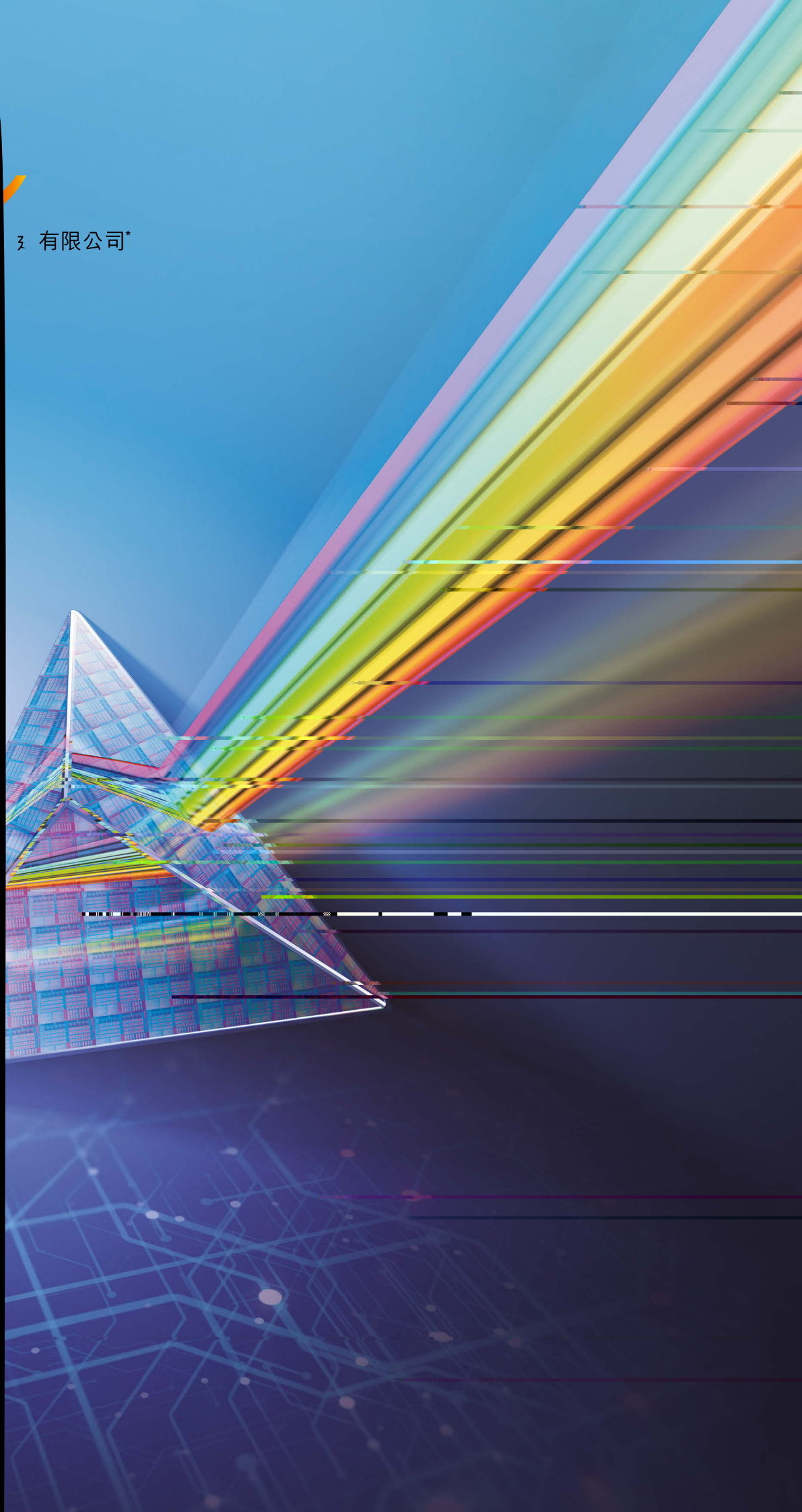


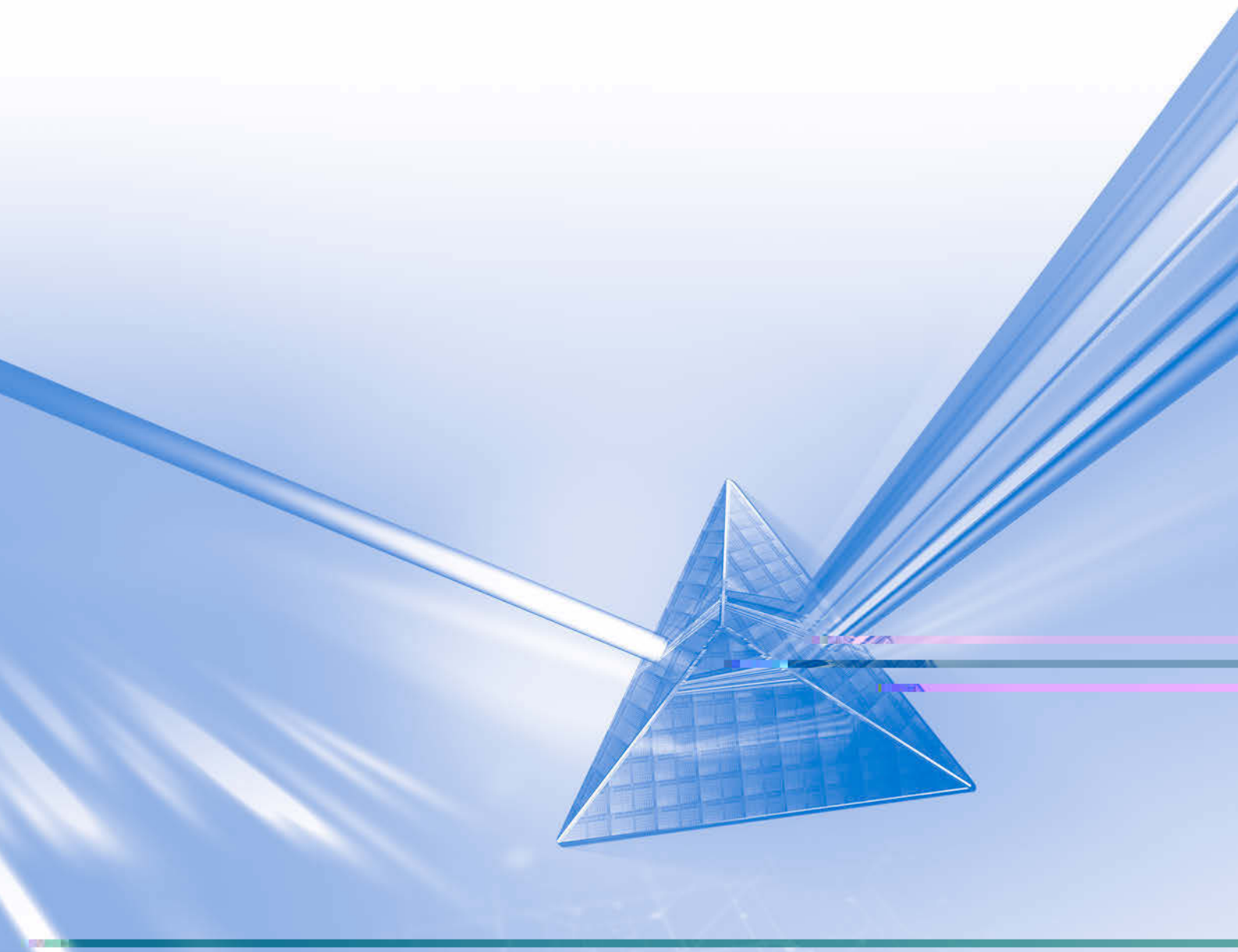
中芯国际

有限公司\*



# CONTENTS

2	SECTION 1	DEFINITIONS
3	SECTION 2	CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS
6	SECTION 3	MANAGEMENT DISCUSSION AND ANALYSIS
24	SECTION 4	CORPORATE GOVERNANCE
33	SECTION 5	ENVIRONMENTAL AND SOCIAL RESPONSIBILITY
36	SECTION 6	SIGNIFICANT EVENTS
50	SECTION 7	CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS
62	SECTION 8	RELEVANT INFORMATION ON BONDS
63	SECTION 9	FINANCIAL REPORTS



## IMPORTANT NOTICE

- I. **The Board of Directors and senior management of the Company warrant that the content of this interim 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 operations and the countermeasures in this report. For further information, please refer to "V. Risk Factors" in "Section 3 Management Discussion and Analysis" of this report.
- III. **All Directors of the Company attended the Board meeting.**
- IV. **This interim report has not been audited.**
- 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 interim report.**
- VI. **Plan for profit distribution or plan to convert capital reserves into share capital as approved by the Board in the reporting period**  
None
- 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 may contain, 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 cyclical 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**  
None
- X. **Any provision of external guarantee in violation of the stipulated decision-making procedure**  
None
- XI. **Does it exist that more than half of the Directors cannot warrant the truthfulness, accuracy and completeness of the interim report disclosed by the Company**  
No

## SECTION 1 DEFINITIONS

In this report, unless the context requires otherwise, 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
SMIC Holdings	for	SMIC Holdings Corporation
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
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.
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
reporting period or this period	for	the period from January 1, 2021 to June 30, 2021
corresponding period or previous period	for	the period from January 1, 2020 to June 30, 2020

All references in this 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 2 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 <sup>(Note)</sup>	Zhou Zixue
Registered address of the Company	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 1111 Cayman Islands
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	<a href="http://www.smics.com/">http://www.smics.com/</a>
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
Secretary to the Board	Guo Guangli
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

Note: 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 (Domestic representative of the information disclosure)	Securities Affairs Representative
Name	Guo Guangli	Wen Jiehan
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

## SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

### III. INTRODUCTION TO CHANGES IN THE INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers 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 interim report of the Company	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by Hong Kong Stock Exchange for publishing the interim report of the Company	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place of inspection of the interim 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

##### 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	Main Board of the Hong Kong Stock Exchange	SMIC	00981

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

### V. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) PRINCIPAL ACCOUNTING DATA

in USD'000

	Six months ended		
	06/30/21	06/30/20	06/30/21 as compared with 06/30/20 (%)
Revenue	<b>2,447,751</b>	1,843,375	32.8
Profit attributable to owners of the Company	<b>846,679</b>	202,133	318.9
Profit for the reporting period attributable to owners of the Company, net of non-recurring profit or loss	<b>362,659</b>	82,631	338.9
Net cash from operating activities	<b>1,502,981</b>	407,548	268.8
Earnings before interest, tax, depreciation and amortization ("EBITDA")	<b>1,759,057</b>	839,273	109.6

	Six months ended		
	06/30/21	12/31/20	06/30/21 as compared with 12/31/20 (%)
Equity attributable to owners of the Company	<b>16,060,987</b>	14,875,206	8.0
Total assets	<b>32,172,694</b>	31,320,575	2.7

#### (II) PRINCIPAL FINANCIAL INDICATORS

	Six months ended		
	06/30/21	06/30/20	06/30/21 as compared with 06/30/20 (%)
Gross margin	<b>26.8%</b>	26.2%	Increased by 0.6 percentage point
Net margin	<b>33.7%</b>	9.6%	Increased by 24.1 percentage points
EBITDA margin	<b>71.9%</b>	45.5%	Increased by 26.4 percentage points
Basic earnings per share	<b>\$0.11</b>	\$0.04	175.0
Diluted earnings per share	<b>\$0.11</b>	\$0.04	175.0
Basic earnings per share, net of non-recurring profit or loss	<b>\$0.05</b>	\$0.01	400.0
Weighted average return on equity	<b>5.5%</b>	3.4%	Increased by 2.1 percentage points
Weighted average return on equity, net of non-recurring profit or loss	<b>2.3%</b>	1.3%	Increased by 1.0 percentage points
Percentage of R&D investment to revenue	<b>12.2%</b>	17.6%	Decreased by 5.4 percentage points

## VI. DISCREPANCIES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

### (I) DISCREPANCIES IN NET PROFIT AND NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY IN THE FINANCIAL REPORT DISCLOSED UNDER THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND UNDER THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("CAS")

In USD'000

	Net profit attributable to owners of the Company		Net assets attributable to owners of the Company	
	Six months ended 06/30/21	Six months ended 06/30/20	06/30/21	12/31/20
Prepared in accordance with CAS	<b>812,421</b>	195,833	<b>16,060,987</b>	15,174,594
Adjustments to items and amounts prepared in accordance with IFRS:				
The equity interest in an associate being passively diluted <sup>(1)</sup>	<b>34,258</b>	—	—	—
Perpetual subordinated convertible bonds <sup>(2)</sup>	—	—	—	(299,388)
The equity method on one-quarter-lag basis to pick up the investment income or loss <sup>(3)</sup>	—	6,300	—	—
Prepared in accordance with IFRS	<b>846,679</b>	202,133	<b>16,060,987</b>	14,875,206

Notes:

- (1) 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.
- (2) Under CAS, perpetual subordinated convertible bonds are listed in the column of other equity instruments and 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.
- (3) For the six months ended June 30, 2020, given the financial information of the associates can be obtained in a timely manner, in the preparation of IFRS financial statements, the Company chose to recognize the investment income or loss and OCI based on accounting data of investees in the same accounting period as the Company's to eliminate the accounting treatment difference between IFRS and CAS.

## VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

In USD'000

	Six months ended 06/30/21
Gain on disposal of property, plant and equipment and assets classified as held-for-sale	19,204
Government funding	167,592
Gain on disposal of a subsidiary and some shares of an associate	265,561
Gain arising on financial assets at FVPL	15,380
Share of gain arising on financial instruments at FVPL of investment using equity method	39,849
Others	(24)
Impact on non-controlling interests	20,887
Effects of income tax	(44,429)
Total	484,020

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.

## VIII. EBITDA

In USD'000

	Six months ended	
	06/30/21	06/30/20
Net profit for the period	<b>824,029</b>	176,954
Finance costs	<b>55,842</b>	36,378
Depreciation and amortization	<b>881,286</b>	595,572
Income tax expense	<b>(2,100)</b>	30,369
EBITDA	<b>1,759,057</b>	839,273

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### I. INDUSTRIAL OVERVIEW AND PRINCIPAL BUSINESSES DURING THE REPORTING PERIOD

#### (I) PRINCIPAL BUSINESS, MAJOR PRODUCTS OR SERVICES

The Company, one of the leading foundries in the world, is the most advanced and the largest foundry with the most comprehensive semiconductor manufacturing services in the Chinese Mainland. The Company principally provides its customers with integrated circuit (IC) wafer foundry services and supporting services on process nodes from 0.35 micron to 14 nanometer based on different process technology platforms. The Company has mass production capability on diverse technology platforms such as logic IC, power/analog, high-voltage driver, embedded non-volatile memory, non-volatile memory, mixed signal/RF, and CMOS image sensor, etc. The Company is able to provide both IC foundry services and supporting services to customers in various application fields.

In addition to the IC foundry business, the Company is also committed to creating a platform-based ecological service model, providing customers with one-stop supporting services in design services, IP support, photomask manufacturing, etc., while enhancing the collaborations of upstream and downstream semiconductor industry chain so as to provide a full range of integrated solutions to our customers with the partners in all links of the industry chain.

#### (II) MAJOR BUSINESS MODEL

##### 1. Profit model

The Company is mainly engaged in IC foundry business based on multiple technology nodes and diverse technology platforms, as well as supporting services such as design services and IP support, photomask manufacturing, etc.

##### 2. R&D model

The Company has formed a complete and efficient innovation mechanism, and established a comprehensive R&D management system. With a professional and dedicated R&D team, the Company has established comprehensive R&D procedures and advanced supporting systems. With continuous R&D investments in mature technologies, advanced technologies and specialty technologies, the Company has solidified its technical foundation, established its technical thresholds and ensured the success of transferring projects from R&D to production. The R&D procedures principally include seven stages, namely project selection, feasibility assessment, project establishment, technology research and development, technology qualifications, product qualifications and production, each stage possessing a strict review procedure.

##### 3. Procurement mode

The Company mainly purchases materials, parts, equipment and technical services for IC foundry business and supporting services from its suppliers. In order to improve productivity and enhance cost control, the Company has established a procurement management system. The Company has a mature supplier management system and a relatively comprehensive security system for supply chain management. It has built mechanisms for supplier access, supplier assessment and evaluation, and supplier capability development and improvement. While maintaining long term collaboration with our major suppliers, the Company continues to take into account the introduction and cultivation of new suppliers to strengthen the sustainability and safety of the supply chain.

##### 4. Production mode

The Company plans production capacity based on market demand and determines production schedule, the 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 customers' requirements for such product.
- (2). Risk production: The samples from the small batch trial production are packaged, tested and functionally verified. If they meet the market requirements, the product can enter into the risk production stage. The stage of risk production mainly includes product yield improvement, product process improvement and production capacity expansion.
- (3). Mass production: After the risk production is completed and the above mentioned delivery indicators are within customer specifications, the product can enter into the mass production stage. In the mass production stage, the sales department confirms with customer on the purchase order quantity. The production planning department arranges production based on customer order requirements, tracks production progress, and provides customers with production progress reports.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Marketing and sales model

The Company adopts various marketing methods and actively expands customer base through multiple channels. After the Company forms a cooperative relationship with customers, the Company will maintain direct communication channels with customers and enable solutions to meet their needs. Through market research, the Company actively contacts and visits target customers, recommend processes and services linked to customer needs and launches a series of customer development activities. The Company also establishes cooperative relations with customers through collaborations 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 and acquires customers 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 the Company's website and word-of-mouth communication. The Company's sales team executes orders with customers, and provides IC wafer foundry services and relevant supporting services to the customers according to the requirements of the order. Upon completion of manufacturing, the product will be delivered to customers or the downstream packaging and testing manufacturers designated by customers.

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

### (III) INDUSTRY OVERVIEW

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

IC foundry is at the core of the IC industry chain, it is a business model of IC manufacturers. Benefiting from the growing demands for IoT, cloud computing, big data and other related products, the IC foundry has become a fundamental and leading industry to support economic and social development. Its development has become one of the core indicators to measure the technology development level, impacting the progress of social informatization.

In the first half of 2021, the tensions of global geographical and trading relations remained tight, the epidemic in some countries and regions continued to spread, the overseas supply chains encountered capacity limitations due to a number of companies being affected by natural disasters and accidents. Moreover, panic stocking in the supply chain and a slow capacity expansion of the worldwide foundry have led to a global semiconductor supply shortage. On the other hand, IoT, cloud computing, big data, Artificial Intelligence ("AI"), driver assistance, robots, unmanned aerial vehicles ("UAV") and other application fields will continue to grow, the relevant end market will continue to have a strong demand, which further intensify the capacity shortage situation in the global semiconductor industry.

Regarding the domestic industry development, the epidemic was brought under control in a relatively short time in 2020. In 2021, the domestic semiconductor industry supply risk was mitigated due to the countrywide vaccination program adopted widely in the domestic population. Meanwhile, accelerating the formation of coordinated advancement of domestic telecommunication infrastructures, equipment manufacturing and the other multiple sectors, the PRC IC industry continued to maintain a significant growth in the first half of the year.

The IC foundry industry is highly technology-intensive, talent-intensive and capital-intensive. It has rigorous requirements and implementation standards for the manufacturing environment, energy, raw materials, equipment and quality management system. With higher demand arising from diversified application fields of IC products, the supporting services from wafer foundries have become an additional advantage in attracting customers. On the whole, with more diversified application fields of IC products arising, the technical thresholds of wafer foundries will continue to rise.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Analysis on the industry position of the Company and its changes

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

### 3. Development of new technologies, new industries, new sectors and new models as well as future trends during the reporting period

IC manufacturing is conducted by using high-precision equipment, and has, after decades of development, developed from 0.35 micron CMOS process at the beginning of this century to the nanometer-level FinFET process. By following Moore's Law, the most advanced manufacturing process for mass production of IC in the world has reached 5 nanometer, and 3 nanometer technology is expected to be launched in the market around 2022.

In recent years, with the continual introduction of emerging applications, specialty technologies have gradually become an integral part of broad market demand in addition to logic IC. Specialty technologies mainly include CMOS image sensor, fingerprint sensor, specialty memory, embedded non-volatile memory, power discrete, analog and power management IC, high voltage, radio frequency and micro electro-mechanical systems, etc. The devices of specialty technologies are usually characterized by relatively low R&D expenses, independent on advanced equipment and advanced technologies, and are broader in product variants. Specialty technologies have been drawing attentions from the global leading foundries, and have become an important development opportunity for semiconductor industry.

## II. CORE TECHNOLOGIES AND R&D PROGRESS

### (I) CORE TECHNOLOGIES, ADVANCEMENT AND THEIR CHANGES DURING THE REPORTING PERIOD

For advanced technology progress, the development of multiple derivative platforms are carrying out as planned, steadily engaging with customers, and achieving the goal of diversified product portfolio.

Meanwhile, the research and development of SMIC's specialty process technology is progressing smoothly. Multiple technologies have entered mass production. 55nm and 40nm high voltage display driver integrated circuit (HVDDIC) platforms have entered risk production, and other projects such as special storage technologies and image sensing technologies are also progressing steadily in terms of their development.

### (II) R&D ACHIEVEMENTS DURING THE REPORTING PERIOD

#### List of intellectual property rights obtained during the reporting period

	Increase during the period		Accumulative number	
	Number of applications	Number of rights obtained	Number of applications	Number of rights obtained
Invention patents	330	373	15,846	10,382
Utility model patents	–	1	1,772	1,766
Layout design rights	–	–	94	94
Total	330	374	17,712	12,242

### (III) ANALYSIS OF R&D COSTS

In USD'000

	Six months ended		
	06/30/21	06/30/20	06/30/21 as compared with 06/30/20 (%)
Expensed R&D costs	299,325	324,485	-7.8
Capitalized R&D cost	–	–	–
Total R&D cost	299,325	324,485	-7.8
Total R&D costs as a percentage of revenue	12.2%	17.6%	Decreased by 5.4 percentage points
Capitalized percentage of R&D costs	–	–	–

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) R&D PROJECTS

No.	Name of project	Progress or milestone achievements	Proposed objectives	Technology positioning	Specific application prospects
1	FinFET derivative technology platform development	The development of multiple derivative platforms are carrying out as planned, steadily engaging with customers, and achieving the goal of diversified product portfolio.	Based on the FinFET general process platform, a series of derivative application platforms to be developed, device performance to be further optimized and integration to be improved, to meet the needs of various applications.	Domestic leadership	Mainly applied to consumer electronics.
2	22nm ultra low-power (ULP) platform	The electrical property of devices have matched the targets. The devices designs have been completed; the processes validation has commenced, and the original process has been frozen.	To complete platform development, engage customers, and realize mass production.	Domestic leadership	Mainly applied to various IoT products to meet needs for smartphones, digital TVs, set-top boxes, image processors, wearables and consumer electronics, etc.
3	28nm Radio Frequency (RF) technology platform	Based on the 28HKC+ platform, various RF devices have been provided with optimized performances, the process has been frozen and the customer verifications have commenced.	To complete platform development, engage customers, and realize mass production.	Domestic leadership	Mainly applied to household networks, routers, WIFI, mobile terminal equipment communication and other applications.
4	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 technology platform, 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 for high-end smart phone.
5	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 for smart phones.
6	eFlash	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 types of applications 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 smart cards, industrial controls and IoT, etc.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of project	Progress or milestone achievements	Proposed objectives	Technology positioning	Specific application prospects
7	NOR Flash memory process	The establishment of 65nm NOR and 55nm NOR process technology platforms and production lines have been completed.	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 consumer electronics, such as Bluetooth, WIFI, set-top boxes, and other products.
8	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 and mass production has been established.	To begin customer engagement 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.
9	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 and 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.

### (V) R&D STAFF

	Basic information	
	06/30/21	06/30/20
Number of R&D Staff of the Company	1,785	2,419
Number of R&D staff as a percentage of the total workforce of the Company	11.2%	15.8%
Total compensation of R&D staff (USD'000)	35,558	46,144
Average compensation of R&D staff (USD'000)	20	19

#### Education level

Education level	Number of persons	Percentage (%)
Doctorate	222	12.4
Master	944	52.9
Bachelor	355	19.9
Junior college and below	264	14.8
Total	1,785	100.0

#### Age structure

Age group	Number of persons	Percentage (%)
Aged below 30	674	37.8
Aged 30-40	843	47.2
Aged above 40	268	15.0
Total	1,785	100.0

Note: R&D staff includes R&D department staff and technical staff engaged in research-related technical support. The number of R&D personnel in this reporting period decreased compared with the previous period, mainly due to some research personnel have been transferred to production and operation positions, and the impact of the disposal of a subsidiary, SJ Semiconductor Corporation.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### (I) ANALYSIS ON CORE COMPETITIVENESS

The Company continued to strengthen its core competitiveness during the reporting period:

##### **1. Advantages in R&D platforms**

The R&D center of the Company simultaneously carries out mature process refinement and advanced technology development based on the overall strategies and oriented by customer needs. The specialty technologies continuously extend from the mature process and advanced technologies continue to develop derivative application platforms. Meanwhile, we ensure the R&D stage of a project is fully benchmarked for the technical needs of subsequent mass production, effectively assure the product quality and reliability, and shorten the cycle from research to production to meet customer needs for product innovations and rapid evolutions.

##### **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 with many years of R&D and management experience in the industry.

##### **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 diverse technology nodes ranging from 0.35 micron to 14 nanometer, which are applied in various technology platforms. The Company owns mass production capability on many technology platforms, such as logic IC, power/analog, high-voltage driver, embedded non-volatile memory, non-volatile memory, mix signal/RF, and CMOS image sensor, etc. The Company is able to provide both IC foundry services and supporting services to customers in the application fields of smart phone, smart home, consumer electronics and other areas. Through long-term cooperation with domestic and overseas renowned customers, the Company has formed prominent brand effects, and obtained 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 June 30, 2021, the Company had 12,148 patents in total, including 10,382 invention patents. In addition, the Company also had 94 layout design rights of IC.

##### **5. Internationalized and supply 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 a relatively 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, further expanding the markets and quickly responding to customer needs. The Company pays great attention to the strategic partnerships with upstream and downstream enterprises of the IC industry chain, enhances supply chain integration and layout capability, and constructs a compact IC ecosystem, 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), Hazardous Substance Process Management System Accreditation (QC080000), Greenhouse Gas Emission Inventory Accreditation (ISO14064), Energy Management System Accreditation (ISO50001), and the Road Vehicles – Functional Safety Accreditation (ISO26262), etc.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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 license 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 the second half of 2021, this matter has brought uncertain risks to the Company's performance. The Company will continue to communicate with relevant agencies of the U.S. Governments, actively take all feasible measures as appropriate, seek solutions and try best to minimize the adverse effects.

## IV. DISCUSSION AND ANALYSIS ON BUSINESS

In the first half of 2021, the epidemic recurred, the new business formats including stay-at-home-economy, online-education, cloud-tour, and smart-community etc., accelerated the market growth of internet of everything, and boosted more market opportunities for the IC industry. At present, the momentum of IC market is supported by three major factors: 1) Steady stock demand from conventional market; 2) Incremental demand from the emerging product markets; 3) Incremental demand from localized manufacturing facilitated by worldwide industry landscape shift. The incremental build-up of these demand and the shutdown in many places in the world caused by the pandemic, have resulted in capacity short-supply in semiconductor manufacturing, bottleneck issues of peripheral chip services and other problems, and lengthen the procurement cycle-times of the overall IC supply chain. Meanwhile, geographical trade tension remains, under the rapidly growing global markets, the Company still faces uncertainty in operational continuity and capacity expansion. During the reporting period, the company made more efforts, continued to innovate, and exceeded original revenue expectations of the first half of 2021.

During the reporting period, the Group recorded total revenue of US\$2,447.8 million, representing a year-on-year growth of 32.8%. In particular, the wafer revenue amounted to US\$2,239.7 million, representing 91.5% of the total revenue and a year-on-year growth of 33.5%. The revenue from photomask manufacturing, testing and other supporting technical services amounted to US\$208.1 million, representing 8.5% of the total revenue and a year-on-year growth of 25.5%.

From the perspective of regions, revenue from each region recorded growth for the period, among which the revenue from business in the Chinese Mainland and Hong Kong, China accounted for 59.6% of the total revenue, representing a year-on-year increase of 23.9%; the revenue from business in North America accounted for 25.3% of the total revenue; and the revenue from business in Eurasia accounted for 15.1% of the total revenue.

In respect of application segments, the revenue from consumer electronics accounted for 23.0% of wafer revenue, representing a year-on-year increase of 72.8%; the revenue from smart phone accounted for 33.2% of wafer revenue; the revenue from smart home accounted for 13.1% of wafer revenue; and the revenue from other applications accounted for 30.7% of wafer revenue.

By technology, the revenue from 90nm and below accounted for 61.4% of wafer revenue, representing a year-on-year increase of 43.6%. In particular, the revenue from 55/65nm technology accounted for 31.2%, representing a year-on-year increase of 33.1%; and the revenue from FinFET/28nm increased to 11.1%, representing a year-on-year increase of 75.9%.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### V. RISK FACTORS

#### (I) RISK OF CORE COMPETITIVENESS

##### 1. *The R&D risk*

The IC foundry industry in which the Company operates is a technology-intensive industry. IC 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, and 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 foundry requires relatively high technical content, early technical demonstration, continuous ongoing R&D in later stages, and long cycle times. If the Company fails to keep up with the frontier needs of the industry in the future and fails to correctly identify the direction of R&D, deviations may occur in process technology positioning. In addition, as the R&D process of new technology is relatively complicated, time-consuming and more 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 the previous year, the R&D expenses of the Company amounted to US\$299.3 million and US\$324.5 million, respectively, representing 12.2% and 17.6% of the revenue, respectively. If the Company's investment in technology R&D in the 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 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, including share incentive, for outstanding talents, which played a positive role in retaining and attracting technical talents. 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 has a large number of 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 R&D progress 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. *Iteration risk of technology upgrade 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.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) OPERATING RISKS

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

The IC 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 large investments. During the reporting period and corresponding period of the previous year, payments for fixed assets, intangible assets and other long-lived assets were US\$1,365.4 million and US\$1,396.9 million respectively; R&D expenses were US\$299.3 million and US\$324.5 million respectively. In the future, if the Company fail to generate sufficient profit from operations 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 foundry during the reporting period and corresponding period of previous year. Revenue contribution from the top five customers represented 33.3% and 44.4% 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 operations 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 foundry industry has high requirements for raw materials, parts, equipment, etc. There is a limited number of qualified suppliers for certain important raw materials, parts, core equipment, 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, parts, core equipment, 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, etc, which, in turn, affect the approval for the export license required for the corresponding raw materials, parts, equipment, 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 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.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) MACRO-ENVIRONMENTAL RISKS

#### 1. *The macroeconomic fluctuations and industry cyclical risks*

The Company mainly provides customers with IC 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, 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 foundry corporates. 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 operations*

At the beginning of 2020, the outbreak of COVID-19 had 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. So far, the epidemic has not yet caused significant adverse effects on the Company's operations.

However, the reduction of international flights and the shortage of transportation capacity have made the delivery cycle of equipment, parts 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 supporting 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, business revenue contribution from countries and regions outside of the Chinese Mainland and Hong Kong, China represented 40.4% and 36.1%, respectively. Meanwhile, most of the Company's major suppliers are overseas companies.

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

On June 3, 2021, EST, an executive order was issued by Biden, restricting Americans from investing in "Chinese Military Industrial Complex Companies". Any transaction on the publicly traded securities, and any securities that are derivative of such securities of the Company by any U.S. person is restricted.

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.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 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 operations of some enterprises and market expectations.

In May 2019, the U.S. Department of Commerce added certain Chinese companies to the "Entity List"; in May and August 2020, the U.S. Department of Commerce revised the "Foreign 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 applicable laws and regulations of relevant countries and regions in which its production and operational activities are involved, and has strived to the principle of operating business in compliance with the aforementioned laws and regulations since its establishment. However, the U.S. enhanced export controls targeting Chinese 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 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\$1.4 million and US\$3.8 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, 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) FINANCIAL RISKS

### 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\$2,946.8 million, accounted for 9.2% of the total assets. The Company will further expand its production capacity in the future, and will 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.

### 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 26.8% and 26.2%. 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, the expansion of advanced process production line which may lead to significant increase of the ratio of depreciation to revenue in certain period of time, and other adverse circumstances, the Company may expose to the risk of gross profit margin fluctuations in a certain time in the future.

### 3. *The risk of financial performance fluctuations*

During the reporting period and the corresponding period of last year, the Company's revenue was US\$2,447.8 million and US\$1,843.4 million, respectively. The Company's net profit attributable to owners of the Company was US\$846.7 million and US\$202.1 million, respectively. The Company's net profit attributable to owners of the Company (net of non-recurring profit or loss) were US\$362.7 million and US\$82.6 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*

During the reporting period, SMIS, SMNC and SMIZ are entitled to a 15% preferential corporate income tax rate of 15% for high-tech enterprise; SMIT is 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" and is entitled to the preferential corporate income tax rate of 12.5%; SMIB is currently in the preferential period of corporate income tax entitlement for integrated circuit manufacturing enterprises with the "ten-year exemption" and is entitled to the preferential corporate income tax rate of 0%.

In the future, if the above preferential tax policies change or the above subsidiaries no longer meet the relevant qualifications, it will have an adverse impact on the future income tax expense of the Company.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 5. *The risk of impairment on assets*

As a capital-intensive corporate, 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 37.6% 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 return rates 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 growth of the Company's sales, the inventory balance at the end of each period has also been trending up. 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.

### (VI) INTERNAL CONTROL MANAGEMENT RISK

#### 1. *The risk of no controlling shareholder and de facto controller*

During the reporting period, every single shareholder of the Company held less than 30% of the Company's shares. As of June 30, 2021, the Company's largest shareholder CICT and its related stakeholders and the second largest shareholder Xinxin HK held 11.71% and 7.81% 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 and 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 June 30, 2021, the Company has a total of 27 subsidiaries, including 18 domestic subsidiaries and 9 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.

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

### (VII) 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.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. The risk of dispute and litigation

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 operations.

As of the publication date of this report, the Company's pending litigations and arbitrations which are relatively large include: 1) PDF SOLUTIONS, INC. initiated an arbitration on a series of technical service agreements signed with SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC New Technology"); 2) the announcement dated December 15, 2020 in relation to the 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.

## VI. MAIN OPERATION RESULTS DURING THE REPORTING PERIOD

In the first half of 2021, the Group recorded a revenue of US\$2,447.8 million and net profit attributable to owners of the Company of US\$846.7 million.

### (I) ANALYSIS OF PRINCIPAL BUSINESSES

#### 1. Analysis of changes in relevant items in the financial statements

In USD'000

Items	Six months ended		06/30/21 as compared with 06/30/20(%)
	06/30/21	06/30/20	
Revenue	2,447,751	1,843,375	32.8
Cost of sales	(1,792,625)	(1,361,201)	31.7
Gross profit	655,126	482,174	35.9
Research and development expense	(299,325)	(324,485)	(7.8)
Sales and marketing expenses	(12,032)	(10,913)	10.3
General and administrative expenses	(99,935)	(133,612)	(25.2)
Other operating income, net	418,776	99,665	320.2
Finance costs, net	52,800	37,370	N/A
Other gains, net	21,407	30,342	(29.4)
Share of gain of investment accounted for using equity method	85,318	27,604	209.1
Net cash from operating activities	1,502,981	407,548	268.8
Net cash used in investing activities	(4,104,346)	(2,064,579)	98.8
Net cash (used in) from financing activities	(75,708)	2,569,233	N/A

#### (1) Revenue

The Group's revenue increased by 32.8% from US\$1,843.4 million for the corresponding period to US\$2,447.8 million for the reporting period, primarily due to the increase in wafer shipment and average selling price. The number of wafer shipments increased by 16.2% from 2.8 million 8-inch wafer equivalents for the corresponding period to 3.3 million 8-inch wafer equivalents for the reporting period. The average selling price, calculated as the wafer revenue divided by total shipments of the wafers, increased from US\$590 per wafer for the corresponding period to US\$678 per wafer for the reporting period.

#### (2) Cost of sales

Cost of sales increased by 31.7% from US\$1,361.2 million for the corresponding period to US\$1,792.6 million for the reporting period, primarily due to the increase in the volume of wafer shipments and product-mix change.

#### (3) Gross profit

Gross profit increased by 35.9% from US\$482.2 million for the corresponding period to US\$655.1 million for the reporting period, primarily due to the increase in wafer shipments, average selling price and product-mix change.

#### (4) Profit from operations for the period

Profit from operations increased from US\$112.0 million profit for the corresponding period to US\$662.4 million profit for the reporting period, 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\$324.5 million for the corresponding period, compared to US\$299.3 million for the reporting period. The change was mainly caused by the decrease of R&D activities for the reporting period.

Sales and marketing expenses were US\$10.9 million for the corresponding period, compared to US\$12.0 million for the reporting period.

General and administrative expenses decreased from US\$133.6 million for the corresponding period to US\$99.9 million for the reporting period. The change was primarily due to the effectively controlled 12-inch wafer fab in Shanghai commenced mass production from June 2020 and no initial expenses prior to mass production occurred in the reporting period.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Other operating income, net increased from US\$99.7 million for the corresponding period to US\$418.8 million for the reporting period. The increase was mainly due to the net proceeds of US\$231.4 million from the disposal of a subsidiary for the reporting period. The income recognized in relation to government funding increased from US\$99.7 million for the corresponding period to US\$167.6 million for the reporting period.

### (5) Net profit for the period

Finance costs, net includes interest income, finance costs and foreign exchange gain. The change of finance costs, net was mainly due to the increase in interest income for the reporting period.

The decrease in other gains, net for the reporting period was mainly due to the decrease in 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 the reporting period. Certain associates of the Group are investment funds with a number of investment portfolios. The gain on the equity investment of associates was a result of the fair value change of the portfolios and the increase in the operating income of certain associates in the reporting period.

The Group had a net profit of US\$824.0 million for the reporting period, compared to a net profit of US\$177.0 million for the corresponding period, representing an increase of 365.7%, which was mainly due to the impact of the factors described above.

### (6) Cash flow

Cash and cash equivalents decreased by US\$2,677.1 million for the reporting period. 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\$407.5 million for the corresponding period to US\$1,503.0 million for the reporting period, primarily due to the increase in received cash from sales of goods.

Net cash used in investing activities was US\$4,104.3 million for the reporting period, primarily attributable to purchases of plant and equipment and the net cash outflow from selling and payments for financial assets and partially deducted by the proceeds from disposal of a subsidiary.

Net cash used in financing activities was US\$75.7 million for the reporting period, which was primarily due to the net cash outflow from new financing and repayments of bank borrowings, and partially deducted by the proceeds from the capital contribution of minority interests.

## 2. Analysis of revenue

### Principal businesses by region

*Percentage of revenue of principal businesses*

By region	Six months ended	
	06/30/21	06/30/20
North America <sup>(1)</sup>	25.3%	23.5%
The Chinese Mainland and Hong Kong, China	59.6%	63.9%
Eurasia <sup>(2)</sup>	15.1%	12.6%

Notes:

- (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 the Chinese Mainland and Hong Kong, China.

### Analysis on wafer revenue

*Percentage of revenue from wafers*

By application	Six months ended	
	06/30/21	06/30/20
Smart phone	33.2%	47.5%
Smart home	13.1%	16.0%
Consumer electronics	23.0%	17.8%
Others	30.7%	18.7%

*Percentage of revenue from wafers*

By technology nodes	Six months ended	
	06/30/21	06/30/20
FinFET/28 nm	11.1%	8.4%
40/45 nm	15.5%	15.2%
55/65 nm	31.2%	31.3%
90 nm	3.6%	2.2%
0.11/0.13 micron	5.9%	5.4%
0.15/0.18 micron	29.2%	33.2%
0.25/0.35 micron	3.5%	4.3%

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 3. LIQUIDITY AND CAPITAL SOURCES

#### (1) Net debt

In USD'000

	06/30/21	12/31/20
Borrowings	4,943,882	5,290,833
Lease liabilities	261,764	245,270
Bonds payable	597,312	596,966
Convertible bonds	1,957	11,131
Medium-term notes	232,082	229,217
<b>Total debt</b>	<b>6,036,997</b>	<b>6,373,417</b>
Cash and cash equivalents	(7,179,067)	(9,826,537)
Restricted cash – current	(218,564)	(575,258)
Financial assets at FVPL – current <sup>(1)</sup>	(7,219)	(111,477)
Financial assets at amortized cost <sup>(2)</sup>	(8,046,641)	(4,445,238)
<b>Net debt</b>	<b>(9,414,494)</b>	<b>(8,585,093)</b>

Notes:

- (1) Mainly include wealth investment product and structured deposits.  
 (2) Mainly include bank time deposits over three months.

At the end of the reporting period, the Group's outstanding debts amounted to US\$6,037.0 million, and primarily consisted of guaranteed or secured bank loans of US\$1,626.5 million, unsecured nor unguaranteed bank loans of US\$3,317.4 million, lease liabilities and bonds payable. Debt due within one year amounted to US\$507.2 million.

Details of the debt arrangements are detailed in Note 25 to the condensed consolidated financial statements.

#### (2) Capital expenditures and funding sources

The Group's planned 2021 capital expenditures are approximately US\$4.3 billion, the majority of which will be spent on production expansion in mature processes, with a small amount to be spent on advanced processes, civil engineering for new joint ventures in Beijing and others.

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 closely 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.

#### (3) Expenditure commitments

At the end of the reporting period, the Group had expenditure commitments of US\$338.8 million for facilities construction obligations, US\$3,393.0 million to purchase machinery and equipment and US\$21.7 million to purchase intangible assets.

#### (4) 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 31 to the condensed consolidated financial statements.

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

In USD'000

Items	Amount	Percentage of net profits (%)	Explanation for the cause	If there is any sustainability
Other operating income-disposal of a subsidiary	231,382	28.1	Primarily due to the disposal of a subsidiary during the reporting period	No
Other operating income-government funding	167,593	20.3	Primarily due to the recognized income of government project funds received during the reporting period	No
Share of gain of investment accounted for using equity method	85,318	10.4	Primarily due to the investment income and passively diluted equity income of the associates for the reporting period	No

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) ANALYSIS ON ASSETS AND LIABILITIES

#### 1. Assets and liabilities

In USD'000

Items	06/30/21	The closing balance to the total assets (%)	12/31/20	The opening balance to the total assets (%)	06/30/21 as compared with 12/31/20 (%)	Explanations
Restricted cash-current	218,564	0.7	575,258	1.8	(62.0)	Decrease mainly due to the use of government fundings and decrease in pledge of deposits for the reporting period.
Financial assets at fair value through profit or loss-current	7,219	0.0	111,477	0.4	(93.5)	Decrease in structural deposits for the reporting period.
Trade and other receivables	996,076	3.1	975,927	3.1	2.1	Increase mainly due to the increase in wafer revenue for the reporting period, partially deducted by the return of value-added tax to be deducted.
Financial assets at amortized cost-current	4,628,937	14.4	2,806,517	9.0	64.9	Increase mainly due to the increase in new bank deposits with more than 3 months.
Deferred tax assets	36,967	0.1	24,900	0.1	48.5	Increase due to the increase in deductible temporary difference that cannot be used to offset for the reporting period.
Financial assets at amortized cost-non-current	3,417,704	10.6	1,638,721	5.2	108.6	Increase due to the increase in new bank deposits with more than 1 year.
Borrowings-current	399,358	1.2	1,260,057	4.0	(68.3)	Decrease due to the repayment of short-term loans and long-term loans matured within 1 year.
Derivative financial instruments (net liabilities)	15,924	0.1	120,577	0.4	(86.8)	Decrease due to the settlement and the change in fair value of cross currency swap contracts for the reporting period.
Contract liabilities	783,830	2.4	181,425	0.6	332.0	Increase in prepayments relevant to business activities for the reporting period.
Current tax liabilities	5,782	0.0	17,579	0.1	(67.1)	Decrease mainly due to the payment of accrued income tax expense for the previous year.
Medium-term notes-non-current	-	-	229,217	0.7	(100.0)	Decrease due to the reclassification of the medium-term matured within 1 year notes to medium-term notes-current.
Medium-term notes-current	232,082	0.7	-	-	N/A	Increase due to the reclassification of the medium-term matured within 1 year notes to medium-term notes-current.
Deferred tax liabilities	17,753	0.1	-	-	N/A	Increase due to the increase in the taxable temporary difference that cannot be used to offset for the reporting period.
Perpetual subordinated convertible securities	-	-	299,388	1.0	(100.0)	Decrease due to the conversion of perpetual subordinated convertible securities for the reporting period.



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

### (1) Assets pledged as security

At the end of the reporting period, buildings, machinery and equipment and land use right with a carrying amount of approximately US\$173.7 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 the reporting period, restricted cash comprise government project fundings of US\$127.0 million and bank time deposits of US\$207.7 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 new share issues and share buy-backs, and through the issue of new debt or the redemption of existing debt, and reviews the capital structure on a interim basis. The gearing ratio at the end of the reporting period was as follows:

<i>In USD'000</i>		
Gearing ratio	06/30/21	12/31/20
Net debt	<b>(9,414,494)</b>	(8,585,093)
Equity	<b>22,781,631</b>	21,681,738
	<b>-41.3%</b>	-39.6%

### (2) Capitalized interest

Interest is capitalized when incurred on the specialized borrowings that are used for the over-one-year construction of plant and equipment. Capitalized interest is added to the cost of the underlying assets and is depreciated over as accounting policy. Capitalized interests of nil and US\$29.6 million during the reporting period and the corresponding period of last year, respectively, were added to the cost of the underlying assets. For this reporting period and the corresponding period of last year, the Group recorded depreciation expenses relating to the capitalized interest of US\$18.5 million and US\$20.9 million, respectively.

## (IV) ANALYSIS ON INVESTMENTS

### 1. Overall analysis on external equity investment

#### (1) Significant equity investments

#### Entering into cooperation framework agreement in relation to the development of 12-inch wafer production facilities in Shenzhen

The Company entered into the cooperation framework agreement (the "Cooperation Framework Agreement") concluded by Shenzhen Municipal People's Government ("Shenzhen Government") on March 12, 2021. Pursuant to the Cooperation Framework Agreement, the Company and Shenzhen Government (through Shenzhen Major Industry Investment Group Co., Ltd. ("Shenzhen Major")), among other matters, 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. Please refer to the Company's announcement dated March 17, 2021 published on the website of Hong Kong Stock Exchange for details.

#### (2) Financial assets at fair value

<i>In USD'000</i>				
Items	06/30/21	12/31/20	Changes in the current period	Impact on profit for the current period
Equity investment	<b>168,737</b>	156,367	12,370	3,694
Structured deposits and monetary funds	<b>7,219</b>	111,477	(104,258)	222

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (V) MAJOR ASSETS AND EQUITY DISPOSAL

*Disposal of a subsidiary, SJ Semiconductor Corporation*

## SECTION 4 CORPORATE GOVERNANCE

### 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](http://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 six months ended June 30, 2021.

Rule 3.10A of the Hong Kong Stock Exchange Listing Rules provides that an issuer must appoint independent non-executive directors representing at least one-third of the board. Following the resignation of Dr. Cong Jingsheng Jason as an independent non-executive director on December 31, 2020, the number of independent non-executive directors of the Board fell below the required minimum of at least one-third of the Board. On February 4, 2021, following the appointment of Dr. Liu Ming as an independent non-executive director, the number of independent non-executive director of the Board was restored to at least one-third of the Board as required under Rule 3.10A.

### II. 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)	Meeting resolution(s)
2021 annual general meeting	June 25, 2021	The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )/the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	June 25, 2021/June 26, 2021	All resolutions proposed at the meeting were passed
2021 first extraordinary general meeting	June 25, 2021	The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )/the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	June 25, 2021/June 26, 2021	All resolutions proposed at the meeting were passed

### III. CHANGES IN DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS OF THE COMPANY

Name	Position	Change
Liu Ming	Independent non-executive Director	Elected
Lu Jun	Non-executive Director	Resigned
Tong Guohua	Non-executive Director	Resigned
Lu Guoqing	Non-executive Director	Elected
Huang Dengshan	Non-executive Director	Elected
Wu Jingang	Core technician	Resigned

## SECTION 4 CORPORATE GOVERNANCE

### IV. UPDATES TO INFORMATION RELATING TO DIRECTORS AND CHIEF EXECUTIVE

As required under rule 13.51B of the Hong Kong Listing Rules, certain changes in, and updates to, the information previously disclosed regarding the Directors and chief executive during their respective terms of office are set out below:

- Dr. Liu Ming has been appointed as a Class III independent non-executive Director and a member of the strategic committee of the Board with effect from February 4, 2021; Dr. Liu resigned as an independent non-executive director of Unisound AI Technology Co. Ltd. (a private company established in the PRC) on April 29, 2021.
- Mr. Lu Jun has resigned as a Class II non-executive Director of the Company and a member of the nomination committee of the Board with effect from April 29, 2021.
- Dr. Tong Guohua has resigned as a Class I non-executive Director of the Company and a member of the compensation committee of the Board with effect from May 13, 2021.
- Mr. Lu Guoqing has been appointed as a Class I non-executive Director of the Company and a member of the compensation committee of the Board with effect from May 13, 2021. Mr. Lu ceased to serve as the general manager of CICT on July 29, 2021.
- Mr. Huang Dengshan has been appointed as a Class II non-executive Director of the Company and a member of the nomination committee of the Board with effect from May 13, 2021.
- Mr. William Tudor Brown, an independent non-executive Director, has served as an independent non-executive director of Ceres Power Holdings plc (a company listed on the London Stock Exchange: CWR.L) since April 1, 2021.
- Mr. Fan Ren Da Anthony, an independent non-executive Director, has re-designated as an executive director from an independent non-executive director of Tenfu (Cayman) Holdings Company Limited (a company listed on the Hong Kong Stock Exchange: 6868) since May 18, 2021. He retired as an independent non-executive director of Raymond Industrial Limited (a company listed on the Hong Kong Stock Exchange: 229) on May 21, 2021.
- Dr. Zhou Zixue, Chairman and Executive Director, retired as an independent director of Hisense Visual Technology Co., Ltd. (a company listed on Shanghai Stock Exchange: 600060) on June 3, 2021.

### V. PARTICULARS OF EMPLOYEES

Save as disclosed in this interim report, there is no material change to the information disclosed in the 2020 annual report of the Group in relation to the number and remuneration of employees, remuneration policies, employee bonus and share option schemes of employees.

### VI. PLAN FOR PROFIT DISTRIBUTION OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL

#### (I) PLAN FOR PROFIT DISTRIBUTION AND PLAN TO CONVERT CAPITAL RESERVES INTO SHARE CAPITAL PROPOSED FOR THE FIRST HALF OF THE YEAR

Whether distributed or converted	No
Bonus shares for every 10 shares (shares)	–
Dividend for every 10 shares (yuan) (tax inclusive)	–
Conversion into share capital for every 10 shares (shares)	–

#### (II) DIVIDENDS

The Board did not propose to declare an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

## SECTION 4 CORPORATE GOVERNANCE

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

#### (I) RELEVANT STOCK 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 29, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: January 29, 2021
Issue of ordinary shares pursuant to exercise of share options granted under the 2014 Stock Option Plan (adopted on June 13, 2013) by directors of the Company on February 1, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: February 1, 2021
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 1, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: February 1, 2021
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 February 1, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: February 1, 2021
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 25, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: February 25, 2021
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 30, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: March 30, 2021
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, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: April 9, 2021
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 May 27, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: May 27, 2021
Grant of share options	Announcement and notice on the Hong Kong Stock Exchange: May 31, 2021 Next Day Disclosure Return on the Hong Kong Stock Exchange: June 29, 2021
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 June 29, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: June 29, 2021
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 29, 2021	Next Day Disclosure Return on the Hong Kong Stock Exchange: June 29, 2021
On May 19, 2021, the proposal in relation to the 2021 STAR Market Restricted Share Incentive Scheme of the Company (draft) and its summary, the proposal in relation to the Assessment Management Measures for the implementation of the 2021 STAR Market Restricted Share Incentive Scheme of the Company, the proposal in relation to the authorisation granted by the general meeting to the Board to handle matters related to the 2021 STAR Market Restricted Share Incentive Scheme of the Company and other proposals were considered and approved at the meeting of the Board of the Company.	For details, please see the announcement on the resolutions of the Board (No.: 2021-019), the 2021 Star Market Restricted Share Incentive Scheme (Draft) and the summary announcement of the 2021 Star Market Restricted Share Incentive Scheme (Draft) (No.: 2021-020), the Management Measures for Assessment for Implementation of the 2021 STAR Market Restricted Shares Incentive Scheme and the List of Incentive Participants subject to the First Grant under the 2021 Star Market Restricted Share Incentive Scheme as disclosed on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) on May 20, 2021.
On June 25, 2021, the proposal in relation to the 2021 STAR Market Restricted Share Incentive Scheme of the Company (draft), the proposal in relation to the Assessment Management Measures for the implementation of the 2021 STAR Market Restricted Share Incentive Scheme of the Company, the proposal in relation to the authorisation granted by the general meeting to the Board to handle matters related to the 2021 STAR Market Restricted Share Incentive Scheme of the Company and related proposals were considered and approved at the 2021 first extraordinary general meeting. The implementation of the Incentive Scheme was approved at the general meeting. The Board was authorized to determine the Grant Date of the Restricted Shares and to grant the Restricted Shares to a Participant upon his/her fulfillment of the conditions of grant, and to handle all necessary matters in connection with the grant of the Restricted Shares.	For details, please see the announcement on the resolutions of the 2021 first extraordinary general meeting (No.: 2021-026) as disclosed on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) on June 26, 2021.



## SECTION 4 CORPORATE GOVERNANCE

### 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 six months ended June 30, 2021 is as follows:

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share (USD)	Options Outstanding as of 12/31/20	Additional Options Granted During Period	Options Lapsed During Period	Options Repurchased of Ordinary Shares During Period	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 6/30/21	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted (USD)
Employee	5/31/2011	5/31/2011-5/30/2021	148,313,801	0.85	776,405	-	175,866	-	600,539	-	-	3.14	0.83
Employee	9/8/2011	9/8/2011-9/7/2021	42,809,083	0.58	78,466	-	3,292	-	18,200	-	56,974	3.30	0.56
Employee	11/17/2011	11/17/2011-11/16/2021	16,143,147	0.51	81,195	-	-	-	28,800	-	52,395	3.57	0.51
Employee	5/22/2012	5/22/2012-5/21/2022	252,572,706	0.45	2,334,978	-	-	-	262,229	-	2,072,749	3.24	0.45
Employee	9/12/2012	9/12/2012-9/11/2022	12,071,250	0.37	35,800	-	-	-	6,000	-	29,800	3.18	0.37
Employee	11/15/2012	11/15/2012-11/14/2022	18,461,000	0.47	111,416	-	-	-	23,200	-	88,216	3.40	0.47
Employee	5/7/2013	5/7/2013-5/6/2023	24,367,201	0.76	100,215	-	-	-	6,537	-	93,678	3.25	0.77
Employee	6/11/2013	6/11/2013-6/10/2023	102,810,000	0.82	1,328,622	-	-	-	121,262	-	1,207,360	3.33	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	128,725	-	-	-	-	-	128,725	-	0.73
Employee	11/4/2013	11/4/2013-11/3/2023	19,500,000	0.74	105,000	-	13,900	-	31,600	-	59,500	3.34	0.72
Total					6,629,879	-	193,058	-	1,098,367	-	5,338,454		

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, an additional 1/36 of the remaining shares shall vest monthly thereafter over 3 years of the vesting commencement date, respectively.

## 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 six months ended June 30, 2021 is as follows:

Name/Eligible Employee	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share (USD)	Options Outstanding as of 12/31/20	Additional Options Granted During Period	Options Lapsed During Period	Options Repurchased of Ordinary Shares During Period	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 6/30/21	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted (USD)
Gao Yonggang Employee	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	262,229	-	-	-	65,500	-	196,729	3.00	0.82
Employee	11/17/2014	11/17/2014-11/16/2024	119,640,012	1.09	1,433,018	-	-	-	129,335	-	1,303,683	3.37	1.10
Employee	2/24/2015	2/24/2015-2/23/2025	12,293,017	0.91	130,500	-	-	-	17,000	-	113,500	3.16	0.88
Employee	5/20/2015	5/20/2015-5/19/2025	12,235,000	1.06	35,916	-	-	-	-	-	35,916	-	1.05
Zhou Zixue Employee	5/20/2015	5/20/2015-5/19/2025	25,211,633	1.06	2,521,163	-	-	-	-	-	2,521,163	-	1.05
Employee	5/25/2016	5/25/2016-5/24/2026	5,146,000	0.82	40,450	-	-	-	10,000	-	30,450	3.56	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 (resigned)	4/5/2017	4/5/2017-4/4/2027	187,500	1.26	187,500	-	-	-	-	-	187,500	-	1.24
Cong Jingsheng Jason (resigned)	4/5/2017	4/5/2017-4/4/2027	187,500	1.26	187,500	-	-	-	187,500	-	-	3.80	1.24
Chen Shanzhi Employee	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	13,937	-	-	-	2,250	-	11,687	3.12	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	9,068,222	-	398,100	-	763,225	-	7,906,897	3.28	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 Employee	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	62,000	-	-	-	-	-	62,000	-	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	75,000	-	-	-	-	-	75,000	-	1.25
Employee	9/12/2019	9/12/2019-9/11/2029	648,000	1.25	529,000	-	-	-	180,500	-	348,500	3.42	1.25
Young Kwang Leei Employee	9/12/2019	9/12/2019-9/11/2029	187,500	1.25	187,500	-	-	-	187,500	-	-	3.41	1.25
Employee	11/26/2019	11/26/2019-11/25/2029	70,000	1.29	70,000	-	52,500	-	17,500	-	-	3.11	1.30
Employee	5/25/2020	5/25/2020-5/24/2030	6,794,803	2.33	6,131,903	-	412,784	-	369,237	-	5,349,882	3.30	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
Zhao Haijun	5/25/2020	5/25/2020-5/24/2030	219,706	2.33	219,706	-	-	-	-	-	219,706	-	2.18
Tong Guohua (resigned)	5/25/2020	5/25/2020-5/24/2030	54,966	2.33	54,966	-	-	-	-	-	54,966	-	2.18
Cong Jingsheng Jason (resigned)	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 Employee	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	3,542,957	-	193,043	-	20,225	-	3,329,689	3.26	2.93
Employee	5/31/2021	5/31/2021-5/30/2031	3,434,762	3.16	-	3,434,762	49,374	-	-	-	3,385,388	-	3.11
William Tudor Brown	5/31/2021	5/31/2021-5/30/2031	62,500	3.16	-	62,500	-	-	-	-	62,500	-	3.11
Chen Shanzhi	5/31/2021	5/31/2021-5/30/2031	62,500	3.16	-	62,500	-	-	-	-	62,500	-	3.11
Fan Ren Da Anthony	5/31/2021	5/31/2021-5/30/2031	32,877	3.16	-	32,877	-	-	-	-	32,877	-	3.11
Gao Yonggang	5/31/2021	5/31/2021-5/30/2031	296,085	3.16	-	296,085	-	-	-	-	296,085	-	3.11
Guo Guangli	5/31/2021	5/31/2021-5/30/2031	13,119	3.16	-	13,119	-	-	-	-	13,119	-	3.11
Liu Ming	5/31/2021	5/31/2021-5/30/2031	187,500	3.16	-	187,500	-	-	-	-	187,500	-	3.11
Lau Lawrence Juen-Yee	5/31/2021	5/31/2021-5/30/2031	32,877	3.16	-	32,877	-	-	-	-	32,877	-	3.11
Lu Guoqing	5/31/2021	5/31/2021-5/30/2031	187,500	3.16	-	187,500	-	-	-	-	187,500	-	3.11
Zhao Haijun	5/31/2021	5/31/2021-5/30/2031	277,149	3.16	-	277,149	-	-	-	-	277,149	-	3.11
Zhou Meisheng	5/31/2021	5/31/2021-5/30/2031	122,741	3.16	-	122,741	-	-	-	-	122,741	-	3.11
Zhou Zixue	5/31/2021	5/31/2021-5/30/2031	277,149	3.16	-	277,149	-	-	-	-	277,149	-	3.11
Total					30,108,749	4,986,759	1,160,767	-	1,949,772	-	31,984,969		

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 thereafter over 3 years of the vesting commencement date, respectively.

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

In accordance with the terms of the 2014 Share Option Plan, the Board and the Compensation Committee may respectively approve to accelerate the vesting period of the options granted to Directors and employees of the Group.

**SECTION 4 CORPORATE GOVERNANCE**

**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 six months ended June 30, 2021 is as follows: 66,603s-4399(0.004)-J807(80



## VIII. 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 six months ended June 30, 2021. 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 provisions stipulated by CSRC and SSE in relation to inside trading.

## IX. OVERVIEW OF THE BOARD

The Board has a duty 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 obtain and discuss relevant management information.

The Board consists of 15 Directors as at the publication date of this report. Directors may hold office until the expiration of their respective term upon a resolution 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 report:

	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
Lu Guoqing <sup>(1)</sup>	Non-executive Director	Class I	2023
Zhao Haijun	Co-Chief Executive Officer and Executive Director	Class II	2024
Chen Shanzhi	Non-executive Director	Class II	2024
Lau Lawrence Juen-Yee	Independent Non-executive Director	Class II	2024
Fan Ren Da Anthony	Independent Non-executive Director	Class II	2024
Chiang Shang-Yi	Vice Chairman and Executive Director	Class II	2024
Huang Dengshan <sup>(2)</sup>	Non-executive Director	Class II	2024
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	Independent Non-executive Director	Class III	2022

Notes:

- (1) Mr. Lu Guoqing was appointed by the Board on May 13, 2021 and re-elected by the Shareholders as a non-executive Director of the Company on June 25, 2021, respectively.
- (2) Mr. Huang Dengshan was appointed by the Board on May 13, 2021 and re-elected by the Shareholders as a non-executive Director of the Company on June 25, 2021, respectively.

For the six months ended June 30, 2021, the roles of Chairman and Co-Chief Executive Officers are segregated. The role of Chairman is performed by Dr. Zhou Zixue, the roles of Co-Chief Executive Officers are performed by Dr. Zhao Haijun and Dr. Liang Mong Song.

On an annual basis, each independent non-executive Director confirms his 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 and the Co-Chief Executive Officers.

## SECTION 4 CORPORATE GOVERNANCE

### X. BOARD COMMITTEES

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 audit committee, compensation committee and nomination committee are available on the websites of the Company and the Hong Kong Stock Exchange.

#### (I) AUDIT COMMITTEE

As of the date of this report, the Company's audit committee (the "Audit Committee") consisted of three members, namely Mr. Fan Ren Da Anthony (Chairman of the 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.

#### (II) COMPENSATION COMMITTEE

As of the date of this report, the members of the Company's compensation committee (the "Compensation Committee") are Mr. William Tudor Brown (Chairman of the Compensation Committee), Mr. Zhou Jie, Mr. Lu Guoqing, Professor Lau Lawrence Juen-Yee and Dr. Young Kwang Leei. None of these members of the Compensation Committee has been an executive officer or employee of the Company or any of its subsidiaries.

#### (III) NOMINATION COMMITTEE

As of the date of this report, the Company's nomination committee (the "Nomination Committee") is composed of Dr. Zhou Zixue (Chairman of the Nomination Committee), Mr. Huang Dengshan, Mr. William Tudor Brown, Professor Lau Lawrence Juen-Yee and Mr. Fan Ren Da Anthony.

#### (IV) STRATEGIC COMMITTEE

As of the date of this report, the members of the Company's strategic committee (the "Strategic Committee") are Dr. Chen Shanzhi (Chairman of the 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.

### XI. INTERNAL AUDIT

Internal audit is an independent and objective assessment function within the Company to evaluate and contribute to the improvement of risk management, internal control and governance systems. The person in charge of the Internal Audit Department shall submit the annual audit plan, the budget and the staffing plan to the Audit Committee and the Chairman for approval.

The Internal Audit Department shall check and investigate major problems identified by senior managers. Major internal control audit results, corrective measures taken by the management and tracking results of the management's corrective measures will be reported to the Audit Committee, the Chairman and the Chief Executive Officer. The person in charge of the Internal Audit Department shall provide reports to the Audit Committee at least once a quarter, and shall submit the annual internal audit report within two months after the end of each fiscal year.

The responsibilities of the Internal Audit Department include:

- 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, 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 operations of the departments that it audits.

The Internal Audit Department has full access to cooperate with any relevant departments, records, properties and personnel relevant to the performance of its audit functions. After completing the audit, all audit results shall be reported to the management and the management will determine and implement necessary corrective measures to eliminate defects of the internal control system. The person in charge of the Internal Audit Department may separately meet with members of the Audit Committee when necessary without members of management or the external auditors present.



## SECTION 4 CORPORATE GOVERNANCE

### XII. WAIVER FROM COMPLIANCE WITH THE HONG KONG LISTING RULES

Save for the relevant waivers as disclosed in the prospectus of the Company dated March 8, 2004, and the circular of the Company dated May 9, 2020 regarding waiver from strict compliance with certain provisions of the Hong Kong Listing Rules relating to corporate communication, requirements for certification of transfers and requirements for secur

## SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

### I. 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

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 <sup>3</sup> )	Total emissions (ton)	Pollutant emission standards implemented	Approved total emissions (ton)
SMIS	Acid exhaust	40	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.51	9.47	Integrate emission standards of air pollutants of Shanghai (DB31/933-2015)	58.81
			Fluoride	Continuous emission	Exhaust gas outlets	0.16	0.72	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	NA
	Alkaline exhaust gas	12	Ammonia	Continuous emission	Exhaust gas outlets	0.21	0.09	Integrate emission standards of air pollutants of Shanghai (DB31/933-2015)	NA
			Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	6.76	6.31	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	64.09
	Organic exhaust gas	8	Fluoride	Continuous emission	Wastewater outlets	6.76	11.51	Integrate emission standards of water pollutants of Shanghai (DB31/199-2018)	NA
			Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	99.49	169.25	Integrate emission standards of water pollutants of Shanghai (DB31/199-2018)	2,370.92
			Ammonia nitrogen	Continuous emission	Wastewater outlets	11.94	20.31		213.38
SMIB	Acid exhaust	18	Nitrogen oxides	Continuous emission	Exhaust gas outlets	1.94	5.47	Emission standard of air pollutants for electronic industry of Beijing (DB11/1631-2019)	NA
			Fluoride	Continuous emission	Exhaust gas outlets	0.00	0.00		NA
	Alkaline exhaust gas	7	Ammonia	Continuous emission	Exhaust gas outlets	0.11	0.060		NA
			Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	1.70	0.74		NA
	Organic exhaust gas	3	Fluoride	Continuous emission	Wastewater outlets	3.56	5.77	Integrated discharge standard of water pollutants of Beijing (DB11/307-2013)	NA
			Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	133.86	214.97		NA
			Ammonia nitrogen	Continuous emission	Wastewater outlets	8.01	12.87		NA
Industrial wastewater	1	Arsenic	Continuous emission	Wastewater outlets	0.0012	0.00026		NA	
SMNC	Acid exhaust	14	Nitrogen oxides	Continuous emission	Exhaust gas outlets	2.75	9.01	Emission standard of air pollutants for electronic industry of Beijing (DB11/1631-2019)	NA
			Fluoride	Continuous emission	Exhaust gas outlets	0.23	0.63		NA
	Alkaline exhaust gas	5	Ammonia	Continuous emission	Exhaust gas outlets	0.77	0.28		NA
			Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	2.41	0.89		NA
	Organic exhaust gas	3	Fluoride	Continuous emission	Wastewater outlets	5.54	13.91	Integrated discharge standard of water pollutants of Beijing (DB11/307-2013)	NA
			Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	87.33	218.30		NA
			Ammonia nitrogen	Continuous emission	Wastewater outlets	6.31	15.85		NA
Industrial wastewater	1	Arsenic	Continuous emission	Wastewater outlets	0.00062	0.0015		NA	

## SECTION 5 ENVIRONMENTAL AND 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 <sup>3</sup> )	Total emissions (ton)	Pollutant emission standards implemented	Approved total emissions (ton)							
SMIT	Acid exhaust	13	Fluoride	Continuous emission	Exhaust gas outlets	2.07	4.83	Integrated emission standard of air pollutants (GB16297-1996)	N/A							
	Alkaline exhaust gas	6	Ammonia	Continuous emission	Exhaust gas outlets	1.09	0.73	Emission standards of odor pollutants of Tianjin (DB12-059-2018)	N/A							
	Organic exhaust gas	2	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	3.00	1.02	Emission standard of air pollutants for industrial furnaces of Tianjin (DB12/556-2015)	N/A							
	Industrial wastewater	Fluoride	2	Continuous emission	Wastewater outlets	4.63	2.04	Integrated wastewater discharge standard of Tianjin (DB12-356-2018)	N/A							
		Chemical Oxygen Demand (COD)		Continuous emission	Wastewater outlets	167.25	104.86		133.40							
	Ammonia nitrogen		Continuous emission	Wastewater outlets	5.05	3.32		44.94								
SMIZ	Acid exhaust	7	Nitrogen oxides	Continuous emission	Exhaust gas outlets	2.00	2.61	Emission limits of air pollutants of Guangdong (DB44/27-2001)	25.81							
			Fluoride	Continuous emission	Exhaust gas outlets	1.30	0.49		N/A							
	Alkaline exhaust gas	3	Ammonia	Continuous emission	Exhaust gas outlets	2.41	0.31	Emission standards of odor pollutants (GB14554-93)	N/A							
	Organic exhaust gas	2	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	0.87	0.17	Emission limits of air pollutants of Guangdong (DB44/27-2001)	14.58							
										Fluoride	Continuous emission	Wastewater outlets	4.60	1.76	Emission limits of air pollutants of Guangdong (DB44/27-2001)	N/A
	Chemical Oxygen Demand (COD)		Continuous emission	Wastewater outlets	70.00	23.52		549.51								
	Ammonia nitrogen		Continuous emission	Wastewater outlets	15.16	4.73		N/A								
SMSC	Acid exhaust	17	Nitrogen oxides	Continuous emission	Exhaust gas outlets	2.23	8.81	Integrate emission standards of air pollutants of Shanghai (DB31/933-2015)	56.56							
			Fluoride	Continuous emission	Exhaust gas outlets	0.098	0.39	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A							
	Alkaline exhaust gas	5	Ammonia	Continuous emission	Exhaust gas outlets	0.27	0.083		N/A							
	Organic exhaust gas	2	Non-methane hydrocarbon	Continuous emission	Exhaust gas outlets	4.92	2.31	Integrate emission standards of air pollutants of Shanghai (DB31/933-2015)	58.09							
	Industrial wastewater	1	Fluoride	Continuous emission	Wastewater outlets	7.13	8.18	The discharge standards of pollutants for semiconductor industry in Shanghai (DB31/374-2006)	N/A							
										Chemical Oxygen Demand (COD)	Continuous emission	Wastewater outlets	221.71	254.20	Integrate emission standards of water pollutants of Shanghai (DB31/199-2018)	912.70
										Ammonia nitrogen	Continuous emission	Wastewater outlets	7.77	8.91		98.03
	Arsenic		Continuous emission	Wastewater outlets	0.0048	0.000020		N/A								

## SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

### 2. Construction and operation of pollution prevention and control facilities

Name of entity	Construction of pollution prevention facilities
SMIS	23,800 m <sup>3</sup> of wastewater and 83,422,800 m <sup>3</sup> of exhaust gas can be treated per day, and all facilities are in normal operation.
SMIB	12,000 m <sup>3</sup> of wastewater and 35,760,000 m <sup>3</sup> of exhaust gas can be treated per day, and all facilities are in normal operation.
SMNC	18,000 m <sup>3</sup> of wastewater and 61,560,000 m <sup>3</sup> of exhaust gas can be treated per day, and all facilities are in normal operation;
SMIT	The new constructions of 1 acid exhaust treatment equipment has been completed. 18,490 m <sup>3</sup> of wastewater and 21,924,000 m <sup>3</sup> of exhaust gas can be treated per day, and all facilities are in normal operation.
SMIZ	3,011 m <sup>3</sup> of wastewater and 19,080,000 m <sup>3</sup> of exhaust gas can be treated per day, and all facilities are in normal operation;
SMSC	The new construction of 2 sets of acid exhaust treatment equipment have been completed. 12,000 m <sup>3</sup> of wastewater and 45,480,000 m <sup>3</sup> of exhaust gas can be treated per day, and all facilities are in normal operation;
	The new constructions of 1 set of organic exhaust gas treatment system 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. All factories have obtained the discharge permit and completed the discharge permit execution report on time every quarter.

### 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 ISO14001 environmental management system, and IECQ QC080000 hazardous substance process management system, and have effectively implemented them in accordance with the system requirements. All factories except SMSC have achieved certification of ISO14064 greenhouse gas emission verification system (SMSC is in the process of verification and certification).

## (II) RELEVANT INFORMATION THAT IS CONDUCTIVE TO PROTECTING ECOLOGY, PREVENTING POLLUTION, AND FULFILLING ENVIRONMENTAL RESPONSIBILITIES

The environmental protection policy of SMIC emphasizes the optimal use of resources and energy, and the reduction of exhaust gas, greenhouse gases and hazardous waste emissions. The Company continue to implement improvement measures and the concept of sustainable development to reduce the impact on the ecological environment.

### (III) MEASURES TAKEN TO REDUCE CARBON EMISSIONS DURING THE REPORTING PERIOD AND EFFECTS

SMIC constantly implements carbon emission control measures, and controls carbon emissions via engineering and management measures including energy conservation and selection of local treatment systems for waste gas containing per fluorinated greenhouse gases. The main carbon emission control measures during the reporting period are as below:

SMIT: 1. Replaced the third-level energy efficiency refrigerator with the first-level energy efficiency refrigerator, which will reduce the carbon emission by about 2,079.3 tons of CO<sub>2</sub>e in the corresponding accounting year; 2. With the steam waste heat reuse project, it will reduce carbon emission by about 281.6 tons of CO<sub>2</sub>e in the corresponding accounting year.

SMIZ: 1. Replace the fluorescent lamps in some buildings with LED lamps (ongoing project); 2. Install frequency converter to general air conditioning units in office buildings and adjust supply index (ongoing project); 3. Add frequency conversion to expansion equipment of PV system (ongoing project).

## SECTION 6 SIGNIFICANT EVENTS

### I. 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



## SECTION 6 SIGNIFICANT EVENTS

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, engaged 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 the undertaking until any of the following circumstances 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.

## SECTION 6 SIGNIFICANT EVENTS

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 strict 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

## SECTION 6 SIGNIFICANT EVENTS

Note 3:

### **Commitments by the Company, salaried Directors (except for 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 SSE STAR Market, 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 of the Company:

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, and 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 SSE STAR Market.

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 SSE STAR Market 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 legal liabilities.

## SECTION 6 SIGNIFICANT EVENTS

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 in accordance with laws.
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 SSE STAR Market 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 commitments, 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.

## SECTION 6 SIGNIFICANT EVENTS

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 Compensation 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 undertake 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.



## SECTION 6 SIGNIFICANT EVENTS

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 issued by the China Securities Regulatory Commission, 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 SSE STAR Market of Semiconductor Manufacturing International Corporation applicable after the A Share offering.

In violation of the above-mentioned commitments, 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,  
2.

**SECTION 6 SIGNIFICANT EVENTS**

## SECTION 6 SIGNIFICANT EVENTS

- (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 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 commitments, 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 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 of issuers (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.

## SECTION 6 SIGNIFICANT EVENTS

### Commitments by Directors and senior management personnel

1. All public commitments made by me in the course of the A Share offering of issuers (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.

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 SSE STAR Market 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) 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 the A Share offering and listing and during the listing period of the Company on the 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), and be adjudicated by competent courts in China.

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

## SECTION 6 SIGNIFICANT EVENTS

### II. MATERIAL LITIGATION AND ARBITRATION

#### (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
<p>The Company noted that on December 10, 2020, EST, 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.</p>	<p>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 (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) 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 (<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>) dated December 15, 2020.</p>

#### (II) OTHER EXPLANATIONS

##### 1. Patent litigation with Innovative Foundry Technologies LLC

As at April 15, 2021, the Company reached a settlement with Innovative Foundry Technologies LLC. The settlement fee did not have a significant impact on the Company.

##### 2. Arbitration of contract disputed with PDF SOLUTIONS, INC.

On May 7, 2020, 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. 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. The arbitration is still ongoing.

### III. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (I) RELATED PARTY TRANSACTIONS IN RELATION TO DAILY OPERATION

##### 1. Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation

Summary of the event	Inquiry index
<p>On March 31, 2021, the Board reviewed and approved the Proposal for Predicted Line of Daily Connected Transactions in 2021.</p>	<p>For details, please refer to the Announcement on Predicted Line of Daily Connected Transactions in 2021 dated April 1, 2021 published in Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and on the website of SSE (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>).</p>



## SECTION 6 SIGNIFICANT EVENTS

The actual amounts during the reporting period of the daily related transactions, of which estimated amount in RMB are approved in the period, are as follows:

Related party	Related transaction	Estimated amount for 2021 (RMB'000)	Actual amount for the reporting period (RMB'000)	Percentage in the amount of similar transactions
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## SECTION 6 SIGNIFICANT EVENTS

### IV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### (I) PERFORMED AND NOT YET PERFORMED MATERIAL GUARANTEES DURING THE REPORTING PERIOD

*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)	–
Guarantees provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	119,186
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	1,800,352
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	1,800,352
Percentage of aggregate guarantee to net assets of the Company	11.2%
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)	282,155
Excess amount of aggregate guarantee over 50% of net assets (E)	–
Aggregate amount of the above three categories (C+D+E)	282,155

## SECTION 6 SIGNIFICANT EVENTS

### V. USE OF THE PROCEEDS

In USD'000

Total proceeds	7,513,886	Total proceeds invested for the reporting period	1,406,569
Total proceeds with changed use	–	Total accumulated proceeds that are already invested	5,856,111
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 ①	Investment amount for the reporting period	Accumulated investment amount as at the end of the reporting period ②	Difference between accumulated investment amount and committed investment amount ③=②-①	Progress in investment as at the end of the period(%)④=②/①	Expected usable date for the projects	Revenue generated during the reporting period	Whether the expected revenue can be reached	Whether significant changes have been made to the project feasibility
12-inch wafer SM1 project	No	2,575,424	2,575,424	2,575,424	870,582	2,439,451	(135,973)	94.7	N/A	N/A	Yes	No
Reserve funds for advanced and mature technology	No	1,001,554	1,001,554	1,001,554	218,856	449,832	(551,722)	44.9	N/A	N/A	Yes	No
Construction of matured technology production line	No	1,401,741	1,401,741	1,401,741	317,131	431,661	(970,080)	30.8	N/A	N/A	Yes	No
Supplementary working capital	No	2,535,167	2,535,167	2,535,167	–	2,535,167	–	100.0	N/A	N/A	Yes	No
Total		7,513,886	7,513,886	7,513,886	1,406,569	5,856,111	(1,657,775)	77.9	–	–	–	–

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL (I) TABLE OF CHANGES IN SHARES 1. Table of changes in shares

Unit: Share

	Prior to the change		Increase/decrease (+, -) in the change				After the change		
	Number	Proportion (%)	Issuance of new shares	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	Number	Proportion (%)
I. Shares subject to selling restrictions	898,231,777	11.66	-	-	-	(55,421,777)	(55,421,777)	842,810,000	10.67
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	264,349,403	3.43	-	-	-	-	-	264,349,403	3.35
3. Shares held by other domestic investors	510,007,370	6.62	-	-	-	(55,363,235)	(55,363,235)	454,644,135	5.75
Including: Shares held by domestic non-state-owned legal persons	510,007,370	6.62	-	-	-	(55,363,235)	(55,363,235)	454,644,135	5.75
Shares held by domestic natural person	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	123,875,004	1.61	-	-	-	(58,542)	(58,542)	123,816,462	1.57
Including: Shares held by overseas legal persons	123,875,004	1.61	-	-	-	(58,542)	(58,542)	123,816,462	1.57
Shares held by overseas natural person	-	-	-	-	-	-	-	-	-
II. Tradable shares not subject to selling restrictions	6,805,275,750	88.34	-	-	-	253,024,876	253,024,876	7,058,300,626	89.33
1. Ordinary Shares denominated in RMB	1,040,231,223	13.50	-	-	-	55,421,777	55,421,777	1,095,653,000	13.87
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	5,765,044,527	74.84	-	-	-	197,603,099	197,603,099	5,962,647,626	75.47
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	7,703,507,527	100.00	-	-	-	197,603,099	197,603,099	7,901,110,626	100.00

### 2. Description of changes in shares

The change of the Company's A-share capital structure is due to the initial public offering of 55,421,777 offline allotment shares listing and circulation on January 18, 2021. For details, please see the announcement on the listing and circulation of offline placement restricted shares of SMIC's initial public offering (No. 2021-003.) on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on January 9, 2021.

The number of Hong Kong Shares of the Company increased by 197,603,099 shares upon the exercise of options, the exercise of restricted share units and the conversion of convertible bonds.

### 3. The impact of share changes on financial indicators, such as earnings per share and net assets per share from the end of the reporting period to the publication date of this interim report

From the end of the reporting period to the publication date of this interim report, the Company's share capital increased upon the exercise of share options and restricted share units. The change has no significant impact on financial indicators, such as earnings per share and net assets per share.

### (II) CHANGES IN SHARES SUBJECT TO SELLING RESTRICTIONS

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the reporting period	Number of shares released from selling restrictions for the reporting period	Increase in number of shares subject to selling restrictions for the reporting period	Number of shares subject to selling restrictions at the end of the reporting period	Reason for the selling restrictions	Date of release from selling restrictions
Offline allotment accounts	55,421,777	55,421,777	-	-	Subject to selling restrictions under the offline allotment	January 18, 2021

### (III) REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the reporting period, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the ordinary shares (six months ended June 30, 2020: Nil).

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### II. ISSUE AND LISTING OF SECURITIES

#### (I) ISSUE OF EQUITY SECURITIES BY THE COMPANY IN THE PAST YEARS WITH PROCEEDS BROUGHT FORWARD

By way of issue of 1,685,620,000 ordinary shares which were subscribed for in RMB and traded on the SSE STAR Market (the "RMB Share Issue"), the Company made its trading debut on the SSE STAR Market on July 16, 2020 and became the first overseas listed Red-Chip company that was dual-listed on the Main Board of the Hong Kong Stock Exchange and the SSE STAR Market.

As of August 14, 2020, Haitong Securities Co., Ltd. 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 the RMB Share Issue, accounting for 15% of the initial shares of the RMB Share 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 previously disclosed.

The total funds raised from the issue on the SSE STAR Market and details of the use of proceeds in 2020 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\$7,513.9 million	12-inch SN1 project, reserve funds for R&D project for advanced and matured technology, construction of matured technology production line, and for supplemental working capital purpose	US\$5,856.1 million	US\$1,657.8 million	Before the end of 2022

### III. PARTICULARS OF SHAREHOLDERS

#### (I) TOTAL NUMBER OF SHAREHOLDER

	Number of registered shareholders
Total number of shareholders of Ordinary Shares as at the end of the reporting period <sup>(Note)</sup>	360,448
Total number of shareholders of preference shares with voting rights restored as at the end of the reporting period	—
Total number of shareholders of shares with special voting rights as at the end of the reporting period	—

Note: As at the end of the reporting period, 360,448 registered shareholders consist of 347,706 holding A Shares and 12,742 holding Hong Kong Shares.

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (II) SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware that there was any party who, as at June 30, 2021, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and its subsidiaries:

Name of Shareholder	Nature of Interests	Long/Short Position	Number of Ordinary Shares held		Percentage of Ordinary Shares Held to Total Issued Share Capital <sup>(1)</sup>	Derivatives	Total Interests	Percentage of Total Interests to Total Issued Share Capital <sup>(1)</sup>
			Held Directly	Held Indirectly				
<b>China Information and Communication Technology Group Co., Ltd. and related stakeholders</b>								
China Information and Communication Technology Group Co., Ltd.	Interest of corporation controlled	Long Position	72,470,855 <sup>(2)</sup>	852,522,595 <sup>(2)</sup>	11.71	-	924,993,450	11.71
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	852,522,595 <sup>(2)</sup>	-	10.79	-	852,522,595	10.79
Pagoda Tree Investment Company Limited	A concert party to an agreement described in s.317(1)(a)	Long Position	-	852,522,595 <sup>(3)</sup>	10.79	-	852,522,595	10.79
<b>China Integrated Circuit Industry Investment Fund Co., Ltd. and related stakeholders</b>								
China Integrated Circuit Industry Investment Fund Co., Ltd.	Interest of corporation controlled	Long Position	-	617,214,804 <sup>(4)</sup>	7.81	-	617,214,804	7.81
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	617,214,804 <sup>(4)</sup>	-	7.81	-	617,214,804	7.81

#### Notes:

- (1) Based on 7,901,110,626 shares in issue as at June 30, 2021.
- (2) 852,522,595 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 924,993,450 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) 617,214,804 shares



## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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

- As at the end of the reporting period, the Company had issued 5,962,647,626 shares in Hong Kong, accounting for approximately 75.5% of the total share capital of the Company and 1,938,463,000 shares in the SSE STAR Market, accounting for approximately 24.5% of the total share capital of the Company.
- 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.
- 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 excludes 852,522,595 Hong Kong Shares held by Datang HK and 617,214,804 Hong Kong Shares held by Xinxin HK.
- 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.
- Nature of A Share 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 shareholders (Full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Number of restricted shares including lending shares for securities financing	Pledged, marked or moratorium Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED	212,362,928	4,481,723,904	56.72	-	-	Unknown	-	Unknown
China Information and Communication Technology Group Co., Ltd. and related shareholders	(7,000,000)	924,993,450	11.71	72,470,855	72,470,855	Nil	-	State-owned legal person
Xinxin (Hongkong) Capital Co., Ltd.	(4,840,097)	617,214,804	7.81	-	-	Nil	-	Overseas legal person
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	-	127,458,120	1.61	127,458,120	127,458,120	Nil	-	Others
GIC PRIVATE LIMITED	-	110,443,730	1.40	109,249,819	109,249,819	Nil	-	Overseas legal person
Qingdao Juyuan Xinxing Equity Investment Partnership LLP	-	80,589,949	1.02	80,589,949	80,589,949	Nil	-	Others
China Insurance Investment Fund LLP	-	54,624,908	0.69	54,624,908	54,624,908	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)	(14,748,845)	40,978,535	0.52	-	-	Nil	-	Others
Guoxin Investment Corporation Limited	-	36,416,605	0.46	36,416,605	36,416,605	Nil	-	State-owned legal person
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)	4,604,070	24,379,926	0.31	-	-	Nil	-	Others

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Name of shareholders	Particulars of shareholding of the top ten shareholders not subject to selling restrictions Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED	4,481,723,904	Overseas listed foreign shares	4,481,723,904
China Information and Communication Technology Group Co., Ltd. and related stakeholders	852,522,595	Overseas listed foreign shares	852,522,595
Xinxin (Hongkong) Capital Co., Ltd.	617,214,804	Overseas listed foreign shares	617,214,804
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)	40,978,535	Ordinary Shares denominated in RMB	40,978,535
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)	24,379,926	Ordinary Shares denominated in RMB	24,379,926
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)	23,800,000	Ordinary Shares denominated in RMB	23,800,000
Guolian Securities – Hexie Health Insurance Co., Ltd.* (和諧健康保險股份有限公司) – Guolian Huirui No. 12 Single Asset Management Plan* (國聯匯睿12號單一資產管理計劃)	20,897,276	Ordinary Shares denominated in RMB	20,897,276
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)	14,317,763	Ordinary Shares denominated in RMB	14,317,763
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)	10,851,241	Ordinary Shares denominated in RMB	10,851,241
Agricultural Bank of China Ltd. – ICBC Credit Suisse SSE STAR 50 Exchange Traded Funds	6,784,345	Ordinary Shares denominated in RMB	6,784,345
Particulars of special repurchase account of top 10 shareholders	Nil		
Explanation on the abovementioned shareholder's right to vote by proxy, trustee and waiver of voting rights	Nil		
Explanations on affiliated relationship or parties acting in concert among the abovementioned shareholders	Nil		
Explanations on preference shareholders with voting rights restored and the number of shares held	Nil		

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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
	Explanations on affiliated relationship or parties acting in concert among the abovementioned shareholders	Nil			

### (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 Information and Communication Technology Group Co., Ltd. and related stakeholders	July 16, 2020	Nil
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 Insurance Investment Fund LLP	July 16, 2020	Nil
Guoxin Investment Corporation Limited	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 the SSE STAR Market.	

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### IV. DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

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

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in shares held during the reporting period	Reason for changes
Zhou Zixue	Chairman and Executive Director	-	-	-	
Chiang Shang-Yi	Vice Chairman and Executive Director	-	-	-	
Zhao Haijun	Co-Chief Executive Officer and Executive Director	163	-	(163)	Sale of shares
Liang Mong Song	Co-Chief Executive Officer and Executive Director	-	-	-	
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary	-	-	-	
Chen Shanzhi	Non-executive Director	-	-	-	
Zhou Jie	Non-executive Director	-	-	-	
Ren Kai	Non-executive Director	-	-	-	
Lu Jun	Non-executive Director (Resigned)	-	-	-	
Tong Guohua	Non-executive Director (Resigned)	-	-	-	
Huang Dengshan	Non-executive Director	-	-	-	
Lu Guoqing	Non-executive Director	-	-	-	
William Tudor Brown	Independent Non-executive Director	-	-	-	
LAU Lawrence Juen-Yee	Independent Non-executive Director	-	-	-	
Fan Ren D37 Tc.055 Tw-58.407001495 -2n R Anthoy		-	-Juen-Yee		

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (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 period	Number of share options newly granted during the reporting period	Number of share options exercisable during the reporting period	Number of share options exercised during the reporting period	Number of share options held at the end of the period
Zhou Zixue	Chairman and Executive Director	3,180,280	277,149	-	-	3,457,429
Chiang Shang-Yi	Vice Chairman and Executive Director	-	-	-	-	-
Zhao Haijun	Co-Chief Executive Officer and Executive Director	2,095,439	277,149	188,233	-	2,372,588
Liang Mong Song	Co-Chief Executive Officer and Executive Director	659,117	-	109,853	-	659,117
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary	2,236,265	296,085	1,649,472	-	2,532,350
Chen Shanzhi	Non-executive Director	412,656	62,500	-	-	475,156
Zhou Jie	Non-executive Director	-	-	-	-	-
Ren Kai	Non-executive Director	-	-	-	-	-
Huang Dengshan	Non-executive Director	-	-	-	-	-
Lu Guoqing	Non-executive Director	-	187,500	-	-	187,500
William Tudor Brown	Independent Non-executive Director	212,500	62,500	125,000	-	275,000
LAU Lawrence Juen-Yee	Independent Non-executive Director	187,500	32,877	-	-	220,377
Fan Ren Da Anthony	Independent Non-executive Director	187,500	32,877	-	-	220,377
Young Kwang Leei	Independent Non-executive Director	187,500	-	-	187,500	-
Liu Ming	Independent Non-executive Director	-	187,500	-	-	187,500
Zhou Meisheng	Executive Vice President in Technology Research and Development	281,092	122,741	-	-	403,833
Guo Guangli	Board Secretary, Vice President	104,042	13,119	32,666	-	117,161
Zhang Xin	Senior Vice President in Operation & Engineering	369,951	76,951	206,336	-	446,902
Total		10,113,842	1,628,948	2,311,560	187,500	11,555,290

##### (2) Equity incentive plan

Unit: Unit

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	Number of RSUs held at the end of the period
Zhou Zixue	Chairman and Executive Director	1,340,306	138,050	-	-	1,478,356
Chiang Shang-Yi	Vice Chairman and Executive Director	-	-	-	-	-
Zhao Haijun	Co-Chief Executive Officer and Executive Director	86,603	138,050	-	-	224,653
Liang Mong Song	Co-Chief Executive Officer and Executive Director	259,808	-	43,301	-	259,808
Gao Yonggang	Chief Financial Officer and Executive Director, Executive Vice President and Company Secretary	316,805	147,482	85,505	-	464,287
Chen Shanzhi	Non-executive Director	412,656	62,500	-	-	475,156
Zhou Jie	Non-executive Director	-	-	-	-	-
Ren Kai	Non-executive Director	-	-	-	-	-
Huang Dengshan	Non-executive Director	-	-	-	-	-
Lu Guoqing	Non-executive Director	-	187,500	-	-	187,500
William Tudor Brown	Independent Non-executive Director	212,500	62,500	-	-	275,000
LAU Lawrence Juen-Yee	Independent Non-executive Director	187,500	32,877	-	-	220,377
Fan Ren Da Anthony	Independent Non-executive Director	187,500	32,877	-	187,500	32,877
Young Kwang Leei	Independent Non-executive Director	187,500	-	-	187,500	-
Liu Ming	Independent Non-executive Director	-	187,500	-	-	187,500
Zhou Meisheng	Executive Vice President in Technology Research and Development	110,799	61,138	-	-	171,937
Guo Guangli	Board Secretary, Vice President	30,787	6,535	2,861	-	37,322

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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

#### 1.



## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### Notes:

- (1) Based on 7,901,110,626 shares in issue as at June 30, 2021.
- (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. (c) On May 31, 2021, Dr. Zhou was granted options to purchase 277,149 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 or 120 days after termination of his service as a Director to the Board. As of June 30, 2021, 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 ("RSUs", 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 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, consisting of (i) 86,603 RSUs, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 173,205 RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. (c) On May 31, 2021, Dr. Zhou was granted an award of 138,050 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs, 25% of which vest on each anniversary of March 1, 2021 and which shall fully vest on March 1, 2025. As of June 30, 2021, 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 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 will expire on the earlier of September 6, 2027 or 90 days after termination of his service as the 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. (d) On May 31, 2021, Dr. Zhao was granted options to purchase 277,149 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 or 120 days after termination of his service as a Director to the Board. As of June 30, 2021, 1,317,621 of these options have been exercised.
- (5) (a) On May 25, 2020, Dr. Zhao was granted an award of 86,603 RSUs (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. (b) On May 31, 2021, Dr. Zhao was granted an award of 138,050 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs, 25% of which vest on each anniversary of March 1, 2021 and which shall fully vest on March 1, 2025. As of June 30, 2021, 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 June 30, 2021, none of these options has been exercised.
- (7) On May 25, 2020, Dr. Liang was granted an award of 259,808 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, consisting of (i) 86,603 RSUs, 25% of which vest on each anniversary of March 1, 2019 and which shall fully vest on March 1, 2023, and (ii) 173,205 RSUs, 25% of which vest on each anniversary of March 1, 2020 and which shall fully vest on March 1, 2024. As of June 30, 2021, 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 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 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. (d) On May 31, 2021, Dr. Gao was granted options to purchase 296,085 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 or 120 days after termination of his service as a Director to the Board. As of June 30, 2021, none of these options has been exercised.

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

## SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

- (15) (a) On May 23, 2018, 87,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. Among the 87,500 RSUs, 25,000 RSUs were vested immediately and 62,500 RSUs shall vest on January 1, 2019. (b) On May 21, 2019, 62,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These RSUs shall vest on January 1, 2020. (c) On May 25, 2020, 62,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan. These RSUs shall vest on January 1, 2021. (d) On May 31, 2021, 62,500 RSUs were granted to Mr. Brown pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of June 30, 2021, none of these RSUs has been exercised.
- (16) (a) 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. (b) On May 31, 2021, options to purchase 32,877 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan were granted to Professor Lau. These options will expire on the earlier of May 30, 2031 or 120 days after termination of his service as a Director to the Board. As of June 30, 2021, none of these options has been exercised.
- (17) (a) On September 13, 2018, Professor Lau was granted an award of 187,500 RSUs (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. (b) On May 31, 2021, 32,877 RSUs were granted to Professor Lau pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of June 30, 2021, none of these RSUs has been exercised.
- (18) (a) 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. (b) On May 31, 2021, options to purchase 32,877 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan were granted to Mr. Fan. These options will expire on the earlier of May 30, 2031 or 120 days after termination of his service as a Director to the Board. As of June 30, 2021, none of these options has been exercised.
- (19) On May 31, 2021, 32,877 RSUs were granted to Mr. Fan pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs shall vest on January 1, 2022. As of June 30, 2021, none of these RSUs has been exercised.
- (20) On May 31, 2021, Dr. Liu was granted options to purchase 187,500 shares at a price of HK\$24.50 per share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 30, 2031 or 120 days after termination of her service as a Director to the Board. As of June 30, 2021, none of these options has been exercised.
- (21) On May 31, 2021, Dr. Liu was granted an award of 187,500 RSUs (each representing the right to receive one share) pursuant to the 2014 Equity Incentive Plan, subject to the Independent Shareholders' approval at an extraordinary general meeting. These RSUs vest on each anniversary of February 4, 2021 at the rate of 33%, 33% and 34% over a period of three years, and shall fully vest on February 4, 2024. As of June 30, 2021, none of these RSUs has been exercised.

## SECTION 8 RELEVANT INFORMATION ON BONDS

### I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

#### (I) DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES IN INTER-BANK BOND MARKET

##### 1. Basic information of debt financing instruments of non-financial enterprises

Name of bonds	Short Name	Code	Issue Date	Value Date	Maturity Date	Balance of Bonds	Interest rate(%)	Payment of principal and interest	Trading Place	Trading Mechanism	Whether there is a risk of termination of listing for trading
First tranche of 2019 medium-term notes of SMIC	19 SMIC MTN001	101900258	February 28, 2019	March 4, 2019	March 4, 2022	RMB1,500,000,000	3.57	Interest will be payable annually and the principal will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No

#### (II) PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Main indicators	06/30/21	12/31/20	06/30/21 as compared with 12/31/20(%)	Explanations
Current ratio <sup>(1)</sup>	<b>4.08</b>	3.90	4.6	No significant change
Quick ratio <sup>(2)</sup>	<b>3.80</b>	3.69	3.0	No significant change
Asset-liability ratio <sup>(3)</sup>	<b>29.2%</b>	30.8%	Decreased by 1.6 percentage points	No significant change

##### Six months ended

	06/30/21	06/30/20	06/30/21 as compared with 06/30/20(%)	Explanations
Profit for the reporting period after non-recurring profit or loss	<b>362,659</b>	82,631	338.9	Primarily due to the increase in wafer shipments, average selling price and product-mix change
Total debt to EBITDA ratio <sup>(4)</sup>	<b>0.29</b>	0.20	45.0	Primarily due to the increase in wafer shipments, average selling price, product-mix change and gain on disposal of a subsidiary.
Interest coverage ratio (times) <sup>(5)</sup>	<b>15.72</b>	3.69	326.0	Primarily due to the increase in wafer shipments, average selling price, product-mix change and gain on disposal of a subsidiary.
Cash interest coverage ratio (times) <sup>(6)</sup>	<b>30.17</b>	8.62	250.0	Primarily due to the increase in net cash from operating activities.
EBITDA interest coverage ratio (times) <sup>(7)</sup>	<b>31.50</b>	12.72	147.6	Primarily due to the increase in wafer shipments, average selling price, product-mix change and gain on disposal of a subsidiary.
Loan repayment ratio <sup>(8)</sup>	<b>100.0%</b>	100.0%	–	No significant change
Interest repayment ratio <sup>(9)</sup>	<b>100.0%</b>	100.0%	–	No significant change

Notes:

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventories)/current liabilities
- (3) Asset-liability ratio = (total liabilities/total assets) ×100%
- (4) Total debt to EBITDA ratio = EBITDA/total debts
- (5) Interest coverage ratio = profit before interest and tax/(finance costs + capitalized interest expenses)
- (6) Cash interest coverage ratio = (net cash flows from operating activities + interest paid + income tax paid)/interest paid
- (7) EBITDA interest coverage ratio = EBITDA/(finance costs + capitalized interest expenses)
- (8) Loan repayment ratio = actual amount of loan repayment/loan amount repayable ×100%
- (9) Interest repayment ratio = interests actually paid/interests payable ×100%

# SECTION 9 FINANCIAL REPORTS

## SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021 and 2020

(In USD'000, except per share data)

	Notes	Six months ended	
		06/30/21 (unaudited)	06/30/20 (unaudited)
Revenue	6	2,447,751	1,843,375
Cost of sales		(1,792,625)	(1,361,201)
Gross profit		655,126	482,174
Research and development expenses		(299,325)	(324,485)
Sales and marketing expenses		(12,032)	(10,913)
General and administration expenses		(99,935)	(133,612)
Net impairment losses recognized on financial assets		(206)	(822)
Other operating income, net	7	418,776	99,665
Profit from operations		662,404	112,007
Interest income		107,214	69,992
Finance costs	8	(55,842)	(36,378)
Foreign exchange gain		1,428	3,756
Other gains, net	9	21,407	30,342
Share of profit of investment accounted for using equity method		85,318	27,604
Profit before tax		821,929	207,323
Income tax credit (expense)	10	2,100	(30,369)
<b>Profit for the period</b>	11	<b>824,029</b>	176,954
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		15,352	(3,022)
Cash flow hedges	23	3,325	(28,435)
<b>Total comprehensive income for the period</b>		<b>842,706</b>	145,497
Profit (loss) for the period attributable to:			
Owners of the Company		846,679	202,133
Non-controlling interests		(22,650)	(25,179)
		<b>824,029</b>	176,954
Total comprehensive income (loss) for the period attributable to:			
Owners of the Company		865,356	170,779
Non-controlling interests		(22,650)	(25,282)
		<b>842,706</b>	145,497
<b>Earnings per share</b>			
Basic	12	\$0.11	\$0.04
Diluted	12	\$0.11	\$0.04

# SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2021 and December 31, 2020

(In USD'000)

	Notes	06/30/21 (unaudited)	12/31/20 (audited)
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	14	<b>12,097,966</b>	12,138,021
Right-of-use assets	15	<b>499,677</b>	491,238
Intangible assets		<b>74,918</b>	81,953
Investments in associates	16	<b>1,590,487</b>	1,440,976
Investments in joint ventures	17	<b>28,232</b>	31,521
Deferred tax assets		<b>36,967</b>	24,900
Financial assets at fair value through profit or loss	18	<b>168,737</b>	156,367
Financial assets at amortized cost	18	<b>3,417,704</b>	1,638,721
Derivative financial instruments	18	<b>28,184</b>	29,046
Restricted cash	19	<b>116,158</b>	114,811
Other assets		<b>1,539</b>	1,666
<b>Total non-current assets</b>		<b>18,060,569</b>	16,149,220
<i>Current assets</i>			
Inventories	20	<b>973,004</b>	798,776
Prepayment and prepaid operating expenses		<b>61,140</b>	48,176
Trade and other receivables	21	<b>996,076</b>	975,927
Financial assets at fair value through profit or loss	18	<b>7,219</b>	111,477
Financial assets at amortized cost	18	<b>4,628,937</b>	2,806,517
Derivative financial instruments	18	<b>25,363</b>	4,891
Restricted cash	19	<b>218,564</b>	575,258
Cash and cash equivalent		<b>7,179,067</b>	9,826,537
<b>Total current assets</b>		<b>14,089,370</b>	15,147,559
Assets classified as held-for-sale		<b>22,755</b>	23,796
<b>Total assets</b>		<b>32,172,694</b>	31,320,575



# SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2021 and December 31, 2020

(In USD'000)

	Notes	06/30/21 (unaudited)	12/31/20 (audited)
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Ordinary shares	22	31,604	30,814
Share premium		13,832,049	13,512,397
Other reserves	23	92,599	73,939
Retained earnings		2,104,735	1,258,056
Equity attributable to owners of the Company		16,060,987	14,875,206
Perpetual subordinated convertible securities	24	–	299,388
Non-controlling interests		6,720,644	6,507,144
<b>Total equity</b>		<b>22,781,631</b>	<b>21,681,738</b>
<i>Non-current liabilities</i>			
Borrowings	25	4,544,524	4,030,776
Lease liabilities	15	153,967	150,321
Bonds payable	26	597,312	596,966
Convertible bonds	27	1,957	11,131
Medium-term notes	28	–	229,217
Deferred tax liabilities		17,753	–
Deferred government funding		596,211	707,016
Derivative financial instruments	18	20,284	20,700
Total non-current liabilities		5,932,008	5,746,127
<i>Current liabilities</i>			
Trade and other payables	29	1,423,673	1,648,556
Contract liabilities	6	783,830	181,425
Borrowings	25	399,358	1,260,057
Lease liabilities	15	107,797	94,949
Medium-term notes	28	232,082	–
Deferred government funding		230,578	282,601
Accrued liabilities		212,004	253,690
Derivative financial instruments	18	49,187	133,814
Current tax liabilities		5,782	17,579
Other liabilities	18	14,764	20,039
Total current liabilities		3,459,055	3,892,710
<b>Total liabilities</b>		<b>9,391,063</b>	<b>9,638,837</b>
<b>Total equity and liabilities</b>		<b>32,172,694</b>	<b>31,320,575</b>

# SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2021 and 2020

(In USD'000)

Ordinary shares	Share premium	Equity-settle employee benefits reserve	Foreign currency translation reserve	Convertible bonds equity reserve
(Note 22)				(Note 27)

# SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2021 and 2020

(In USD'000)

Cash flow Hedges	Others	Retained earnings	Attributable to owner of the Company	Perpetual subordinated convertible securities	Non- controlling interest	Total equity
(Note 23)				(Note 24)		
9,923	(5,650)	550,506	<b>5,669,397</b>	563,848	3,964,617	<b>10,197,862</b>
—	—	202,133	<b>202,133</b>	—	(25,179)	<b>176,954</b>
(28,435)	—	—	<b>(31,354)</b>	—	(103)	<b>(31,457)</b>
(28,435)	—	202,133	<b>170,779</b>	—	(25,282)	<b>145,497</b>
—	—	—	<b>7,881</b>	—	207	<b>8,088</b>
—	—	—	<b>4,800</b>	—	1,148	<b>5,948</b>
—	—	(5,000)	<b>(5,000)</b>	—	—	<b>(5,000)</b>
—	—	—	<b>574,973</b>	—	—	<b>574,973</b>
—	—	—	<b>224,541</b>	(224,541)	—	<b>—</b>
—	—	—	<b>—</b>	—	2,249,930	<b>2,249,930</b>
—	377	—	<b>377</b>	—	—	<b>377</b>
—	23,073	—	<b>23,073</b>	—	(23,073)	<b>—</b>
—	23,450	(5,000)	<b>830,645</b>	(224,541)	2,228,212	<b>2,834,316</b>
(18,512)	17,800	747,639	<b>6,670,821</b>	339,307	6,167,547	<b>13,177,675</b>
(11,363)	21,094	1,258,056	<b>14,875,206</b>	299,388	6,507,144	<b>21,681,738</b>
—	—	846,679	<b>846,679</b>	—	(22,650)	<b>824,029</b>
3,325	—	—	<b>18,677</b>	—	—	<b>18,677</b>
3,325	—	846,679	<b>865,356</b>	—	(22,650)	<b>842,706</b>
—	—	—	<b>3,253</b>	—	—	<b>3,253</b>
—	—	—	<b>7,486</b>	—	282	<b>7,768</b>
—	—	—	<b>9,205</b>	—	—	<b>9,205</b>
—	—	—	<b>299,388</b>	(299,388)	—	<b>—</b>
—	—	—	<b>—</b>	—	367,350	<b>367,350</b>
—	930	—	<b>930</b>	—	—	<b>930</b>
—	9	—	<b>9</b>	—	(9)	<b>—</b>
—	154	—	<b>154</b>	—	(131,473)	<b>(131,319)</b>
—	1,093	—	<b>320,425</b>	(299,388)	236,150	<b>257,187</b>
(8,038)	22,187	2,104,735	<b>16,060,987</b>	—	6,720,644	<b>22,781,631</b>

# SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2021 and 2020

(In USD'000)

	Six months ended	
	06/30/21 (unaudited)	06/30/20 (unaudited)
<b>Cash flow from operating activities</b>		
Cash generated from operations	1,509,352	410,266
Interest paid	(52,888)	(56,037)
Interest received	86,524	72,756
Income taxes paid	(40,007)	(19,437)
Net cash from operating activities	1,502,981	407,548
<b>Cash flow from investing activities</b>		
Payments to acquire financial assets at fair value through profit or loss	(25,156)	(14,123)
Proceeds from sale of financial assets at fair value through profit or loss	123,669	45,760
Payments to acquire financial assets at amortized cost	(5,394,317)	(2,847,538)
Proceeds from maturity of financial assets at amortized cost	2,065,450	2,084,901
Payments for property, plant and equipment	(1,365,441)	(1,396,896)
Proceeds from disposal of property, plant and equipment and assets classified as held for sale	200,701	497
Payments for intangible assets	(6,282)	(1,746)
Payments for land use right	(98,739)	—
Proceeds from release of restricted cash relating to investing activities	101,979	57,755
Proceeds from disposal of a subsidiary	340,222	—
Payments to acquire associates	(50,769)	(11,532)
Proceeds from disposal of associates	4,203	18,260
Distributions received from associates	134	83
Net cash used in investing activities	(4,104,346)	(2,064,579)
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	860,672	519,440
Repayment of borrowings	(1,182,070)	(313,778)
Principal elements of lease payments	(47,277)	(47,270)
Proceeds from issuance of bonds	—	596,768
Proceeds from short-term notes	—	429,353
Repayment of short-term notes	—	(493,477)
Distribution paid to perpetual subordinated convertible securities holders	—	(5,000)
Proceeds from exercise of employee stock options	3,253	8,088
Proceeds from non-controlling interests — capital contribution	367,350	1,874,931
Payments to settle derivative financial instruments	(77,636)	178
Net cash (used in) from financing activities	(75,708)	2,569,233
Net decrease in cash and cash equivalents	(2,677,073)	912,202
Cash and cash equivalent, beginning of period	9,826,537	2,238,840
Effects of exchange rate changes on the balance of cash and cash equivalent held in foreign currencies	29,603	(20,974)
Cash and cash equivalent, ending of period	7,179,067	3,130,068

## 1. GENERAL INFORMATION

Semiconductor Manufacturing International Corporation (the “Company” or “SMIC”) was established as an exempted 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. SMIC and its subsidiaries (the “Group”) are mainly engaged in the computer-aided design, sales and marketing, technical research and development, manufacturing, trading of integrated circuits and other semiconductor services, as well as designing and manufacturing semiconductor masks, respectively.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Hong Kong Listing Rules. The interim condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRSs.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements as of and for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group’s annual financial statements as of and for the year ended December 31, 2020.

The New and revised standards, amendments and interpretations to existing standards have been issued and relevant to the Group and are not effective for the financial year beginning on January 1, 2021:

New or revised IFRS

Effective date

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2020.

There have been no changes in the risk management department since December 31, 2020 or in any risk management policies since December 31, 2020.

### 6. SEGMENT AND REVENUE INFORMATION

#### DESCRIPTION OF SEGMENTS

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.

#### DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's revenue from the transfer of goods and services only at a point in time in the three geographical areas — North America, Europe, and Asia Pacific. The Group's operating revenue from customers, based on the location of their headquarters, is came below.

At a point in time	Revenue from external customers Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
North America <sup>(1)</sup>	618,266	433,312
Chinese Mainland and Hong Kong, China	1,458,709	1,177,203
Eurasia <sup>(2)</sup>	370,776	232,860
	<b>2,447,751</b>	1,843,375

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

<sup>(2)</sup> Not including Chinese Mainland and Hong Kong, China.

The Group's operating revenue by product and service type is detailed below:

At a point in time	Revenue from external customers Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
Sales of wafers	2,239,675	1,677,521
Mask making, testing and others	208,076	165,854
	<b>2,447,751</b>	1,843,375

#### LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The group has recognized the liabilities related to contracts with customers as contract liabilities of US\$783.8 million as of June 30, 2021 (December 31, 2020: US\$181.4 million). The contract liabilities comprises of the prepayments received from customers, to which wafers have not been transferred.

#### 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 7. OTHER OPERATING INCOME, NET

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
Gain (loss) on disposal of property, plant and equipment and assets classified as held-for-sale	19,801	(51)
Government funding	167,593	99,716
Gain on disposal of a subsidiary	231,382	—
	<b>418,776</b>	99,665

On April 22, 2021, the Company (the "Vendor") entered into a share transfer agreement (the "Share Transfer Agreement") with Silver Starry Limited, Integrated Victory (BVI) Limited, CICC Gongying Qijiang (Shanghai) Science and Technology Equity Investment Fund Partnership (Limited Partnership), Qilu (Xiamen) Equity Investment Partnership (Limited Partnership), CICC SAIC Emerging Industry Equity Investment Fund Partnership (Limited Partnership), Suzhou Oriza Rivertown Changxin Ventures L.P. and Suzhou Puhua Chuangyu Equity Investment L.P. (collectively the "Purchasers"). Pursuant to the Share Transfer Agreement, the Purchasers agreed to purchase all the shares of SJ Semiconductor Corporation ("SJ Semi") held by the Company, i.e. representing approximately 55.87% of the total issued share capital of SJ Semi at the total consideration of approximately US\$397 million. Upon completion of the transaction, the Company ceased to hold any equity interest in SJ Semi and SJ Semi ceased to be a subsidiary of the Company. The Company lost control of SJ Semi on May 6, 2021. Please refer to the Company's announcement dated April 22, 2021 published on the website of Hong Kong Stock Exchange for details.

The carrying amounts of assets and liabilities as at the date of sale of SJ Semi were:

	05/06/21 in USD'000
<b>Carrying amount of assets disposed</b>	
Property, plant and equipment	327,022
Inventories	24,850
Trade and other receivables	38,501
Cash and cash equivalent	56,861
Other assets	37,782
	485,016
<b>Carrying amount of liabilities disposed</b>	
Borrowings	108,014
Trade and other payables	68,423
Other liabilities	13,205
	189,642
Net asset	295,374
Less: non-controlling interests	(129,673)
	165,701

An analysis of the gain and the cash flows in respect of the disposal of a subsidiary is as follows:

	Six months ended 06/30/21 in USD'000
<b>Gain on disposal of a subsidiary</b>	
Cash consideration received	397,083
Carrying amount of net assets disposed	(165,701)
	231,382
<b>Net cash flows arising on disposal of a subsidiary</b>	
Cash consideration received	397,083
Cash outflow of disposal of a subsidiary	(56,861)
	340,222

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 8. FINANCE COSTS

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
Interest on		
Bank and other borrowings	38,317	35,232
Corporate bonds	8,559	5,701
Convertible bonds	31	9,545
Medium-term notes	4,316	3,958
Lease liabilities	4,619	5,753
Short-term notes	—	5,772
	55,842	65,961
Less: amounts capitalized	—	(29,583)
	55,842	36,378

### 9. OTHER GAINS, NET

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
<b>Net gain arising from financial instruments at fair value through profit or loss ("FVPL")</b>		
Structural deposits and monetary funds	222	1,193
Equity securities	3,694	28,572
Cross currency swap contracts	11,356	—
Foreign currency forward contracts	108	—
	15,380	29,765
Others	6,027	577
	21,407	30,342

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 12. 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:

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
Earnings attributable to owners of the company	846,679	202,133
Distribution to perpetual subordinated convertible securities holders	—	(5,000)
Earnings used in the calculation of basic earnings per share	846,679	197,133
Weighted average number of ordinary shares used in the calculation of basic earnings per share	7,892,359,745	5,216,527,827
Basic earnings per share	\$0.11	\$0.04

#### DILUTED EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
Earnings used in the calculation of basic earnings per share	846,679	197,133
Interest expense from convertible bonds	31	9,131
Distribution to perpetual subordinated convertible securities holders	—	5,000
Earnings used in the calculation of diluted earnings per share	846,710	211,264
Weighted average number of ordinary shares used in the calculation of basic earnings per share	7,892,359,745	5,216,527,827
Employee option and restricted share units	24,943,135	25,048,756
Convertible bonds	2,496,106	330,465,243
Perpetual subordinated convertible securities	5,060,187	314,862,205
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	7,924,859,173	5,886,904,031
Diluted earnings per share	\$0.11	\$0.04

For the six months ended June 30, 2021, the Group had 818,351 weighted average outstanding employee stock options (six months ended June 30, 2020: 2,461,132) excluded from the computation of diluted earnings per share due to the exercise price higher than the average market price of the ordinary shares. For the six months ended June 30, 2021, there was no anti-dilutive effect on the conversion of convertible bonds and perpetual subordinated convertible securities (six months ended June 30, 2020: Nil).

### 13. DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 14. PROPERTY, PLANT AND EQUIPMENT CONSTRUCTION IN PROGRESS

The construction in progress balance of approximately US\$2,946.8 million as of June 30, 2021, primarily consisted of US\$1,568.0 million used for the machinery and equipment of the fabs in Shanghai; US\$773.1 million, US\$363.8 million and US\$153.2 used for the facilities construction, machinery and equipment of the fabs in Beijing, Tianjin and Shenzhen, respectively; US\$88.7 million used for purchasing machinery and equipment acquired for research and development activities.

#### IMPAIRMENT LOSSES RECOGNIZED IN THE PERIOD

For the six months ended June 30, 2021, the Group did not record impairment loss of property, plant and equipment (six months ended June 30, 2020: Nil).

#### ASSETS PLEDGED AS SECURITY

As of June 30, 2021, property, plant and equipment with a carrying amount of approximately US\$139.0 million (December 31, 2020: approximately US\$101.1 million) have been pledged to secure borrowings of the Group under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to other entities.

#### CAPITAL COMMITMENTS

As of June 30, 2021, the Group had commitments for the facility construction amounted to US\$338.8 million (December 31, 2020 US\$79.3 million) and commitments for the acquisition of machinery and equipment amounted to US\$3,393.0 million (December 31, 2020: US\$2,031.7 million).

#### CAPITALIZED INTEREST

Interest is capitalized when incurring on the specialized borrowings that are used for the over-one-year construction of plant and equipment. Capitalized interest is added to the cost of the underlying assets and is depreciated over as accounting policy. Capitalized interests of nil and US\$29.6 million during the reporting period and the corresponding period of last year, respectively, were added to the cost of the underlying assets. For this reporting period and the corresponding period of last year, the Group recorded depreciation expenses relating to the capitalized interest of US\$18.5 million and US\$20.9 million, respectively.

### 15. LEASES

	06/30/21 USD'000	12/31/20 USD'000
<b>Right-of-use assets</b>		
Buildings	109	1,930
Machinery and equipment	251,559	233,225
Land use right	248,009	256,083
	<b>499,677</b>	491,238
<b>Lease liabilities</b>		
Current	107,797	94,949
Non-current	153,967	150,321
	<b>261,764</b>	245,270

	Six month ended	
	06/30/21 USD'000	06/30/20 USD'000
<b>Depreciation of right-of-use assets</b>		
Buildings	449	497
Machinery and equipment	47,002	47,638
Land use right	2,806	1,477
	<b>50,257</b>	49,612
<b>Interest expense</b>	4,619	5,753
<b>Cash outflow for leases</b>	47,277	47,270

For the six month ended June 30, 2021, additions to the right-of-use assets were US\$69.1million (six months ended June 30, 2020: US\$92.2 million).

As of June 30, 2021, land use right with a carrying amount of approximately US\$34.7 million (December 31, 2020: approximately US\$10.0 million) has been pledged to secure borrowings of the Group under a mortgage.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 16. INVESTMENT IN ASSOCIATES

Details of the principle 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 company	Place of establishment and operation	Class of share held	Percentage of ownership interest and voting power held by the Group	
			06/30/21	12/31/20
JCET Group Co., Ltd. ("JCET")	Jiangsu, PRC	Ordinary	12.86%	14.3%
Sino IC Leasing Co., Ltd.	Shanghai, PRC	Ordinary	8.17%	8.17%
Ningbo Semiconductor International Corporation	Ningbo, PRC	Ordinary	15.85%	15.85%
Semiconductor Manufacturing Electronics Shaoxing, PRC (Shaoxing) Corporation		Ordinary	19.57%	19.57%

<sup>(1)</sup> In accordance with investment agreements, the Group has significant influence, but not control, over the above companies through the right the Group owned to appoint director(s) to the Board of directors of these companies.

<sup>(2)</sup> Considering 16,000,000 ordinary shares of JCET are in security financing, the Company's actual shareholding in JCET is 11.96%.

### 17. INVESTMENTS IN JOINT VENTURES

Details of the joint venture, unlisted company invested directly through China IC Capital (Ningbo) Co., Ltd, at the end of the reporting period and the end of the previous year are as follows:

Name of company	Place of establishment and operation	Class of share held	Percentage of ownership interest and voting power held by the Group	
			06/30/21	12/31/20
Shanghai Xinxin Investment Center (Limited Partnership)	Shanghai, PRC	Limited partner interest	49.0%	49.0%



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

Financial assets	06/30/21 USD'000	12/31/20 USD'000
<b>Non-current</b>		
Financial assets at fair value through profit or loss		
Listed equity securities	40,528	36,482
Unlisted equity securities	128,209	119,885
Financial assets at amortized cost		
Restricted cash	116,158	114,811
Bank deposits with more than 1 year <sup>(1)</sup>	3,417,704	1,638,721
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	25,991	29,046
Interest rate swap contracts — cash flow hedges	2,193	—
<b>Current</b>		
Financial assets at fair value through profit or loss		
Structural deposits	6,832	111,094
Monetary funds	387	383
Financial assets at amortized cost		
Restricted cash	218,564	575,258
Cash and cash equivalent	7,179,067	9,826,537
Bank deposits with more than 3 months <sup>(1)</sup>	4,628,937	2,806,517
Trade and other receivables <sup>(2)</sup> (Note 21)	812,680	608,906
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	25,363	4,891
	<b>16,602,613</b>	15,872,531

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	06/30/21	12/31/20
	USD'000	USD'000
<b>Financial liabilities</b>		
<b>Non-current</b>		
Liabilities at amortized cost		
Borrowings (Note 25)	4,544,524	4,030,776
Lease liabilities (Note 15)	153,967	150,321
Bonds payable (Note 26)	597,312	596,966
Convertible bonds (Note 27)	1,957	11,131
Medium-term notes (Note 28)	—	229,217
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	16,329	13,000
Interest rate swap contracts — cash flow hedges	3,955	7,700
<b>Current</b>		
Liabilities at amortized cost		
Trade and other payables (Note 29)	1,423,673	1,648,556
Borrowings (Note 25)	399,358	1,260,057
Lease liabilities (Note 15)	107,797	94,949
Medium-term notes (Note 28)	232,082	—
Derivative financial instruments		
Cross currency swap contracts — cash flow hedges	49,187	133,481
Foreign currency forward contract	—	333
Other liabilities		
Long-term payables	14,764	20,039
	<b>7,544,905</b>	<b>8,196,526</b>

#### 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 condensed consolidated financial statements approximate their fair values.

#### 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. 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.

#### RECOGNIZED FAIR VALUE MEASUREMENTS

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 six months ended June 30, 2021 and the year ended December 31, 2020.

- 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).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)* FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
<b>Financial assets</b>					
<b><i>Financial assets at fair value through profit or loss</i></b>					
Listed equity securities	Using quoted market prices	40,528	—	—	40,528
Unlisted equity securities	Using recent transaction price or market approach	—	—	128,209	128,209
Structural deposits	Using indicated return rate provided by financial institution	—	—	6,832	6,832
Monetary funds	Using observable prices	—	387	—	387
<b><i>Derivative financial instruments</i></b>					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	51,354	—	51,354
Interest rate swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	2,193	—	2,193
		40,528	53,934	135,041	229,503
<b>Financial liabilities</b>					
<b><i>Derivative financial instruments</i></b>					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	65,516	—	65,516
Interest rate swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	—	3,955	—	3,955
		—	69,471	—	69,471

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)* FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

<u>December 31, 2020</u>	<u>Valuation techniques</u>	<u>Level 1 USD'000</u>	<u>Level 2 USD'000</u>	<u>Level 3 USD'000</u>	<u>Total USD'000</u>
<b>Financial assets</b>					
<b><i>Financial assets at fair value through profit or loss</i></b>					
Listed equity securities	Using quoted market prices	36,482	—	—	36,482
Unlisted equity securities					

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 19. RESTRICTED CASH

	<b>06/30/21</b>	12/31/20
	<b>USD'000</b>	USD'000
Non-current <sup>(1)</sup>	<b>116,158</b>	114,811
Current <sup>(2)</sup>	<b>218,564</b>	575,258
	<b>334,722</b> <sup>(1)</sup>	690,069

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 21. TRADE AND OTHER RECEIVABLES (continued)

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.

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	06/30/21 USD'000	12/31/20 USD'000
Within 6 months	31,386	5,516
6 months-1 year	24,411	11,387
1-2 years	1,861	2,163
2-3 years	885	857
Over 3 years	11,544	11,380
	<b>70,087</b>	<b>31,303</b>

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair value.

### 22. SHARES AND ISSUED CAPITAL

	Six months ended 06/30/21		Six months ended 06/30/20	
	Number of shares	Share capital USD'000	Number of shares	Share capital USD'000
Balance at January 1	7,703,507,527	30,814	5,056,868,912	20,227
Issuance of shares under the Company's employee Stock incentive plans	6,447,060	25	11,456,856	46
Conversion options of convertible bonds exercised	7,977,636	32	484,956,370	1,940
Conversion options of perpetual subordinated convertible securities exercised	183,178,403	733	137,383,794	550
Balance at June 30	<b>7,901,110,626</b>	<b>31,604</b>	<b>5,690,665,932</b>	<b>22,763</b>

Fully paid ordinary shares, which have a par value of US\$0.004, carry one vote per share and carry a right to dividends.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 23. OTHER RESERVES 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.

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
<b>Other comprehensive income (loss) on cash flow hedges recognized as:</b>		
Fair value gains (losses)	92,805	(29,441)
Offset foreign exchange (losses) gains	(93,078)	893
Add finance cost	3,598	113
	3,325	(28,435)
Balance of cash flow hedges reserve at beginning of the period	(11,363)	9,923
Balance of cash flow hedges reserve at end of the period	(8,038)	(18,512)

Please refer to Note 18 for the outstanding balances of these hedging instruments.

### 24. 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 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 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 June 30, 2021, the PSCS were fully converted into ordinary shares, and the net book value of PSCS amounted to nil (June 30, 2020: US\$339.3 million).

For the six months ended June 30, 2021, 183,178,403 PSCS (six months ended June 30, 2020: 137,383,794) have been converted into ordinary shares of the Company, and the Company paid no distribution (six months ended June 30, 2020: US\$5.0 million).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 25. BORROWINGS

	06/30/21 USD'000	12/31/20 USD'000
<b>At amortized cost</b>		
Short-term bank borrowings		
– secured	–	150,000
– unsecured nor unguaranteed	–	302,627
Long-term bank borrowings		
– guaranteed	1,315,746	1,546,856
– secured	282,671	159,502
– unsecured nor unguaranteed	3,317,350	2,661,145
Other borrowings		
– secured	28,115	470,703
	<b>4,943,882</b>	<b>5,290,833</b>
<b>Current</b>		
Short-term bank borrowings	–	452,627
Current maturities of long-term bank borrowings and other borrowings	399,358	807,430
	<b>399,358</b>	<b>1,260,057</b>
<b>Non-current</b>		
Non-current maturities of long-term bank borrowings and other borrowings	4,544,524	4,030,776
	<b>4,943,882</b>	<b>5,290,833</b>
<b>Borrowing by repayment schedule</b>		
Within 1 year	399,358	1,260,057
1-2 years	359,562	563,237
2-5 years	3,793,509	3,104,738
Over 5 years	391,453	

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 25. BORROWINGS (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	06/30/21 USD'000	12/31/20 USD'000
RMB	4,174,482	3,830,605
USD	769,400	1,460,228
	<b>4,943,882</b>	<b>5,290,833</b>

The weighted average effective interest rates of borrowings are set out as follows:

	06/30/21 USD'000	12/31/20 USD'000
RMB	2.34%	2.42%
USD	1.63%	1.62%

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.

### 26. 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)
	<b>596,400</b>

The movement of the corporate bonds for the six months ended June 30, 2020 and 2021 is set out below:

	USD'000
At the date of issue	596,400
Interest charged	5,701
Interest payable recognized	(5,476)
As at June 30, 2020	596,625
As at December 31, 2020	<b>596,966</b>
Interest charged	<b>8,559</b>
Interest payable recognized	<b>(8,213)</b>
As at June 30, 2021	<b>597,312</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 27. 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 June 30, 2021, 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

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 six months ended June 30, 2020 and 2021 is set out below:

	Liability Component USD'000	Equity Component USD'000	Total USD'000
As at December 31, 2019	630,428	86,200	716,628
Interest charged	9,545	—	9,545
Conversion options exercised	(574,973)	(75,102)	(650,075)
As at June 30, 2020	65,000	11,098	76,098
As at December 31, 2020	<b>11,131</b>	<b>1,964</b>	<b>13,095</b>
Interest charged	<b>31</b>	<b>—</b>	<b>31</b>
Conversion options exercised	<b>(9,205)</b>	<b>(1,623)</b>	<b>(10,828)</b>
As at June 30, 2021	<b>1,957</b>	<b>341</b>	<b>2,298</b>

The equity component will remain in convertible bond equity reserve until the embedded conversion option is exercised or the Convertible Bonds mature.

### 28. 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 six months ended June 30, 2020 and 2021 is set out below:

	Medium-term Notes USD'000	Short-term Notes USD'000
As at December 31, 2019	214,193	286,512
Issuance	—	429,353
Repayment	—	(493,477)
Interest charged	3,958	5,772
Interest payable recognized	(3,804)	(5,772)
Foreign exchange gain	(3,034)	(10,548)
As at June 30, 2020	211,313	211,840
As at December 31, 2020	<b>229,217</b>	<b>—</b>
Interest charged	<b>4,316</b>	<b>—</b>
Interest payable recognized	<b>(4,142)</b>	<b>—</b>
Foreign exchange gain	<b>2,691</b>	<b>—</b>
As at June 30, 2021	<b>232,082</b>	<b>—</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 29. TRADE AND OTHER PAYABLES

	06/30/21 USD'000	12/31/20 USD'000
Trade payables	1,283,872	1,473,273
Deposit received	88,918	99,928
Other payable	50,883	75,355
	<b>1,423,673</b>	1,648,556

Trade payables are non-interest bearing and are normally settled on 30-day to 60-day terms.

As of June 30, 2021, payables for property, plant and equipment were US\$834.2 million (December 31, 2020: US\$906.0 million).

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	06/30/21 USD'000	12/31/20 USD'000
Within 30 days	1,128,278	1,034,060
31-60 days	49,109	33,075
Over 60 days	106,485	406,138
	<b>1,283,872</b>	1,473,273

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

### 30. SHARE-BASED PAYMENT STOCK INCENTIVE PLANS

The Company's stock incentive plans allow the Company to offer a variety of incentive awards to employees, consultants or external service advisors of the Group.

The expense arising from equity-settled share-based payments for the six months ended June 30, 2021 was US\$7.8 million (six months ended June 30, 2020: US\$5.9 million).

#### MOVEMENTS DURING THE PERIOD

- i. The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the period, excluding restricted share units ("RSUs"):

	Six months ended 06/30/21		Six months ended 06/30/20	
	Number	WAEP	Number	WAEP
Outstanding at January 1	36,738,628	\$1.56	39,355,224	\$1.04
Granted during the period	4,986,759	\$3.16	9,464,602	\$2.33
Forfeited and expired during the period	(1,353,825)	\$1.91	(1,649,743)	\$1.14
Exercised during the period	(3,048,139)	\$1.21	(8,353,066)	\$0.95
Outstanding at June 30	<b>37,323,423</b>	<b>\$1.79</b>	38,817,017	\$1.37

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was US\$3.30.

In the current interim period, share options were granted on May 31, 2021. The fair values of the options determined at the dates of grant using the Black-Scholes Option Pricing model was US\$1.61.

### 30. SHARE-BASED PAYMENT (continued) MOVEMENTS DURING THE PERIOD (continued)

i. (continued)

The following table lists the inputs to the Black-Scholes Option Pricing model used for the options granted during the six months ended June 30, 2021 and 2020:

	Six months ended	
	06/30/21	06/30/20
<hr/>		



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 31. EXCHANGE RATE AND INTEREST RATE RISK (continued)

#### CROSS CURRENCY SWAP CONTRACTS

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		Notional value				Net fair value assets (liabilities)	
	06/30/21	12/31/20	06/30/21	12/31/20	06/30/21	12/31/20	06/30/21	12/31/20
			RMB'000	RMB'000	USD'000	USD'000	USD'000	USD'000
<b>Buy RMB</b>								
Within 1 year	6.8284	6.5469	2,760,000	2,150,000	404,194	328,498	20,606	4,585
1-5 years	6.5122	6.6638	13,265,879	7,673,429	2,037,078	1,150,362	9,662	16,046
<b>Sell RMB</b>								
Within 1 year	6.5244	6.7005	21,303,375	30,927,025	3,265,169	4,616,663	(44,430)	(133,175)

#### INTEREST RATE SWAP CONTRACTS

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 expense occurred. 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)	
	06/30/21	12/31/20	06/30/21	12/31/20	06/30/21	12/31/20
			USD'000	USD'000	USD'000	USD'000
<b>Receive floating pay fixed rates</b>						
1-5 years	2.0%	2.0%	383,500	418,097	(1,762)	(7,700)

### 32. RELATED PARTY TRANSACTIONS

The names of the related parties which had transactions with the Group for the six months ended June 30, 2021 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
Toppan SMIC Electronic (Shanghai) Co., Ltd ("Toppan")	An associate of the Group
Brite Semiconductor (Shanghai) Corporation ("Brite") and its subsidiaries	Brite is 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	JCET is an associate of the Group
Sino IC Leasing Co., Ltd ("Sino IC Leasing") and its subsidiaries	Sino IC Leasing is 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
Semiconductor Technology Innovation Center (Beijing) Co., Ltd. ("Beijing Innovation Center")	An associate of the Group
Subsidiaries of National Silicon Industry Group ("Silicon")	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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 32. RELATED PARTY TRANSACTIONS (continued)

#### TRADING TRANSACTIONS

During the period, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Six months ended		Six months ended	
	06/30/21 USD'000	06/30/20 USD'000	06/30/21 USD'000	06/30/20 USD'000
	<b>Sale of goods</b>		<b>Sale of services</b>	
Datang <sup>(1)</sup>	5,025	2,228	—	—
Brite and its subsidiaries	46,614	20,139	—	—
JCET and its subsidiaries	—	—	8	45,238
SMEC	212	31,449	458	1,763
NSI <sup>(1)</sup>	11,960	4,383	69	853
XMC	—	—	—	2
Beijing Innovation Center	14,604	—	348	—
	<b>Purchase of goods</b>		<b>Purchase of services</b>	
Toppan	3,453	5,719	7	11
JCET and its subsidiaries	—	—	1,733	3,826
SMEC	—	55	573	2,370
SGS	—	57	—	—
Subsidiaries of Silicon	10,073	4,975	—	—
China Fortune-Tech	—	—	181	148
	<b>Sale of equipment</b>		<b>Purchase of equipment</b>	
SMEC	—	4,126	—	4,817
SGS	—	—	3,485	10,119
	<b>Rent income</b>		<b>Increase of right-of-use assets</b>	
Sino IC Leasing and its subsidiaries	—	—	65,336	91,147
Toppan	1,911	1,998	—	—
SMEC	40	1,491	—	—
NSI <sup>(1)</sup>	45	32	—	—
China Fortune-Tech	298	5	—	—
Beijing Innovation Center	48	—	—	—
SGS	7	7	—	—
	<b>Payment of lease liabilities</b>		<b>Interest expenses on lease liabilities</b>	
Sino IC Leasing and its subsidiaries	51,679	52,765	4,583	5,682
JCET and its subsidiaries	209	234	28	47

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 32. RELATED PARTY TRANSACTIONS (continued)

#### TRADING TRANSACTIONS (continued)

The following balances were outstanding at the end of the reporting period:

	Amounts due from		Amounts due to	
	06/30/21 USD'000	12/31/20 USD'000	06/30/21 USD'000	12/31/20 USD'000
Datang	2,150	1,271	—	—
Toppan	1,216	793	416	592
Brite and its subsidiaries	23,306	11,743	—	—
JCET and its subsidiaries <sup>(2)</sup>	375	439	—	2,440
SMEC	17,764	27,021	—	—
NSI	7,063	7,123	—	—
SGS	—	—	5,227	4,128
Subsidiaries of Silicon	—	—	2,665	1,306
Sino IC Leasing and its subsidiaries <sup>(2)</sup>	—	—	261,655	243,141
Beijing Innovation Center	14,925	788	—	41
China Fortune-Tech	2	—	—	—

(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. The other party transactions did not constitute non-exempt continuing connected transaction under Chapter 14A of the Listing Rules.

(2) As of June 30, 2021, lease liabilities to JCET and its subsidiaries were nil (December 31, 2020: US\$1.7 million), and to Sino IC leasing and its subsidiaries were US\$261.7 million (December 31, 2020: US\$243.1 million) respectively.

#### 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 reporting and the corresponding period are as follows:

	Six months ended	
	06/30/21 USD'000	06/30/20 USD'000
Salaries, bonus and benefits	1,282	873
State-managed pension	13	6
Equity-settled share-based payments	1,634	1,697
	<b>2,929</b>	<b>2,576</b>

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

### 33. CONTINGENCY EVENTS

#### (1) ARBITRATION OF CONTRACT DISPUTED WITH PDF SOLUTIONS, INC.

On May 7, 2020, 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. 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. The arbitration is still ongoing.

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 June 30, 2021, the Group did not make provision for the contingent liabilities from the contract dispute.

#### (2) CIVIL COMPLAINT FILED WITH THE UNITED STATES DISTRICT COURT

The Company noted that on December 10, 2020, EST, 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 June 30, 2021, the Group did not make provision for the contingent liabilities from the civil complaint.

### 34. SUBSEQUENT EVENTS

#### THE FIRST GRANT OF RESTRICTED SHARES TO AWARDEES

On July 19, 2021, in accordance with the authorization of the Company's 2021 first extraordinary general meeting, the Board of Directors reviewed and approved the "Proposal on the First Grant of Restricted Shares to Awardees" in the form of a written resolution, and decided to the date July 19, 2021 was the grant date, and 67,535,200 restricted shares were granted to 3,944 awardees at a grant price of RMB20 yuan per share, accounting for 0.85% of the Company's total share capital of 7,900,064,794 shares on the date of the announcement of the draft incentive plan.

According to the Company's preliminary estimate based on current information, the total cost of restricted share to be amortized during the implementation of the incentive plan from 2021 to 2025 is estimated to be RMB2,227.6 million (approximately US\$345.0 million). The above calculation results do not represent the final accounting cost, and the actual accounting cost is related to the actual vesting number. Awardees who leave their jobs before vesting, or if the Company's performance appraisal or personal performance appraisal fails to meet the corresponding standards, will correspondingly reduce the actual vesting number, thereby reducing share-based payment costs.



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