under the Amendment JV Agreement and the Capital Increase Agreement.

REASONS FOR AND BENEFITS OF THE AMENDMENT JV AGREEMENT AND THE CAPITAL INCREASE AGREEMENT

As China IC Fund mainly invests in the value chain of integrated circuit industry via various approaches, primarily in IC chip manufacturing as well as chip designing, packaging test and equipment and materials, the Company believes that such partnership will capture more business opportunities.

The Directors (excluding independent non-executive Directors whose view will be 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 Amendment JV Agreement, the Capital Increase Agreement and the transactions contemplated thereunder; the terms of the Amendment JV Agreement and the Capital Increase Agreement are fair and reasonable; and the entering into of the Amendment JV Agreement, the Capital Increase 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 LISTING RULES

As China IC Fund holds approximately 15.91% equity interest in the Company through its wholly-owned subsidiary, Xinxin (Hongkong) Capital Co., Limited, it is a connected person of the Company under the Listing Rules. As Beijing Semi Fund holds approximately 18% equity interest in the Joint Venture Company, a subsidiary of the Company, it is a connected person at the subsidiary level of the Company under the Listing Rules. The Company's entering into the Amendment JV Agreement and the Capital Increase Agreement with, amongst others, China IC Fund and Beijing Semi Fund constitutes a connected transaction under Chapter 14A of the Listing Rules. China IC Fund's further cash contribution of US\$900 million into the registered capital of the Joint Venture Company, a subsidiary of the Company, also constitutes a connected transaction under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules in respect of the Amendment JV Agreement and the Capital Increase Agreement exceed 25% but are less than 75%, the transaction contemplated under the Amendment JV Agreement and the Capital Increase Agreement constitutes a major transaction under Chapter 14 of the Listing Rules, and a non-exempt connected transaction subject to reporting, announcement and the Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, an Independent Board Committee comprising Mr. Lip-Bu Tan, Mr. William Tudor Brown, Ms. Carmen I-Hua Chang, Dr. Shang-yi Chiang and Dr. Jason Jingsheng Cong, all being the independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders on the Amendment JV Agreement, the Capital Increase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

Messis Capital Limited has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Amendment JV Agreement, the Capital Increase Agreement and the transactions contemplated thereunder.

GENERAL

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve the Amendment JV Agreement, the Capital Increase Agreement and any transactions contemplated thereunder.

As China IC Fund is a connected person of the Company, its wholly-owned subsidiary Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund will abstain from voting on the ordinary resolution to approve the Amendment JV Agreement, the Capital Increase Agreement and any transactions contemplated thereunder. Apart from Xinxin (Hongkong) Capital Co., Limited and other associates of China IC Fund, no other Shareholder will be required to abstain from voting on this resolution at the EGM.

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

The Company expects to dispatch a circular to the Shareholders on or before 29 September 2017 as time is needed to finalise the contents therein. The circular contains, among other things, (i) further details on the Amendment JV Agreement and the Capital Increase Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders together with (iv) a notice convening the EGM.

INFORMATION ABOUT THE PARTIES

The Company, SMIC Beijing and SMIC Holdings

Semiconductor Manufacturing International Corporation ("SMIC"; NYSE: SMI; SEHK: 981) is one of the leading semiconductor foundries in the world and the largest and most advanced foundry in mainland China. SMIC provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 28 nanometer. Headquartered in Shanghai, China, SMIC has an international manufacturing and service base. In China, SMIC has a 300mm wafer fabrication facility (fab) and a 200mm fab in Shanghai; a 300mm fab and a majority-owned 300mm fab for advanced nodes in Beijing; 200mm fabs in Tianjin and Shenzhen; and a majority-owned joint-venture 300mm bumping facility in Jiangyin; additionally, in Italy SMIC has a majority-owned 200mm fab. SMIC also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, and a representative office in Hong Kong. SMIC Beijing is a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company. SMIC Holdings, as a multinational company's regional headquarters, was formed in 2015 and is a wholly-owned subsidiary of the Company.

China IC Fund

China IC Fund, incorporated in September 2014, mainly invests in the value chain of integrated circuit industry via various approaches, primarily in IC chip manufacturing as well as chip designing, packaging test and equipment and materials. Fund investors include CDB Capital, China National Tobacco Corporation, Beijing Yizhuang International Investment

and Development Co., Ltd., China Mobile Communications Corporation, Shanghai Guosheng (Group) Co., Ltd., Beijing Purple Communications Technology Group Ltd and Sino IC Capital Co., Ltd..

E-Town Capital

Beijing E-Town International Investment & Development Co., Ltd. (E-Town Capital) was founded in February 2009, as a State-owned investment corporation for industrial transformations and improvements in the Beijing Economic-Technological Development Area, by providing innovative financial services in response to development demands. It uses government resources and its own market strength to develop diverse industrial investment and financial service and create intelligent industrial clusters.

E-Town Capital focuses on the real needs of the economy and connects government and markets with financial services innovation to provide an investment platform, a financial service platform and a flexible innovative industry base.

E-Town Capital follows long-cycle investment strategies while developing full-flow Fund of Funds systems (FOFs). It also develops top industrial clusters for integrated circuitry, equipment manufacturing and aerospace science and technology, working with Nexteer Automotive and Integrated Silicon Solution Inc's overseas M&A. It has invested in the Semiconductor Manufacturing International Corporation's B2 project, as well as BOE Technology Group and BAIC Motor Corporation. It is backing 112 projects with the capital amounting to RMB27 billion (US\$3.9billion) and its FOFs have invested in more than 50 funds, amounting to RMB220 billion (US\$30billion).

Adhere to the business concept of internationalization, marketization and innovation, E-Town Capital, with full financial services, will develop an investment corporation with international influence by combining capital, technology, talent, and markets.

Beijing Semi Fund

Beijing Semiconductor Manufacturing and Equipment Equity Investment Centre (Limited Partnership) (北京集成電路製造和裝備股權投資中心(有限合夥)) ("**Beijing Semi Fund**") is the first local government sponsored fund for the semiconductor sector in China. Established in September 2014, Beijing Semi Fund currently has approximately RMB4.2 billion in total capital commitments. Managed by CGP Investment (盛世投資), the fund actively invests in companies along the value chain of the semiconductor industry, including companies engaged in manufacturing, equipment, IC design, packaging and testing, and materials. It may also invest in some of the application areas for semiconductor chips, such as automotive, consumer electronics, new energy, advanced manufacturing, telecommunication, and medical equipment, etc.

IDIMC

Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司) is a wholly-owned subsidiary of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司). Established on 28 February 2002 with a registered capital of RMB1 billion, the company is charged with the mission of boosting the modern manufacturing sector and developing refined, state-of-the-art technology industries in Beijing. It is committed to building itself into a first-rate business group claiming solid capital strength and profitability, with a special focus on investment and finance for high-end industries. The company effectively leverages government guidance in investment facilitated through industrial development funds and special national funds for important technologies. It drives the structural realignment, optimisation and upgrade of Beijing's modern manufacturing industry as well as the rapid development of strategic new industries by applying new concepts and new instruments, such as maximising the use of assets in stock, application of industrial funds, mergers and reorganisations, and resource integration, as well as expanding the total investment size by drawing on foreign capital and private capital. After more than a decade's development, the company now owns assets with worth close to RMB10 billion and close to 100 investment projects, forming an investment portfolio featuring six major sectors: automobile and auto parts and components, biomedicine, electronic information, machinery equipment, new energy and environmental protection, and industry base construction. It has been entrusted by the government to manage government funds such as the municipal government's industrial development fund, special national funds for important technologies, industrialisation funds, science city funds and modern servicing industry funds with a total amount of approximately RMB2,000 million, covering more than 40 projects.

ZDG

ZDG was established in 2010 by merging and restructuring the existing development units of Zhongguancun Science Park. It holds total assets of RMB104.167 billion and net assets of RMB26.805 billion. As an integrated and highly market-based business platform, its mission is to promote the Innovation Demonstration Zone, drive the hi-tech industry development. Its core businesses focus on investment, science and technology park developments and financial services. ZDG is an important carrier for Beijing Municipal government to build the Zhongguancun National Innovation Demonstration Zone with high standards, fulfill the strategic plan of developing Beijing as a “culturally enriched, technologically competitive and eco-friendly” city, and support China's transition towards an innovative nation.

DEFINITIONS

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

“Amendment JV Agreement”	the amended and restated joint venture agreement dated 10 August 2017 entered into among the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings and E-Town Capital
“Beijing Semi Fund”	Beijing Semiconductor Manufacturing and Equipment Equity Investment Center (Limited Partnership) (北京集成電路製造和裝備股權投資中心(有限合夥)), a company incorporated in the PRC

“Capital Increase Agreement”	the capital increase and subscription agreement dated 10 August 2017 entered into among the Company, SMIC Beijing, China IC Fund, Beijing Semi Fund, IDIMC, ZDG, SMIC Holdings, E-Town Capital and the Joint Venture Company
“China IC Fund”	國家集成電路產業投資基金股份有限公司 (China Integrated Circuit Industry Investment Fund Co., Ltd.*), a company established under the laws of the PRC
“Company”	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange and the American depositary shares of which are listed on the New York Stock Exchange, Inc.
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“E-Town Capital”	北京亦莊國際投資發展有限公司 (Beijing E-Town International Investment & Development Co., Ltd.), a limited liability company incorporated in the PRC
“EGM”	the extraordinary general meeting of the Company to approve, among other things, the Amendment JV Agreement, the Capital Increase Agreement and any transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IDIMC”	Beijing Industrial Developing Investment Management Co., Ltd. (北京工業發展投資管理有限公司), a company incorporated in the PRC
“Independent Board Committee”	an independent committee of the Board that consists of all independent non-executive Directors who have no direct or indirect interest in the Amendment JV Agreement or the Capital Increase Agreement other than, where applicable, being a Shareholder
“Independent Financial Adviser”	Messis Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendment JV Agreement and the Capital Increase Agreement
“Independent Shareholder”	in relation to the Amendment JV Agreement and the Capital Increase Agreement, Shareholders other than Xinxin (Hongkong) Capital Co., Limited and other associates (as defined in the Listing Rules) of China IC Fund

“Joint Venture Company”	Semiconductor Manufacturing North China (Beijing) Corporation (中芯北方集成電路製造(北京)有限公司) in the PRC established pursuant to the joint venture agreement dated 3 June 2013, the equity capital of which will be owned as to 13% by the Company, 12.5% by SMIC Beijing, 25.5% by SMIC Holdings, 32% by China IC Fund, 5.75% by E-Town Capital, 1.125% by ZDG, 1.125% by IDIMC and 9% by Beijing Semi Fund
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of Shares
“Shares”	ordinary shares of par value US\$0.004 each in the capital of the Company listed on the Stock Exchange
“SMIC Beijing”	Semiconductor Manufacturing International (Beijing) Corporation (中芯國際集成電路製造(北京)有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“SMIC Holdings”	中芯國際控股有限公司 (SMIC Holdings Corporation), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States
“ZDG”	Zhongguancun Development Group (中關村發展集團股份有限公司), a company incorporated in the PRC
“%”	per cent.

By order of the Board
Semiconductor Manufacturing International Corporation
Dr. Haijun Zhao
Chief Executive Officer

Shanghai, 10 August 2017

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

Executive Directors

Zhou Zixue (*Chairman*)

Gao Yonggang (*Chief Financial Officer*)

Non-executive Directors

Tzu-Yin Chiu (*Vice Chairman*)

Chen Shanzhi

Zhou Jie

Ren Kai

Lu Jun

Tong Guohua

Independent Non-executive Directors

Lip-Bu Tan

William Tudor Brown

Carmen I-Hua Chang

Shang-yi Chiang

Jason Jingsheng Cong

* *For identification purposes only*