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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)**

- (1) PROPOSED ISSUE OF US\$200 MILLION ZERO COUPON  
CONVERTIBLE BONDS DUE 2022  
TO BE CONSOLIDATED AND FORM A SINGLE  
SERIES WITH THE EXISTING US\$450 MILLION ZERO  
COUPON CONVERTIBLE BONDS DUE 2022**
- (2) PRE-EMPTIVE RIGHT OF DATANG**
- (3) PRE-EMPTIVE RIGHT OF CHINA IC FUND**

**Sole Global Coordinator**



**Sole Bookrunner and Manager**



**PROPOSED ISSUE OF US\$200 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2022 TO BE CONSOLIDATED AND FORM A SINGLE SERIES WITH THE EXISTING US\$450 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2022**

On 18 November 2019, the Company and the Manager entered into the Placed Bonds Subscription Agreement, pursuant to which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for the Placed Bonds to be issued by the Company in an aggregate principal amount of US\$200 million which will be consolidated and form a single series with the Existing Bonds. The Placed Bonds are issued at a substantial premium resulting in gross proceeds of US\$232 million.

Based on the Effective Conversion Price of HK\$10.73 per Share as at the date of the Placed Bonds Subscription Agreement and assuming full conversion of the Placed Bonds at such Effective Conversion Price, the Placed Bonds will be convertible into approximately 167,950,270 Placed Conversion Shares, representing (i) approximately 3.32% of the issued share capital of the Company on the Last Trading Day and (ii) approximately 3.22% of the issued share capital of the Company as enlarged assuming the full conversion of the Placed Bonds at the Effective Conversion Price as at the date of the Placed Bonds Subscription Agreement (assuming that there is no change in the issued share capital of the Company, save for the issue of the Placed Conversion Shares).

The Placed Conversion Shares will be allotted and issued pursuant to the General Mandate and will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date. The issue of the Placed Bonds is not subject to the approval of the Shareholders.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placed Conversion Shares. An application will be made to the Singapore Exchange for the listing and quotation of the Placed Bonds.

**Completion of the Placed Bonds Subscription Agreement is subject to the satisfaction or waiver of the conditions precedent in the Placed Bonds Subscription Agreement. In addition, the Placed Bonds Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Placed Bonds Subscription Agreement” below for further information.**

**PRE-EMPTIVE RIGHT OF DATANG**

Reference is made to the Company’s announcements dated 10 November 2008 in relation to the Datang Purchase Agreement.

Pursuant to the Datang Purchase Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, Datang has a pre-emptive right to subscribe for (i) a pro rata portion of such new securities being issued equivalent to the percentage of the issued share capital of the Company then owned by Datang immediately prior to the issue of such securities; or (ii) should such issue of new Shares or securities convertible into Shares result in a single investor or investor group acting in concert beneficially owning more Shares than Datang and its wholly-owned subsidiary, one Share more than the number of Shares proposed to be beneficially owned by such prospective largest shareholder of the Company. Datang's pre-emptive right is applicable to the issue of the Placed Bonds and any China IC Fund Pre-emptive Subscription. Pursuant to the Datang Purchase Agreement and the Listing Rules, completion of any such issue of the Datang Pre-emptive Bonds to, and subscription of the Datang Pre-emptive Bonds by, Datang upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals and the approval of the independent Shareholders.

Any exercise by Datang of its pre-emptive right to subscribe for the Datang Pre-emptive Bonds in connection with the issue of the Placed Bonds and any China IC Pre-emptive Subscription will be at a price equivalent to the issue price of the Placed Bonds.

The Company has notified Datang in accordance with the terms of the Datang Purchase Agreement in respect of the issue of the Placed Bonds and the possible China IC Fund Pre-emptive Subscription. Pursuant to the Datang Purchase Agreement, Datang is deemed to have elected not to exercise its pre-emptive right if it does not respond to the notice within ten (10) business days following the date of the notice.

As at the date of this announcement, Datang has indicated to the Company that it does not intend to exercise its pre-emptive right in relation to the issue of the Placed Bonds and the China IC Fund Pre-emptive Subscription.

#### **PRE-EMPTIVE RIGHT OF CHINA IC FUND**

Reference is made to the Company's announcement dated 12 February 2015 in relation to the China IC Fund Purchase Agreement.

Pursuant to the China IC Fund Purchase Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, China IC Fund has a pre-emptive right to subscribe for a pro rata portion of such new securities being issued equivalent to the percentage of the issued share capital of the Company then owned by China IC Fund immediately prior to the issue of such securities. China IC Fund's pre-emptive right is applicable to the issue of the Placed Bonds and the Datang Pre-emptive Subscription. Pursuant to the China IC Fund Purchase Agreement, completion of any such issue of the China IC Fund Pre-emptive Bonds to, and subscription of the China IC Fund Pre-emptive Bonds by, China IC Fund upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals and the approval of the independent Shareholders.

Any exercise by China IC Fund of its pre-emptive right to subscribe for the China IC Fund Pre-emptive Bonds in connection with the issue of the Placed Bonds and any Datang Pre-emptive Subscription will be at a price equivalent to the issue price of the Placed Bonds.

The Company has notified China IC Fund in accordance with the terms of the China IC Fund Purchase Agreement in respect of the issue of the Placed Bonds and the possible Datang Pre-emptive Subscription. Pursuant to the China IC Fund Purchase Agreement, China IC Fund is deemed to have elected not to exercise its pre-emptive right with respect to the China IC Fund Pre-emptive Bonds if it does not respond to the notice within ten (10) business days following the date of the notice.

As at the date of this announcement, China IC Fund has indicated to the Company that it does not intend to exercise its pre-emptive right in relation to the issue of the Placed Bonds and the Datang Pre-emptive Subscription.

## **USE OF PROCEEDS**

The gross proceeds from the issue of the Placed Bonds will be approximately US\$232 million. The Placed Bonds have been issued at a substantial premium.

The net proceeds (net of fees, commissions and expenses) from the issue of the Placed Bonds will be approximately US\$229.5 million. The net issue price per Placed Conversion Share is estimated to be approximately HK\$10.61.

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

**Shareholders and potential investors should note that the completion of the issue of the Placed Bonds are subject to the fulfilment of the conditions under the Placed Bonds Subscription Agreement. As the issue of the Placed Bonds may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

**PROPOSED ISSUE OF US\$200 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2022 TO BE CONSOLIDATED AND FORM A SINGLE SERIES WITH THE EXISTING US\$450 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2022**

On 18 November 2019, the Company and the Manager entered into the Placed Bonds Subscription Agreement, pursuant to which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for the Placed Bonds to be issued by the Company in an aggregate principal amount of US\$200 million which will be consolidated and form a single series with the Existing Bonds. The Placed Bonds are issued at a substantial premium resulting in gross proceeds of US\$232 million.

**The Placed Bonds Subscription Agreement**

Date: 18 November 2019

Parties: The Company and the Manager

Proposed issue of the Placed Bonds: Subject to the fulfilment of the conditions set out below in the section headed “Conditions Precedent”.

Conversion of the Placed Bonds: Based on the Effective Conversion Price of HK\$10.73 per Share as at the date of the Placed Bonds Subscription Agreement and assuming full conversion of the Placed Bonds at such Effective Conversion Price, the Placed Bonds will be convertible into approximately 167,950,270 Placed Conversion Shares, representing (i) approximately 3.32% of the issued share capital of the Company on the Last Trading Day and (ii) approximately 3.22% of the issued share capital of the Company as enlarged assuming the full conversion of the Placed Bonds at the Effective Conversion Price as at the date of the Placed Bonds Subscription Agreement (assuming that there is no change in the issued share capital of the Company, save for the issue of the Placed Conversion Shares).

As the Placed Bonds have been issued at a substantial premium, an Effective Conversion Price has been calculated to give effect to the effective rate at which the Placed Bonds are converted into Shares, taking into effect the premium paid.

The Placed Conversion Shares will be allotted and issued pursuant to the General Mandate and will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date. The issue of the Placed Bonds is not subject to the approval of the Shareholders.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placed Conversion Shares. An application will be made to the Singapore Exchange for the listing and quotation of the Placed Bonds.

Conditions  
Precedent:

The obligations of the Manager to subscribe and pay for the Placed Bonds are subject to, among others, the following conditions precedent:

- (a) **Due diligence:** the Manager being satisfied with the results of their due diligence investigations with respect to the Company and the Group and the offering circular shall have been prepared in form and content satisfactory to the Manager;
- (b) **Other contracts:** the execution and delivery (on or before the Closing Date) of the other contracts, each in a form reasonably satisfactory to the Manager, by the respective parties;
- (c) **Lock-up:** Xinxin HK having executed shareholder lock-up undertakings in the form agreed by the Manager;
- (d) **Auditors' letters:** upon the publication date of the offering circular and on the Closing Date, there having been delivered to the Manager letters, in form and substance reasonably satisfactory to the Manager, dated the publication date of the offering circular in the case of the first letter and dated the Closing Date in the case of the subsequent letters, and addressed to the Manager from PricewaterhouseCoopers, Certified Public Accountants to the Company;
- (e) **Compliance:** on the Closing Date:
  - (i) the representations and warranties of the Company in the Placed Bonds Subscription Agreement being true, accurate and correct at, and as if made on such date;
  - (ii) the Company having performed all of its obligations under the Placed Bonds Subscription Agreement to be performed on or before such date; and
  - (iii) there having been delivered to the Manager a certificate dated as of such date, of a duly authorised officer of the Company to such effect;

- (f) **Material adverse change:** after the date hereof or, if earlier, the dates as of which information is given in the offering circular up to and at the Closing Date, there not having occurred any change (nor any development or event involving or reasonably likely to involve a prospective change), in the financial or trading condition or the earnings, net assets, business affairs or business prospects (whether or not arising in the ordinary course of business) or properties of the Company or of the Group (taken as a whole), which, in the opinion of the Manager, is material and adverse in the context of the issue and offering of the Placed Bonds;
- (g) **Other consents:** on or prior to the Closing Date there shall have been delivered to the Manager copies of all resolutions, consents, authorities and approvals required in relation to the issue of the Placed Bonds and the performance of its obligations under the trust deed, the agency agreement and the Placed Bonds (including the consents and approvals required from all lenders);
- (h) **Listing:** the Stock Exchange having agreed to list the Placed Conversion Shares upon conversion of the Placed Bonds and the Singapore Exchange having agreed, subject to any conditions reasonably satisfactory to the Manager, to list the Placed Bonds (or, in each case, the Manager being reasonably satisfied that such listing will be granted); and
- (i) **Legal Opinions:** on or before the Closing Date, there having been delivered and addressed to the Manager opinions, in form and substance reasonably satisfactory to the Manager, dated the Closing Date, of:
  - (i) DLA Piper Hong Kong, legal advisers to the Company as to Hong Kong law;
  - (ii) Conyers Dill & Pearman (Cayman) Limited, legal advisers to the Company as to Cayman Islands law;



- (iii) Linklaters, legal advisers to the Manager as to English law;
- (iv) AllBright Law Offices, legal advisers to the Company as to PRC law; and
- (v) Zhong Lun Law Firm, legal advisers to the Manager as to the PRC law.

**Distribution:**

The Placed Bonds and the Placed Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Placed Bonds will be offered and sold in an institutional offering outside the United States in reliance on Regulation S of the Securities Act.

The Placed Bonds will be issued to persons in Hong Kong who are professional investors. None of the Placed Bonds will be offered or sold to the public in Hong Kong where to do so would result in there being a “prospectus” as defined in the Companies Ordinance, nor will they be placed to any connected persons of the Company.

To the best of the Company’s knowledge, information and belief, having made all reasonable enquiries, the Manager are independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Manager has informed the Company that it intends to offer and sell the Placed Bonds to no less than six placees.

To the best of the Company’s knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) is and will be independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.



Company lock-up undertaking:

The Company has undertaken to the Manager that neither it, nor any person acting on its behalf will:

- (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Placed Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Placed Bonds, the Shares or securities of the same class as the Placed Bonds, the Shares or other instruments representing interests in the Placed Bonds, the Shares or other securities of the same class as them;
- (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares;
- (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise; or
- (d) announce or otherwise make public an intention to do any of the foregoing,

in any such case without the prior written consent of the Manager between the date of the Placed Bonds Subscription Agreement and the date which is 90 days after the date of the Placed Bonds Subscription Agreement (both dates inclusive); except for:

- (i) the issue of any Placed Bonds or Placed Conversion Shares to be issued upon conversion of the Placed Bonds under the Placed Bonds Subscription Agreement;
- (ii) the issue of any Shares to be issued upon the conversion of the Existing Bonds, the 2017 PSCS, the Datang PSCS or the China IC Fund PSCS;
- (iii) the issue of any share options and restricted share units pursuant to any share option schemes adopted in compliance with the Listing Rules and any publicly disclosed equity incentive plans of the Company; and

- (iv) the issue of any Shares which are issued as consideration for any merger or acquisition provided that (1) the aggregate value of the Shares issued (as calculated by the Current Market Price) is less than US\$100,000,000 and (2) the Company procures that the person receiving such Shares executes a shareholder lock-up undertaking on substantially the same terms as provided above prior to any such issue.

Termination:

The Manager may, by written notice to the Company given at any time prior to payment of the net subscription monies for the Placed Bonds to the Company, terminate the Placed Bonds Subscription Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Placed Bonds Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Placed Bonds Subscription Agreement;
- (b) if any of the conditions have not been satisfied or waived by the Manager on or prior to the Closing Date;
- (c) if there shall have been, since the date of the Placed Bonds Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in the opinion of the Manager, be likely to prejudice materially the success of the offering and distribution of the Placed Bonds or dealings in the Placed Bonds in the secondary market;

- (d) if, in the opinion of the Manager, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange, the Singapore Exchange and/or the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which any of the Company's securities are traded (other than any suspension in connection with the issue of the Placed Bonds, or in respect of the transactions described in the relevant announcement; (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, Singapore or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Placed Bonds and the Shares to be issued upon conversion of the Placed Bonds or the transfer thereof; and
- (e) if there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in the opinion of the Manager, be likely to prejudice materially the success of the offering and distribution of the Placed Bonds or dealings in the Placed Bonds in the secondary market.

Subject to the foregoing, completion of the subscription and issue of the Placed Bonds will take place on the Closing Date.

The Board considers that the terms and conditions of the Placed Bonds Subscription Agreement and the Placed Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## Principal terms of the Placed Bonds

The principal terms of the Placed Bonds are summarised as follows:

Issuer:	the Company
Principal amount:	US\$200 million
Issue Price:	116% of the principal amount of the Placed Bonds
Gross Proceeds:	US\$232 million
Maturity date:	7 July 2022
Redemption amount on maturity:	Unless previously redeemed, converted or repurchased and cancelled, the Company will redeem each Placed Bond at its principal amount on the maturity date.
Interest rate:	The Placed Bonds will not bear interest.
Status:	The Placed Bonds constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Placed Bonds) unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Placed Bonds shall, subject to exceptions as may be provided by mandatory provisions of applicable legislation and subject to the terms and conditions of the Placed Bonds, at all times rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations.

Conversion right: Subject to and upon compliance with the terms and conditions of the Placed Bonds, the Placed Bonds are convertible by holders into Shares, at any time on and after 17 August 2016 and up to the close of business (at the place where the bond certificate evidencing such Placed Bond is deposited for conversion) on the date falling seven days prior to the maturity date (both days inclusive), except as described in the terms and conditions of the Placed Bonds, or, if such Placed Bonds shall have been called for redemption by the Company before the maturity date, then up to the close of business (at the place aforesaid) on a date no later than seven days (both days inclusive) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holders of such Placed Bond pursuant to the terms and conditions of the Placed Bonds, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

Conversion price: The Conversion Price (as defined in the terms and conditions of the Placed Bonds) will initially be HK\$0.925 per Share but will be subject to adjustment. The Effective Conversion Price as at the date of the Placed Bonds Subscription Agreement was HK\$10.73 per Share. The Effective Conversion Price has been calculated to illustrate the effective price at which a holder of the Placed Bonds will be converting the Placed Bonds into Shares, taking into account the premium paid for the Placed Bonds.

The Conversion Price will be subject to adjustment for consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, distributions (meaning any distribution of assets in specie and any cash dividend or distribution), rights issue of Shares or options over Shares, rights issue of other securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), issue of securities at below 90% of the Current Market Price, modification of rights of conversion and other offers to Shareholders, subject to the terms and conditions of the Placed Bonds.

Redemption for  
taxation reasons:

The Company may redeem all and not some only of the Placed Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the holders of the Placed Bonds (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at their principal amount, if (a) the Company satisfies the trustee of the Placed Bonds immediately prior to the giving of such notice that it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 June 2016, and (b) such obligation cannot be avoided by the Company taking commercially reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Placed Bonds then due.

On the Tax Redemption Date, the Company shall redeem the Placed Bonds at their principal amount.

If the Company gives a Tax Redemption Notice pursuant to the above condition, each holder of the Placed Bonds will have the right to elect that his Placed Bond(s) shall not be redeemed.

Redemption at the  
option of the  
Company:

On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the trustee of the Placed Bonds and the holders of the Placed Bonds, the Company shall redeem all and not some only of the Placed Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount:

- (i) at any time after 7 July 2020, provided that the Closing Price of a Share (translated into US dollars at the prevailing rate as prescribed in the conditions of the Placed Bonds), for each of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date of the Optional Redemption Notice was at least 130% of the Conversion Price (translated into US dollars at the Fixed Exchange Rate) then in effect immediately prior to the date upon which notice of such redemption is given; or

- (ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, conversion rights of the Placed Bonds shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Placed Bonds originally issued (which shall for this purpose include any further bonds issued pursuant to conditions of the Placed Bonds).

If there shall occur an event giving rise to a change in the Conversion Price during any such 20 consecutive trading day period as mentioned above, appropriate adjustments for the relevant days shall be made, as determined by an independent investment bank, for the purpose of calculating the Closing Price for such days.

Redemption for  
delisting or change  
of control:

Following the occurrence of a Relevant Event (as defined below), the holder of each Placed Bond will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Placed Bonds on the Relevant Event redemption date at their principal amount.

**“Relevant Event”** occurs:

- (i) when the Shares cease to be listed or admitted to trading or is suspended for a period equal to or exceeding 45 consecutive trading days; or
- (ii) when there is a Change of Control.

A **“Change of Control”** occurs when:

- (i) any person or persons acting together acquires Control (as defined below) of the Company provided that such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date; or
- (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons acting together unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or successor entity.



“**Control**” means (a) the beneficial ownership or control of more than 50% of the voting rights of the issued share capital of the Company, or (b) the right to appoint and/or remove all or the majority of the members of the Company’s Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

Redemption at the option of the holders of the Placed Bonds:

On 7 July 2020 (the “**Optional Put Date**”), the holder of each Placed Bond will have the right at such holder’s option, to require the Company to redeem all or some only of the Placed Bonds of such holder on the Optional Put Date at their principal amount (the “**Optional Put**”). An Optional Put exercise notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Company consents to such withdrawal).

#### **Effect of the conversion of the Placed Bonds on the shareholding structure of the Company**

Based on the Effective Conversion Price of HK\$10.73 per Share as at the date of the Placed Bonds Subscription Agreement and assuming full conversion of the Placed Bonds at such Effective Conversion Price, the Placed Bonds will be convertible into approximately 167,950,270 Placed Conversion Shares, representing (i) approximately 3.32% of the issued share capital of the Company on the Last Trading Day and (ii) approximately 3.22% of the issued share capital of the Company as enlarged by the issue of the Placed Conversion Shares upon full conversion of the Placed Bonds.

The following table illustrates (i) the existing shareholding structure of the Company; (ii) the shareholding structure immediately after the issue of the Placed Bonds and assuming no conversion of the Placed Bonds into Placed Conversion Shares; and (iii) the shareholding structure immediately after the issue of the Placed Bonds and full conversion of the Placed Bonds.

Shareholder	Immediately after the Placed Bonds					
	As at the date of this announcement		Assuming no conversion of the Placed Bonds (Note 1)		Assuming full conversion of the Placed Bonds at the Effective Conversion Price as at the date of the Placed Bonds Subscription Agreement	
					(Note 2)	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of issued share capital of the Company	No. of Shares	% of issued share capital of the Company
Datang (Note 3)	859,522,595	17.00%	859,522,595	17.00%	859,522,595	16.46%
China IC Fund (Note 4)	797,054,901	15.77%	797,054,901	15.77%	797,054,901	15.26%
Holders of Placed Bonds	—	—%	—	—%	167,950,270	3.22%
Other Shareholders	<u>3,398,043,967</u>	<u>67.23%</u>	<u>3,398,043,967</u>	<u>67.23%</u>	<u>3,398,043,967</u>	<u>65.06%</u>
Total	<u>5,054,621,463</u>	<u>100.00%</u>	<u>5,054,621,463</u>	<u>100.00%</u>	<u>5,222,571,733</u>	<u>100.00%</u>

Notes:

1. Assuming that other than the Placed Bonds, no Shares are issued or repurchased by the Company, no issuance of Pre-emptive Bonds, no share options are exercised, no Restricted Share Units are granted and no conversion into Shares of any securities. As at 31 October 2019, the Company has 21,223,764 outstanding share options.
2. Assuming that other than the Placed Bonds, no Shares are issued or repurchased by the Company, no issuance of Pre-emptive Bonds, no share options are exercised, no Restricted Share Units are granted and no conversion into Shares of any securities other than the Placed Bonds. As at 31 October 2019, the Company has 21,223,764 outstanding share options.
3. All such Shares are held by Datang HK, a wholly-owned subsidiary of Datang.
4. All such Shares are held by Xinxin HK, a wholly-owned subsidiary of China IC Fund.

### Comparison of Effective Conversion Price

The Effective Conversion Price of HK\$10.73 per Share as at the date of the Placed Bonds Subscription Agreement represents:

- (1) a premium of approximately 1.23% over the Closing Price of HK\$10.600 per Share as quoted on the Stock Exchange on the date of the Placed Bonds Subscription Agreement;

- (2) a premium of approximately 4.68% over the average Closing Price of HK\$10.250 per Share for the last five consecutive trading days immediately prior to the date of the Placed Bonds Subscription Agreement; and
- (3) a premium of approximately 5.22% over the average Closing Price of HK\$10.198 per Share for the last ten consecutive trading days immediately prior to the date of the Placed Bonds Subscription Agreement.

The Effective Conversion Price as at the date of the Placed Bonds Subscription Agreement was determined after arm's length negotiations between the Company and the Manager with reference to the initial conversion price of the Existing Bonds, the premium paid by the Manager as represented by the Issue Price and the Closing Price of the Shares quoted on the Stock Exchange on the Last Trading Day.

### **General Mandate**

By a resolution of the Shareholders of the Company passed at the annual general meeting held on 21 June 2019, the Company granted a general mandate to the Directors to allot and issue up to 20% of the issued share capital of the Company, with the issued share capital of the Company being 5,051,446,974 Shares at the time. As at the date of this announcement, as no Shares have been issued under the General Mandate, the Company is entitled to issue up to 1,010,289,394 Shares pursuant to the General Mandate. Based on the Effective Conversion Price of HK\$10.73 per Share as at the date of the Placed Bonds Subscription Agreement and assuming full conversion of the Placed Bonds at such Conversion Price, the Placed Bonds will be convertible into 167,950,270 Placed Conversion Shares. The Placed Conversion Shares will be issued under such general mandate.

### **Fund raising activity by the Company in the last 12 months**

The Company has not raised fund on any issue of equity securities in the past 12 months immediately before the date of this announcement.

### **PRE-EMPTIVE RIGHTS OF DATANG**

Reference is made to the Company's announcement dated 10 November 2008 in relation to the Datang Purchase Agreement.

Pursuant to the Datang Purchase Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, Datang has a pre-emptive right to subscribe for (i) a pro rata portion of such new securities being issued equivalent to the percentage of the issued share capital of the Company then owned by Datang immediately prior to the issue of such securities; or (ii) should such issue of new Shares or securities convertible into Shares result in a single investor or investor group acting in concert beneficially owning more Shares than Datang and its wholly-owned subsidiary, one Share more than the number of Shares proposed to be beneficially owned by such

prospective largest shareholder of the Company. Datang's pre-emptive right is applicable to the issue of the Placed Bonds and any China IC Fund Pre-emptive Subscription. Pursuant to the Datang Purchase Agreement and the Listing Rules, completion of any such issue of the Datang Pre-emptive Bonds to, and subscription of the Datang Pre-emptive Bonds by, Datang upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals and the approval of the independent Shareholders.

Any exercise by Datang of its pre-emptive right to subscribe for the Datang Pre-emptive Bonds in connection with the issue of the Placed Bonds and any China IC Pre-emptive Subscription will be at a price equivalent to the issue price of the Placed Bonds.

The Company has notified Datang in accordance with the terms of the Datang Purchase Agreement in respect of the issue of the Placed Bonds and the possible China IC Fund Pre-emptive Subscription. Pursuant to the Datang Purchase Agreement, Datang is deemed to have elected not to exercise its pre-emptive right if it does not respond to the notice within ten (10) business days following the date of the notice.

As at the date of this announcement, Datang has indicated to the Company that it does not intend to exercise its pre-emptive right in relation to the issue of the Placed Bonds and the China IC Fund Pre-emptive Subscription.

#### **PRE-EMPTIVE RIGHTS OF CHINA IC FUND**

Reference is made to the Company's announcement dated 12 February 2015 in relation to the China IC Fund Purchase Agreement.

Pursuant to the China IC Fund Purchase Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, China IC Fund has a pre-emptive right to subscribe for a pro rata portion of such new securities being issued equivalent to the percentage of the issued share capital of the Company then owned by China IC Fund immediately prior to the issue of such securities. China IC Fund's pre-emptive right is applicable to the issue of the Placed Bonds and any Datang Pre-emptive Subscription. Pursuant to the China IC Fund Purchase Agreement, completion of any such issue of the China IC Fund Pre-emptive Bonds to, and subscription of the China IC Fund Pre-emptive Bonds by, China IC Fund upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals and the approval of the independent Shareholders.

Any exercise by China IC Fund of its pre-emptive right to subscribe for the China IC Fund Pre-emptive Bonds in connection with the issue of the Placed Bonds and any Datang Pre-emptive Subscription will be at a price equivalent to the issue price of the Placed Bonds.

The Company has notified China IC Fund in accordance with the terms of the China IC Fund Purchase Agreement in respect of the issue of the Placed Bonds and the possible Datang Pre-emptive Subscription. Pursuant to the China IC Fund Purchase Agreement, China IC Fund is deemed to have elected not to exercise its pre-emptive right with respect to the China IC Fund Pre-emptive Bonds if it does not respond to the notice within ten (10) business days following the date of the notice.

As at the date of this announcement, China IC Fund has indicated to the Company that it does not intend to exercise its pre-emptive right in relation to the issue of the Placed Bonds and the Datang Pre-emptive Subscription.

## **TERMINATION OF PRE-EMPTIVE RIGHTS OF COUNTRY HILL**

Reference is made to the Company's announcements dated 18 April 2011 in relation to the Country Hill Subscription Agreement.

Pursuant to the Country Hill Subscription Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, Country Hill has a pre-emptive right to subscribe for a pro rata portion of such new securities being issued equivalent to the percentage of the issued share capital of the Company then owned by Country Hill immediately prior to the issue of such securities. On 30 August 2019, the Company and Country Hill entered into a termination agreement, pursuant to which the parties had mutually agreed to terminate the Country Hill Subscription Agreement.

## **SHAREHOLDER LOCK-UP UNDERTAKINGS BY XINXIN HK**

Xinxin HK will give a lock-up undertaking in relation to the Shares held by it directly (or through nominees) on or before the Closing Date for a period of 90 days from the date of the Placed Bonds Subscription Agreement to facilitate an orderly marketing, distribution and trading of the Placed Bonds.

## **LISTING RULES IMPLICATIONS**

The Placed Conversion Shares will be issued pursuant to the general mandate granted to the Directors to allot and issue up to 20% of the issued share capital of the Company by the Shareholders of the Company passed at the annual general meeting held on 21 June 2019.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF THE PLACED BONDS**

The Company is of the view that the issue of the Placed Bonds represents a good opportunity for the Company to enhance its working capital and strengthen its capital base and financial position.

## USE OF PROCEEDS

The gross proceeds from the issue of the Placed Bonds will be approximately US\$232 million.

The net proceeds (net of fees, commissions and expenses) from the issue of the Placed Bonds will be approximately US\$229.5 million. The net issue price per Placed Conversion Share is estimated to be approximately HK\$10.61.

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

## INFORMATION ABOUT THE GROUP

The Company is one of the leading foundries in the world and is Mainland China's most advanced and largest foundry, broadest in technology coverage, and most comprehensive in semiconductor manufacturing services. The Company provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 14 nanometer. Headquartered in Shanghai, China, the Company has an international manufacturing and service base. In China, the Company has a 300mm wafer fabrication facility (fab), a 200mm fab and a majority-owned joint-venture 300mm fab for advanced nodes (under construction) 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. The Company also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan China, and a representative office in Hong Kong China.

## GENERAL

**Shareholders and potential investors should note that the completion of the issue of the Placed Bonds are subject to the fulfilment of the conditions under the Placed Bonds Subscription Agreement. As the issue of the Placed Bonds may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2014 Equity Incentive Plan”	the 2014 equity incentive plan adopted by the Company pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 13 June 2013 and effective from 15 November 2013 upon its registration with the PRC State Administration of Foreign Exchange;
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“2017 PSCS”	the US\$65,000,000 2.00 per cent. Perpetual Subordinated Convertible Securities issued by the Company to GIC Private Limited and Rays Capital Partners Limited on 14 December 2017;
“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bonds”	the Placed Bonds and the Existing Bonds;
“China IC Fund”	China Integrated Circuit Industry Investment Fund Co., Ltd.* (國家集成電路產業投資基金股份有限公司), a company established under PRC laws;
“China IC Fund Pre-emptive Bonds”	any bonds to be issued to China IC Fund pursuant to any exercise of its pre-emptive right under the China IC Fund Purchase Agreement in connection with the Placed Bonds Subscription Agreement as will result in China IC Fund’s percentage shareholding (on a fully converted basis) in the Company not being diluted by the issue of the Placed Bonds and the Datang Pre-emptive Bonds;
“China IC Fund Pre-emptive Subscription”	the potential subscription of China IC Fund Pre-emptive Bonds by China IC Fund pursuant to any exercise of pre-emptive right by China IC Fund under the China IC Fund Purchase Agreement;
“China IC Fund PSCS”	the US\$300,000,000 2.00 per cent. Perpetual Subordinated Convertible Securities issued by the Company to Xinxin HK on 29 August 2018;
“China IC Fund Purchase Agreement”	the share purchase agreement dated 12 February 2015 between the Company and China IC Fund, the details of which are set out in the announcements published on 12 February 2015, 8 June 2015 and 8 June 2016 by the Company;
“Closing Date”	9 December 2019 or such other date as the Company and the Manager may agree, but not later than 23 December 2019;



“Closing Price”	shall be the price published in the daily quotation sheet published by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day in respect of the Shares for any trading day;
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
“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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Conversion Price”	the price at which the conversion shares will be issued upon conversion of the Existing Bonds will initially be HK\$0.925 per Share (and will be subject to adjustment);
“Country Hill”	Country Hill Limited, a wholly-owned subsidiary of Bridge Hill Investments Limited, which is a subsidiary controlled by China Investment Corporation;
“Country Hill Subscription Agreement”	the share subscription agreement dated 18 April 2011 between the Company and Country Hill, the details of which were set out in the announcement published on 18 April 2011, 24 October 2013, 18 December 2013, 22 August 2014, 12 February 2015, 12 June 2015 and 8 June 2016 by the Company;
“Current Market Price”	has the meaning as defined in the Placed Bonds Subscription Agreement;
“Datang”	Datang Telecom Technology & Industry Holdings Co., Ltd., a company established under PRC laws;
“Datang HK”	Datang Holdings (Hongkong) Investment Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Datang;
“Datang Pre-emptive Bonds”	any bonds to be issued to Datang pursuant to any exercise of its pre-emptive right under the Datang Purchase Agreement in connection with the Placed Bonds Subscription Agreement as will result in Datang’s percentage shareholding (on a fully converted basis) in the Company not being diluted by the issue of the Placed Bonds and the China IC Fund Pre-emptive Bonds;

“Datang Pre-emptive Subscription”	the potential subscription of Datang Pre-emptive Bonds by Datang pursuant to any exercise of pre-emptive right by Datang under the Datang Purchase Agreement;
“Datang PSCS”	the US\$200,000,000 2.00 per cent. Perpetual Subordinated Convertible Securities issued by the Company to Datang HK on 29 June 2018;
“Datang Purchase Agreement”	the share purchase agreement dated 6 November 2008 between the Company and Datang (as amended by the supplemental agreement dated 22 August 2014), the details of which were set out in the announcement published on 10 November 2008, 16 August 2010, 6 May 2011, 24 October 2013, 18 December 2013, 22 August 2014, 12 February 2015, 12 June 2015 and 8 June 2016 by the Company;
“Director(s)”	director(s) of the Company;
“Effective Conversion Price”	as the Placed Bonds are being issued at a substantial premium, the effective conversion price agreed to has been calculated by determining the number of Shares issuable upon full conversion of the Placed Bonds and dividing the gross proceeds of the Placed Bonds by such number;
“Existing Bonds”	the existing US\$450,000,000 Zero Coupon Convertible Bonds due 2022 issued by the Company on 7 July 2016;
“Fixed Exchange Rate”	the fixed rate of HK\$7.7677 = US\$1.00;
“General Mandate”	a general and unconditional mandate granted to the Directors by passing a resolution of the Shareholders at the annual general meeting of the Company held on 21 June 2019 to exercise the power of the Company to allot and issue up to 20% of the issued share capital of the Company as at the date of passing such resolution;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Last Trading Day”	18 November 2019, being the last full trading day immediately before the entering into of the Placed Bonds Subscription Agreement;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Manager”	UBS AG Hong Kong Branch;
“Placed Bonds”	the zero coupon convertible bonds of an aggregate principal amount of US\$200 million to be issued by the Company under the Placed Bonds Subscription Agreement and to be consolidated and form a single series with the Existing Bonds;
“Placed Bonds Subscription Agreement”	the subscription agreement dated 19 November 2019 between the Company and the Manager relating to the issue of the Placed Bonds;
“Placed Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Placed Bonds;
“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan);
“Pre-emptive Bonds”	the Datang Pre-emptive Bonds and the China IC Fund Pre-emptive Bonds;
“Regulation S”	Regulation S under the Securities Act;
“Restricted Share Units”	an unsecured promise of the Company to pay eligible individuals a specific number of Shares of the Company on a specified date pursuant to the 2014 Equity Incentive Plan, subject to all applicable laws, rules, regulations and the applicable vesting, transfer or forfeiture restrictions as set out in the 2014 Equity Incentive Plan and the applicable award document;
“Securities Act”	the U.S. Securities Act of 1933, as amended;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Share(s)”	share(s) of US\$0.004 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Singapore Exchange”	Singapore Exchange Securities Trading Limited;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong;
“US” or “United States”	the United States of America;
“US\$” or “US Dollars”	United States dollars, the lawful currency of the United States;
“Xinxin HK”	Xinxin (Hongkong) Capital Co., Ltd., a wholly-owned subsidiary of China IC Fund; and
“%”	per cent.

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

Shanghai, 19 November 2019

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

**Executive Directors**

ZHOU Zixue (*Chairman*)

ZHAO Haijun (*Co-Chief Executive Officer*)

LIANG Mong Song (*Co-Chief Executive Officer*)

GAO Yonggang (*Chief Financial Officer and Joint Company Secretary*)

**Non-executive Directors**

CHEN Shanzhi

ZHOU Jie

REN Kai

LU Jun

TONG Guohua

**Independent Non-executive Directors**

William Tudor BROWN

CONG Jingsheng Jason

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

YOUNG Kwang Leei

\* *For identification purposes only*