



中芯國際集成電路製造有限公司*
Semiconductor Manufacturing International Corporation
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00981



2023 INTERIM REPORT

* For identification purposes only



CONTENTS

2	SECTION 1	DEFINITIONS
3	SECTION 2	CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS
6	SECTION 3	MANAGEMENT DISCUSSION AND ANALYSIS
21	SECTION 4	CORPORATE GOVERNANCE
26	SECTION 5	ENVIRONMENTAL AND SOCIAL RESPONSIBILITY
28	SECTION 6	SIGNIFICANT EVENTS
39	SECTION 7	CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS
45	SECTION 8	FINANCIAL REPORT

IMPORTANT NOTICE

- I. The Board of Directors and the 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 production and operation 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. Liu Xunfeng, the person-in-charge of the Company, Wu Junfeng, the person-in-charge of Finance, 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 for 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 contains, in addition to historical information, forward-looking statements. These forward-looking statements are based on SMIC's current assumptions, expectations, beliefs, plans, objectives and projections about future events or performance. SMIC uses words including but not limited to "believe", "anticipate", "intend", "estimate", "expect", "project", "target", "going forward", "continue", "ought to", "may", "seek", "should", "plan", "could", "vision", "goal", "aim", "aspire", "objective", "schedule", "outlook" and other similar expressions to identify forward looking statements. These forward-looking statements are estimates made by SMIC's senior management based on their best judgment 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 cyclicalities and market conditions in the semiconductor industry, intense competition in the semiconductor industry, 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, shortages in equipment, parts, raw materials, software and service supports, orders or judgments from pending litigation, intellectual property litigation in the semiconductor industry, general economic conditions, fluctuations in currency exchange rates and the risk of geopolitics.
- IX. Any appropriation of fund by the controlling shareholder or other 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 or We	for	the Company and its subsidiaries
SMIC Shanghai	for	Semiconductor Manufacturing International (Shanghai) Corporation
SMIC Beijing	for	Semiconductor Manufacturing International (Beijing) Corporation
SMIC Tianjin	for	Semiconductor Manufacturing International (Tianjin) Corporation
SMIC Shenzhen	for	Semiconductor Manufacturing International (Shenzhen) Corporation
SMNC	for	Semiconductor Manufacturing North China (Beijing) Corporation
SMSC	for	Semiconductor Manufacturing South China Corporation
SMBC	for	Semiconductor Manufacturing Beijing Corporation
SMOC	for	Semiconductor Manufacturing Oriental Corporation
SMTC	for	Semiconductor Manufacturing Tianjin-Xiqing 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.
China IC Fund II	for	China Integrated Circuit Industry Investment Fund (Phase II) 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
CSRC	for	China Securities Regulatory Commission
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
SSE STAR Market Listing Rules	for	the Rules Governing the Listing of Securities on the SSE STAR Market, as amended from time to time
IFRS(s)	for	the International Financial Reporting Standards as issued by the International Accounting Standards Board
CAS(s)	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
Reporting period or this period	for	period from January 1, 2023 to June 30, 2023
Corresponding period or previous period	for	period from January 1, 2022 to June 30, 2022

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 FinFET include the stated linewidth of the process technology, as well as linewidth down to, but not including, the next key process technology node of narrow linewidth. 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 IFRSs.

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 ^(Note)	Liu Xunfeng
Authorized Representatives under Hong Kong Listing Rules	Liu Xunfeng, Guo Guangli
Company Secretary	Guo Guangli
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
Place of business in Hong Kong	Suite 3003, 30th Floor, No. 9 Queen's Road Central, Hong Kong
Postal code of the office address of the Company	201203
Website address	http://www.smics.com/
E-mail	ir@smics.com
Hong Kong Share registrar	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Custodian of A Shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited

Note: The Company is registered in the Cayman Islands, which does not have the concept of a legal representative, and the Chairman of the Company is Liu Xunfeng.

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
E-mail	ir@smics.com	ir@smics.com

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

III. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

Names and websites of the medium selected by the Company for information disclosure	Shanghai Securities News (www.cnstock.com), China Securities Journal (www.cs.com.cn), Securities Times (www.stcn.com) and Securities Daily (www.zqrb.cn)
Website of the Shanghai Stock Exchange for publishing the interim report	http://www.sse.com.cn
Website of the Hong Kong Stock Exchange for publishing the interim report	http://www.hkexnews.hk
Place available for 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

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

V. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) PRINCIPAL ACCOUNTING DATA

In USD'000

	Six months ended		
	06/30/23	06/30/22	06/30/23 as compared with 06/30/22 (%)
Revenue	3,022,684	3,745,058	(19.3)
Profit for the period attributable to owners of the Company	633,864	961,559	(34.1)
Profit for the period attributable to owners of the Company, net of non-recurring profit or loss	237,904	797,642	(70.2)
Net cash flow generated from operating activities	1,597,705	3,715,459	(57.0)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	2,151,990	2,356,416	(8.7)

	As of		
	06/30/23	12/31/22	06/30/23 as compared with 12/31/22 (%)
Equity attributable to owners of the Company	19,740,455	19,149,976	3.1
Total assets	45,844,378	43,807,784	4.6

(II) PRINCIPAL FINANCIAL INDICATORS

	Six months ended		
	06/30/23	06/30/22	06/30/23 as compared with 06/30/22 (%)
Gross margin	20.6%	40.1%	Decreased by 19.5 percentage points
Net margin	24.2%	32.0%	Decreased by 7.8 percentage points
EBITDA margin	71.2%	62.9%	Increased by 8.3 percentage points
Basic earnings per share	\$0.08	\$0.12	(33.3)
Diluted earnings per share	\$0.08	\$0.12	(33.3)
Basic earnings per share, net of non-recurring profit or loss	\$0.03	\$0.10	(70.0)
Weighted average return on equity ⁽¹⁾	3.3%	5.5%	Decreased by 2.2 percentage points
Weighted average return on equity, net of non-recurring profit or loss ⁽²⁾	1.2%	4.5%	Decreased by 3.3 percentage points
Percentage of research and development ("R&D") expense to revenue	11.4%	9.4%	Increased by 2.0 percentage points

Notes:

- (1) Weighted average return on equity = profit for the period attributable to owners of the Company/weighted average equity
- (2) Weighted average return on equity, net of non-recurring profit or loss = profit attributable to owners of the Company, net of non-recurring profit or loss/weighted average equity

During the reporting period, the decrease in profit for the period attributable to owners of the Company, profit for the period attributable to owners of the Company, net of non-recurring profit or loss, gross margin and net margin was primarily due to the decrease in wafer shipment, product-mix change and a decline in capacity utilization.

Net cash flow generated from operating activities decreased, primarily due to the decrease in received cash from sale of goods.

Basic earnings per share, diluted earnings per share and basic earnings per share, net of non-recurring profit or loss decreased, primarily due to the decrease in profit for the period attributable to owners of the Company and profit for the period attributable to owners of the Company, net of non-recurring profit or loss.

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VI. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DIFFERENT ACCOUNTING STANDARDS

(I) DISCREPANCIES IN PROFIT AND EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY IN THE FINANCIAL REPORT DISCLOSED UNDER IFRSs AND UNDER CASs

In USD'000

	Profit attributable to owners of the Company		Equity attributable to owners of the Company	
	Six months ended 06/30/23	Six months ended 06/30/22	06/30/23	12/31/22
Prepared in accordance with CASs	430,134	961,559	19,740,455	19,149,976
Adjustments to items and amounts prepared in accordance with IFRSs:				
Equity interest in an associate being passively diluted ^(Note)	203,730	–	–	–
Prepared in accordance with IFRSs	633,864	961,559	19,740,455	19,149,976

Note: Under the CASs, gains or losses arising from passive dilution of investments in associates and joint ventures should be recorded in equity while adjusting the carrying amount of the long-term investment. Under the IFRSs, such gains or losses should be recorded in profit or loss, while adjusting the carrying amount of the long-term investment.

VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

In USD'000

	Six months ended 06/30/23
Loss on disposal of property, plant and equipment and assets classified as held-for-sale	(953)
Government funding	111,473
Gain on passive dilution of equity interests in an associate	203,730
Net gain arising from financial assets at fair value through profit or loss ("FVPL")	56,502
Share of gain arising from financial assets at FVPL of investment using equity method	86,528
Others	735
	458,015
Effects on income tax	(33,735)
Impact on non-controlling interests (after tax)	(28,320)
Total	395,960

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 operation of a company and that are related to the normal business operation due to its special nature and contingency with affecting users of financial statements to make a correct judgment on the operating performance and profitability of the Company.

VIII. EBITDA

In USD'000

	Six months ended	
	06/30/23	06/30/22
Profit for the period	731,291	1,198,234
Finance costs	92,387	54,852
Depreciation and amortisation	1,287,949	1,091,167
Income tax expense	40,363	12,163
EBITDA	2,151,990	2,356,416

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRIAL OVERVIEW AND PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(I) PRINCIPAL BUSINESS, MAJOR PRODUCTS OR SERVICES

SMIC is one of the leading semiconductor foundries in the world and also the front runner in Chinese Mainland, with leading manufacturing capability, manufacturing scale and comprehensive services. SMIC Group provides semiconductor foundry and technology services to global customers on 0.35 micron to FinFET process node technologies.

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 promoting the collaborations of upstream and downstream of IC industry chain so as to provide a full range of integrated circuit 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 different 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 a complete R&D process management system, equipped with professional R&D teams. The Company promoted the application platforms' development, further solidified its technical foundation and established its technical thresholds. The R&D procedures principally include seven stages, namely selection of project, feasibility assessment, project establishment, technology development, technology examination, product examination and production, each with strict review procedure, to ensure the successful conversion of R&D projects.

3. Procurement model

The Company mainly purchases materials, parts, equipment, software and technical services for IC foundry services 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 an established 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 model

The Company plans production capacity based on the 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 completing the design, the Company conducts a small-batch trial production based on the 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 completing the risk production, and the above mentioned delivery indicators have met the standards, 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.

5. Marketing and sales model

The Company adopts various marketing methods and actively expands customer base through multiple channels. After forming 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, recommends process 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 companies, packaging and testing manufacturers, industry associations and various IC industry promotion centres. The Company conducts promotional 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 products 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 material changes.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) INDUSTRY OVERVIEW

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

In the first half of 2023, the global consumption motivation continued to be weak. The sales in smart phone, personal computer, and the other downstream markets continued to shrink significantly. Due to the excessive stocking and over-demand across the supply chain in 2022, the global inventory digestions in the reporting period was progressing slowly. The industry is still in the trough of the cycle. At the same time, interfered by the tight geopolitical trade relations and other factors, the paths to globalized IC supply chains continue to be restricted and the trend of developing regionalized IC industry is being more significant. The global foundry industry has been paying more close attention to these factors to secure sustainable development, including more regionalized industry chain synergies, operating cost control, research and development resource investments as well as talent competitiveness improvement and so forth.

Although the current macroeconomic uncertainty still exists, in the long run, the concept of internet of everything and intelligence on everything will continue to enable the semiconductor market to grow strongly, and the trend of continued growing semiconductor contents in electronics product is unchanged. The end products have been continuously upgraded and iterated on functionality and performance, including the markets of smart phone, personal computers, wearable devices, automotive, industrial and the other applications of Internet of Things, thus these factors become the impetus for the recovery of the semiconductor industry.

From the perspective of Chinese Mainland, our IC industry still rely on import to a certain extent at current stage. As China is one of the world's largest semiconductor consumption markets, the local IC industry scale and manufacturing technology capability cannot meet the actual IC demand. With the new round of technological innovation driven by the Internet of Things, smart manufacturing and others, related domestic enterprises in the industrial chain are still having large growth space.

The Company is dedicated to the wafer foundry industry in the IC supply chain. The R&D and manufacturing process in wafer foundry involves science of material, chemistry, semiconductor physics, optics, microelectronics, quantum mechanics and other subjects, and requires professional technical teams with strong R&D ability for integration technologies. Its operation procedure requires stringent control and execution standards for the manufacturing environment, energy, raw materials, equipment and quality management system, etc. As a whole, the IC wafer foundry industry is highly technology-intensive, talent-intensive and capital-intensive.

2. *Analysis on and change in the industry position of the Company*

SMIC is one of the leading IC wafer foundries in the world and also the front runner in Chinese Mainland, with leading manufacturing capability, manufacturing scale and comprehensive services. According to the ranking of global pure-play foundries latest published sales in 2022, SMIC ranks the fourth globally and the first among the enterprises in Chinese Mainland.

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

The IC wafer foundry manufacturing is conducted under high-precision equipment, in order to meet required performance and yield for IC devices. In recent years, the leading foundries have been taking more advantages in pursuing market share through high capital investment and high technology barriers. The foundry manufacturers take platform diversity, differentiation and technological leadership as their core advantages to attract customers. As the technological development trend of the industry became more and more diversified, pursuing smaller transistor structures vertically and carrying out derivative platforms at existing technology nodes horizontally based on the advantages of the cost and performance are both industry focus to meet the application needs of the huge end market and the differentiated needs from different customers in each market segment.

At the same time, IC industry has continued to develop in the technology fields of packaging, design services and photomask: Various new packaging technologies have provided more systematic solutions to exceed the limitation of transistor linewidth and improve the compatibility of multi-chip integration; in the design services sector, DTCO (Design Technology Co-Optimization) is utilized to evaluate and adjust the coordination between IC design and manufacturing process, to effectively reduce the cost of semiconductor process development and minimize the risk of process going for production; photomask is also used as a core tool in IC manufacturing industry chain. With the evolution of photomask types and graphic transfer materials, the process performance of design pattern lithography has been further improved.

In recent years, with the changes in macro industrial layout, the foundries' capacity scale and collaboration capabilities in localised industry chain have become one of the important factors for customers' assessment of supply chain stability and completeness. Therefore, while focusing on own process technology capabilities and platform construction, foundry companies are also paying more attention to the industrial ecological layout.

Combining the above factors, the foundry companies must have sustainable talents and capital to continue enhancing the technical barrier through strengthening R&D and external expansion on capacity scale, and improve the competitive advantage and adaptability within the industry, so as to maintain, consolidate and raise the market position.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. CORE TECHNOLOGIES AND R&D PROGRESS

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

SMIC has a comprehensive core technology system of IC wafer foundry, which can effectively help customers reduce costs and shorten the time to market. SMIC has successfully developed a variety of technology nodes ranging from 0.35 micron to FinFET, and is able to provide customers with 8-inch and 12-inch one-stop wafer foundry services.

In the first half of 2023, the R&D of 4Xnm NOR Flash Technology Platform, 55nm High-Voltage Display Driver Automotive Platform, 0.13um EEPROM Automotive Platform and 0.18um CIS Ambient and Proximity Light Sensor Platform were completed and their products entered small-batch trial production.

In the first half of 2023, the development of multiple platforms projects are carrying out as planned. Please refer to "II. (IV) R&D projects" in this section.

(II) R&D ACHIEVEMENTS DURING THE REPORTING PERIOD

List of intellectual property rights obtained during the reporting period:

	Addition during the reporting period		Accumulative number	
	Number of application	Number of rights obtained	Number of application	Number of rights obtained
Invention patents	327	250	17,328	11,329
Utility model patents	12	5	1,810	1,795
Layout design rights	–	–	94	94
Total	339	255	19,232	13,218

(III) ANALYSIS OF R&D COSTS

In USD'000

	Six months ended		
	06/30/23	06/30/22	06/30/23 as compared with 06/30/22 (%)
Expensed R&D costs	345,301	352,753	(2.1)
Capitalised R&D costs	–	–	–
Total R&D costs	345,301	352,753	(2.1)
Percentage of total R&D costs to revenue	11.4%	9.4%	Increased by 2.0 percentage points
Capitalised percentage of R&D costs	–	–	–

(IV) R&D PROJECTS

No.	Name of project	Progress or milestone achievements	Expected objective	Technology positioning	Specific application prospects
1	28nm HKD ULP Technology Platform	Based on 28HKC+ platform, the process condition has been further fixed while boosting device performance and the whole set of devices and ultra-low-power SRAM have been developed. The reliability qualification passed. Model and PDK fixed.	To further improve the performance and complete the development of the platform based on 28HKC+, including a full set of logic devices, ultra-low-power SRAM, model and PDK, and further meet the needs of low power from consumer electronics field.	Chinese Mainland leadership	Mainly applied to IoT and consumer electronics, etc.
2	40nm eFlash Automotive Platform	The process, devices reliability verifications of the platform have met the requirements of Automotive Grade. Products have been introduced for verification.	To complete the development of the platform. Process and IP reliability to meet the standards of Automotive Grade, and to satisfy the demands with automotive electronics.	Chinese Mainland leadership	Mainly applied to automotive electronics and to meet the demand of the intelligence of automotive electronics.
3	40nm ULP CIP Platform	Based on the 40nm ULP platform, a platform with lower power and low leakage has been developed. Product design has been engaged in.	To complete the development of the platform, to engage with customers and realise the mass production.	Chinese Mainland leadership	Mainly applied to ultra-low power consumer end products e.g. Bluetooth, Wi-Fi, etc.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of project	Progress or milestone achievements	Expected objective	Technology positioning	Specific application prospects
4	8" and 12" BCD Continuous Development Project	Multi-platform development is in progress. Some platforms have achieved process fixed and some products are being introduced.	Further improve the performance of the commercial platforms, develop more devices scope and achieve risk production.	Chinese Mainland leadership	Mainly applied to power management, industrial application and automotive application, etc.
5	0.11um MSGL AL BEOL Platform	The back end of progress development has been completed, and the performance has been met with target. Platform passed reliability qualification and is qualifying customer products.	To complete own platform with full set of IP and competitive SRAM, and realise mass production.	Chinese Mainland leadership	Mainly applied to consumer electronics e.g. Bluetooth, home appliances, etc.

(V) R&D STAFF

Basic information

	Six months ended	
	06/30/23	06/30/22
Number of R&D Staff of the Group	2,283	1,864
Number of R&D staff as a percentage of the total workforce of the Group	11.1%	9.6%
Total compensation of R&D staff (in USD'000)	60,256	44,736
Average compensation of R&D staff (in USD'000)	26	24

Education level

Education level	Number of persons	Percentage (%)
Doctorate	402	17.6
Master	1,266	55.5
Bachelor	325	14.2
Junior college and below	290	12.7
Total	2,283	100.0

Age structure

Age group	Number of persons	Percentage (%)
Aged below 30 (excluding 30)	1,076	47.1
Aged 30-40 (excluding 40)	852	37.3
Aged 40-50 (excluding 50)	328	14.4
Aged 50 and above	27	1.2
Total	2,283	100.0

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 as described below:

1. Advantages in R&D platforms

According to the overall strategy and customer demand-oriented, the Company's R&D center has continuously improved its process R&D and innovation capabilities, strengthened platform construction, and upgraded product performance. The R&D project fully benchmarked the technical requirements of the product in the early stage, effectively utilized R&D resources, ensured the quality and reliability of output, actively shortened the cycle from R&D to mass production, and met the market demand for product innovation and rapid iteration, and strived to provide new business growth points for the Company.

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 competent R&D team. The main members of the R&D team comprise of 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 decades. It has successfully developed diverse technology nodes ranging from 0.35 micron to FinFET, 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, Internet of Things, 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, 2023, the Company had 13,124 patents in total, including 11,329 invention patents. In addition, the Company also had 94 layout design rights of IC.

5. Internationalized and supply chain layout

The Company is based on the concept of globalized operation and serves customers all over the world. The Company has established an internationalised 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 partnerships with upstream and downstream enterprises of the IC industry supply chain, actively 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. Comprehensive quality, environment, safety and occupational health management systems

The Company has established a comprehensive 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 (ISO 27001), Quality Management System Accreditation (ISO 9001), Environmental Management System Accreditation (ISO 14001), Occupational Health and Safety Management System Accreditation (ISO 45001), Quality Management System Accreditation for Automotive Industry (IATF 16949), Quality Management System Accreditation for Telecommunication Industry (TL 9000), Hazardous Substance Process Management System Accreditation (QC 080000), Greenhouse Gas Emission Inventory Accreditation (ISO 14064), Energy Management System Accreditation (ISO 50001), and the Road Vehicles – Functional Safety Accreditation (ISO 26262), etc.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. DISCUSSION AND ANALYSIS ON BUSINESS

In the first half of 2023, the global IC industry development was interfered by the influence of overlapping multiple factors. On one side, the global consumption motivations are insufficient because of the short-term weak growth of the global economy. On the other hand, from the perspective of semiconductor industry cycles, due to the semiconductor industry chain's excessive stocking and over-demand in the year 2022, which further delayed the process of inventory digestion in the IC end market. The market as a whole was still in the period of inventory correction, especially reflected in the application markets of global smart phone and personal computer. According to Gartner's market data in July 2023, the global smart phone market's shipment in 2023 was expected to decline by 8.0% year-on-year; the global personal computer market's shipment in 2023 was expected to decline by 12.3% year-on-year. During the reporting period, despite the traditional electronic products' weak demand, the structural opportunities from industrial control, green energy and other application fields showed higher resilience, and kept relative stable demand in the first half of 2023.

During the reporting period, the Company actively adopted a series of measures, through close cooperations with our customers, understood the market demand dynamics in a timely manner, quickly identified the changes in customer needs followed by timely responses, appropriately adjusted and optimized the product mix, and make increased efforts to enhance technology innovations and process upgrade. We have provided our customers with more comprehensive technology platforms and services. The Company further consolidated win-win cooperation with our customers, while executed medium to long-term constructions programme in cautious manner to solidify the foundation for the coming new round of industry growth cycle.

During the reporting period, the Group recorded the total revenue of US\$3,022.7 million, representing a year-on-year decrease of 19.3%. In particular, the wafer revenue amounted to US\$2,759.4 million, representing a year-on-year decrease of 21.0%.

V. RISK FACTORS

(I) RISK OF CORE COMPETITIVENESS

1. *The risk of upgrade and iteration of R&D and technology*

The IC wafer foundry industry in which the Company operates is a technology-intensive industry. IC wafer foundry involves the comprehensive application of dozens of disciplines in science technology and engineering, and has the characteristics of fast process technology iteration, large capital investment, long R&D cycle, etc. Over the years, the Company has insisted on independent R&D and further consolidated its independent core intellectual property rights. If the Company's investment in technology R&D in future is insufficient to support the need for technology upgrades, the Company's technology may be overtaken or replaced, which will adversely affect the Company's sustained competitiveness.

The IC wafer foundry requires relatively high technical content, experiencing early technical demonstration, and the continuous R&D practice in the later period, and the cycle is relatively long. If the Company fails to keep up with the frontier needs of the industry in the future and correctly identify the direction of R&D, deviations may occur in process technology positioning. At the same time, as the R&D process of the new technology is more complicated, time-consuming and costly, there exists uncertainty. The rich terminal application scenarios of integrated circuits determine the differences in the mainstream technology nodes and processes of chip products in various niche markets, and the corresponding market demand changes rapidly. If the Company fails to launch a cost-effective technology platform that meets market demand in a timely manner, or the technology iteration lags significantly behind the process requirements of product application, the Company's competitiveness and market share may decline, thus affecting the Company's development.

2. *The risk of shortage or loss of technical talents*

The IC wafer foundry industry is also a talent-intensive industry. IC wafer foundry involves the integration of thousands of processes and dozens of professional disciplines, and requires relevant talents to have solid professional knowledge and long-term accumulation of technology. 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 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 relatively reasonable talent policy and salary management system, and implemented multiple incentive measures, including share incentives for outstanding talents, which played a positive role in retaining and attracting technical talents. 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 fierce. If a large number of outstanding technical R&D personnel quit, and the Company is unable to recruit or cultivate 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 sustainable 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 policies including the information security protection policies, and signed confidentiality agreements and competitive restriction agreements with relevant technical personnel 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.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) OPERATING RISKS

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

The IC wafer foundry industry is a capital-intensive industry. In order to continuously upgrade the existing technology platform to maintain market competitiveness, and ensure sufficient production capacity to meet order production requirements and improve core competitiveness, the Company has to make continuous huge investments. In the future, if the Company fails to generate sufficient operating income or financing is restricted, which would result in reduced investment and may in turn have an adverse impact on the Company's competitiveness.

2. *The risk of too high or too low customer concentration*

The downstream industry market of the global IC wafer foundry industry has a relatively high concentration, however, the market concentration of downstream industry in China's IC wafer foundry industry is relatively fragmented. 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, the Company may still face the risk of too high or too low customer concentration. If there are material issues in the production and operation of major customers in the future, or if customers are scattered, weak and small, and need the Company to invest more in sales, operation and production costs, the Company's performance stability, operating efficiency and sustained profitability will be adversely affected.

3. *The risk of supply chain*

The IC wafer foundry industry has high requirements for raw materials, parts, software, equipment and service supports etc. There is a limited number of qualified suppliers around the world for certain important raw materials, parts, software, core equipment and service supports etc, and the majority of which are located outside China. In the future, the Company's production, operations and sustainable development may be adversely affected if there is a shortage of supply, delay in delivery or a significant rise in price of the required important raw materials, parts, software, core equipment and service supports etc, or there are trade frictions, diplomatic conflicts, wars, etc., between other countries and the countries and/or regions where the suppliers are located, which, in turn, affect the approval of export licenses, supply or rise in price of the related raw materials, parts, software, equipment and service supports etc.

(III) FINANCIAL RISKS

1. *The risk of performance fluctuations*

Fluctuations in the macro environment, change in the extent of industry prosperity of integrated circuit, domestic and foreign customers' demand not meeting expectations, price of major raw materials and equipment etc. rising sharply, the Company's continuous production capacity expansion or high capital expenditure and R&D investment, may cause the Company to expose to the risks, in certain period of time, of increased cost or depreciation, lower than expected capacity utilization, fluctuations in sales revenue, gross margin, profit and etc.

2. *The risk of impairment on assets*

As a capital-intensive enterprise, the Group has a relatively large scale of fixed 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 experienced or is expected to experience significant changes in the period or in the near future, or the market interest rates or other market investment returns have increased in the period, which affects the Company's calculation of the discount rate applicable for the calculation of the net present value of future cash flows of the assets, this 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.

The Company's major customers are integrated circuit design companies and IDM companies at home and abroad with large scale, high credit ratings, and good payment records. Although the possibility of bad debts from major customers is currently low, the Company may still be exposed to the risk of bad debt losses caused by uncollectible accounts receivable if there are adverse changes in the business conditions of some customers in the future.

In addition, if market demand changes resulting in the selling price of part of the inventory fails to cover the cost in the future, the Company will be exposed to the risk of an increase in inventory provision.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) 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 the “Notice of the State Council regarding Certain Policies 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 national industrial policies will adversely affect the Company’s development.

2. *The risk of industry competition*

From a global perspective, the competition in the wafer foundry industry is fierce. Compared with global industry leaders, the Company has a relatively large technological gap and a relatively low market share.

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

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

(V) MACRO-ENVIRONMENTAL RISKS

1. *The risk of macroeconomic fluctuations and industry cyclicality*

Affected by global macroeconomic fluctuations, extent of industry prosperity, etc., the IC industry has a certain cyclicality. 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 may also be affected; in addition, the fluctuation and downturn of downstream market demand may also lead to decline in the demand for IC products, or due to the overheated investment and duplicate construction in the semiconductor industry, the production capacity supply may exceed market demand when the prosperity is weaker, which will further affect the profitability of IC wafer foundries, and may have a certain adverse impact on the Company’s operating results.

2. *The risk of geopolitics*

As geopolitical conflicts intensify, the United States and other countries/regions continues to tighten export control policies on the semiconductor industry, the international export control policies are also showing a trend to become increasingly stringent, and economic globalization has been greatly challenged, bringing uncertain risks to the stability of the global semiconductor market and chip supply chain. In the future, if the trade friction between the United States or other countries/regions and China escalates, such as in the form of heightened import, export and investment restrictions, increased tariffs or establishment of other trade barriers, the Company may also face the risk of tight supply on production materials, such as related restricted equipment, raw material, parts, software and service supports etc, and the risk of financing restriction, etc., consequently adversely affect the Company’s R&D, production, operating and business.

On December 3, 2020 U.S. eastern standard time (“EST”), the relevant U.S. government departments and agencies placed the Company on the Communist Chinese Military Companies List. Any transaction on the publicly traded securities, or any securities that are derivative of such securities of the Company by any U.S. person is restricted.

On December 18, 2020 EST, the relevant U.S. government departments and agencies added the Company and its certain subsidiaries and associates 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 relevant U.S. government departments and agencies.

On June 3, 2021 EST, an executive order was issued by U.S. president Biden, restricting US persons 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.

3. *The risk of exchange rate fluctuations*

The functional currency of the Company is mainly U.S. dollars, and some transactions of the Group are denominated in RMB or foreign currencies such as Euro and Japanese Yen. Monetary items in foreign currencies are converted through bookkeeping at the spot exchange rate on the balance sheet date, thus affecting exchange gains or losses. The Company has adopted foreign-currency forward exchange contracts, cross currency swap contracts, and etc. to hedge against exchange rate fluctuations. However, if the exchange rate of local and foreign currency fluctuates significantly as a result of the changes in domestic and foreign economic environment, political situation, monetary policy and other factors in the future, the Company will still face the risk of exchange losses.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) LEGAL RISKS

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 Forwarding the Several Opinions of the CSRC on Launching the Pilot Program of Domestically Issuing Stocks or Depository Receipts by Innovation-oriented Enterprises (《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 Hong Kong Listing Rules and SSE STAR Market Listing Rules. Our protection of investors' rights and interests are generally no less exacting than legal requirements in the PRC. However, in certain corporate governance arrangements, such as the system of the supervisory committee, the procedures and systems for mergers, divisions, acquisitions, the procedures and systems for liquidation and dissolution, there will be certain differences when compared with the general A Share listed companies registered in the PRC.

2. *The risk of changes in laws and regulations*

The Company was established in the Cayman Islands, and its subsidiaries were established in and outside the PRC. The Company and its subsidiaries should abide by different laws and regulations of different countries and areas. Changes in laws and regulations of the places of registration and business of the Company and its subsidiaries may have an impact on the operation and management of the Company and its subsidiaries.

3. *The risk of litigation and arbitration*

The IC wafer foundry industry where the Company operates is a key link in driving the integration of the IC industry, and the Company has a large number of customers and suppliers. In its future business development, the Company cannot rule out litigations and arbitrations with customers, suppliers, etc., which will consume the Company's manpower, material resources and distract management efforts. The Company may be exposed to the risk of losing the lawsuit, which may in turn adversely affect the Company's production and operation.

As of the publication date of this report, the Company's pending litigations and arbitrations which are relatively large include: (1) On May 7, 2020, PDF SOLUTIONS, INC. initiated an arbitration on certain technical service agreement signed with SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC New Technology"), the arbitration is still ongoing; (2) the announcement dated December 15, 2020 states that the Company and certain of its Directors are listed as defendants in a lawsuit alleging that the Company issued certain statements or documents in 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 and seeking unquantified financial compensation. On June 9, 2022 (Los Angeles, U.S. time), the ruling of the Federal District Court for the Central District of California, the U.S., rejected all the civil actions disclosed in the announcement issued by the Company on December 15, 2020, and the plaintiff shall not sue for the same reason or sue again after modifying the complaint. The plaintiff submitted the notice of appeal to the original ruling Court on July 8, 2022 (Los Angeles, U.S. time). United States Court of Appeals for the Ninth Circuit confirmed receipt of the appeal with a notification on July 11, 2022 (Log Angeles, U.S. time). The litigation is still ongoing.

(VII) RISKS OF FIRE, EXPLOSIONS, NATURAL DISASTERS AND UTILITY SUPPLY DISRUPTION

SMIC uses flammable, toxic and harmful chemical substances in its production process, which may cause risks of fire, explosion or environmental impact; in addition, global climate change or systemic regional geological changes may cause natural disasters such as extreme climate, weather and destructive earthquakes, which may bring risks such as cold waves, floods, tsunamis, typhoons, droughts and earthquakes, which then may cause the risk of shortages or interruptions of public utilities such as water supply, power supply and gas supply.

SMIC is committed to maintaining a comprehensive risk management system to protect natural resources and safeguard people and assets. For all possible emergencies and natural disasters, the Company has developed comprehensive plans and processes for risk prevention, emergency response, crisis management and business continuity. All of our operating fabs have been verified by our environmental management system (ISO 14001) and occupational safety and health management system (ISO 45001), and have established business continuity plans to minimize injuries, operational disruptions and financial impacts.

Although none of these risks have impacted our operations at our manufacturing facilities during the reporting period, these risks remain. If any of these risks occurs, they could result in some degree of property damage, injury to personnel, business interruption and damage to the Company's reputation.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VIII) IT RISKS

The Company has organised an information security team to align with the overall strategic planning of the Company, formulated information security policies and objectives, and built security technology solutions. Relying on ISO 27001, the authoritative standards in the field of information security management, the Company carries out information security governance and performs the three major tasks of anti-virus, anti-hack and anti-leakage. The Company pays attention to the protection of core technology and customer information. Through a continuously strengthening security team and continuously optimized information security technologies, the Company has formed a comprehensive technological prevention, control and monitoring system for confidential information.

However, due to uncontrollable factors of the cyber securities threats, including but not limited to 0Day weakness, professional hacker attacks etc., the Company still faces to the potential risk of data loss, disruption of customer services or production halt. If any of the above events happens, the business and reputation of the Company may be impacted to some extent.

VI. MAIN OPERATION RESULTS DURING THE REPORTING PERIOD

In the first half of 2023, the Group recorded a revenue of US\$3,022.7 million and profit attributable to owners of the Company of US\$633.9 million.

(I) ANALYSIS OF PRINCIPAL BUSINESSES

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

In USD'000

	Six month ended		06/30/23 as compared with 06/30/22 (%)
	06/30/23	06/30/22	
Revenue	3,022,684	3,745,058	(19.3)
Cost of sales	(2,401,515)	(2,244,315)	7.0
Gross profit	621,169	1,500,743	(58.6)
Research and development expenses	(345,301)	(352,753)	(2.1)
Selling and marketing expenses	(17,360)	(18,627)	(6.8)
General and administrative expenses	(206,313)	(213,721)	(3.5)
Other operating income	111,116	159,673	(30.4)
Finance income, net	276,932	85,038	225.7
Other gains/(losses), net	267,209	(1,266)	N/A
Share of profits and losses of associates and joint venture	64,432	51,211	25.8
Net cash generated from operating activities	1,597,705	3,715,459	(57.0)
Net cash used in investing activities	(2,325,468)	(4,947,398)	(53.0)
Net cash generated from financing activities	1,624,790	1,416,564	14.7

(1) Revenue

The Group's revenue decreased by 19.3% from US\$3,745.1 million for the corresponding period to US\$3,022.7 million for the reporting period, primarily due to the decrease in wafer shipment and product-mix change for the reporting period. The wafer shipment quantity decreased from 3,727 thousand to 2,655 thousand 8" wafer equivalents for the reporting period.

(2) Cost of sales

Cost of sales was US\$2,401.5 million for the reporting period, compared to US\$2,244.3 million for the corresponding period.

(3) Gross profit

Gross profit decreased from US\$1,500.7 million for the corresponding period to US\$621.2 million for the reporting period, primarily due to the decrease in wafer shipment, product-mix change and a decline in capacity utilization.

(4) Profit from operations for the period

Profit from operations decreased from US\$1,075.4 million for the corresponding period to US\$163.1 million 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 following changes:

Research and development expenses were US\$345.3 million for the reporting period, compared to US\$352.8 million for the corresponding period.

Selling and marketing expenses were US\$17.4 million for the reporting period, compared to US\$18.6 million for the corresponding period.

General and administrative expenses were US\$206.3 million for the reporting period, compared to US\$213.7 million for the corresponding period.

Other operating income decreased from US\$159.7 million for the corresponding period to US\$111.1 million for the reporting period. The income recognized in relation to government funding was US\$111.5 million for the reporting period, compared to US\$145.2 million for the corresponding period.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(5) Profit for the period

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

The increase in other gains, net was primarily due to the increase in the gain on the fair value change of the investments in equity securities recognised as financial assets at fair value through profit or loss and the gain on passive dilution of equity interests in an associate.

The increase in share of profits of associates and joint venture was mainly due to the increase in investment income of associates and joint venture for the reporting period.

The Group had a net profit of US\$731.3 million for the reporting period, compared to a net profit of US\$1,198.2 million for the corresponding period, which was mainly due to the impact of the factors described above.

(6) Cash flows

Net cash generated from operating activities decreased from US\$3,715.5 million for the corresponding period to US\$1,597.7 million for the reporting period, primarily due to the decrease in received cash from sale of goods.

The change in net cash used in investing activities was mainly due to the decrease in the cash placed as bank time deposits for the reporting period.

The change in net cash generated from financing activities was mainly due to the net cash inflow of new and repaid borrowings, and the increase in capital injection from non-controlling interests, while payment of shares repurchased incurred during the corresponding period did not occur during the reporting period.

2. Analysis of revenue

Revenue of principal businesses by region

By region ^(Note)	Six months ended	
	06/30/23	06/30/22
China	77.6%	76.1%
America	18.6%	18.9%
Eurasia	3.8%	5.0%

Note: Presenting the revenue from those companies whose headquarters are in this area, but ultimately selling and shipping the products to their global customers.

Analysis on revenue of IC wafer foundry

By application	Six months ended	
	06/30/23	06/30/22
Smart Phone	25.2%	27.0%
Internet of Things	14.2%	17.9%
Consumer Electronics	26.6%	28.2%
Others	34.0%	26.9%

By size	Six months ended	
	06/30/23	06/30/22
8" wafers	26.7%	32.6%
12" wafers	73.3%	67.4%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. LIQUIDITY AND CAPITAL SOURCES

(1) Net debt

In USD'000

	As of	
	06/30/23	12/31/22
Borrowings	8,980,974	7,986,522
Lease liabilities	81,601	109,531
Bonds payable	598,744	598,379
Total debt	9,661,319	8,694,432
Less:		
Cash and cash equivalents	7,559,268	6,932,587
Restricted cash	388,837	676,937
Financial assets at fair value through profit or loss-current ⁽¹⁾	102,571	375,776
Financial assets at amortised cost ⁽²⁾	10,287,903	10,676,151
Net debt	(8,677,260)	(9,967,019)

Notes:

- (1) Mainly include structured deposits and monetary funds.
(2) Mainly include bank time deposits over three months.

At the end of the reporting period, the Group's outstanding debts amounted to US\$9,661.3 million, and primarily consisted of secured bank loans of US\$2,055.7 million, unsecured bank loans of US\$6,925.3 million, lease liabilities and bonds payable. Debt due within one year amounted to US\$2,366.8 million. For details, please refer to Note 21 to the consolidated financial statements.

(2) Capital expenditures and funding sources

During the reporting period, most of the capital expenditure are used for capacity expansion and new fabs' construction.

The Group's actual expenditure may differ from its planned expenditure for a variety of reasons, including factors such as changes in customers' demand, equipment's delivery, business plan, market condition and industry policies. The Company will closely monitor the global economy, the semiconductor industry, customers demand, 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. Due to the semiconductor industry's characteristic of high cyclical and rapidly changing, there's greater uncertainty to predict the amount of capital required to meet the Group's growth and development targets.

(3) Expenditure commitments

At the end of the reporting period, the Group had expenditure commitments of US\$1,065.9 million for the construction of facilities and buildings, US\$10,914.5 million to purchase machinery and equipment, US\$12.1 million to purchase intangible assets and US\$168.1 million for capital contributions.

(4) Exchange rate and interest rate risks

The functional currency of the Company is mainly U.S dollar, but transactions of the Group are also concluded in other currencies resulting in the Group mainly facing risks of 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 amortised 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 expenditure 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.

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

In USD'000

Items	Amount	Percentage of net profits (%)	Explanations	If there is any sustainability
Other gains, net	267,209	36.5	Primarily due to the gain on the fair value change of the investments in equity securities recognised as financial assets at fair value through profit or loss for the reporting period.	No
Other operating income	111,116	15.2	Primarily due to the recognised income of government funding received for the reporting period.	No
Share of profits and losses of associates and joint venture	64,432	8.8	Primarily due to the investment income and gain on passive dilution of equity interests in an associate 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	As of 06/30/23	The closing balance to the total assets (%)	As of 12/31/22	The opening balance to the total assets (%)	06/30/23 as compared with 12/31/22 (%)	Explanations
Financial assets at fair value through profit or loss-non- current	523,568	1.1	208,307	0.5	151.3	Increase due to the increase in structural deposits with more than 1 year during the period.
Derivative financial instruments – (net liabilities)/ net assets	(1,719)	(0.0)	119,124	0.3	(101.4)	Decrease mainly due to the change in fair value of cross currency swap contracts during the period.
Financial assets at fair value through profit or loss-current	102,571	0.2	375,776	0.9	(72.7)	Decrease due to the decrease in structural deposits matured within 1 year during the period.
Restricted cash	388,837	0.8	676,937	1.5	(42.6)	Decrease due to the decrease in bank time deposits pledged during the period.
Borrowings- current	2,327,861	5.1	1,268,218	2.9	83.6	Increase due to the new short-term bank loans during the 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, property, plant and equipment and land-use right with a carrying amount of approximately US\$222.7 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 this reporting period, restricted cash comprise bank time deposits of US\$388.8 million pledged for letters of credit, letters of guarantee and borrowings.

3. Other information

(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 optimisation of the capital structure.

The Group manages its capital through new share issues, share buy-backs, the issue of new debt or the redemption of existing debt to balance its overall capital structure, and reviews the capital structure on an interim basis. The gearing ratio at the end of the reporting period was as follows:

In USD'000

Gearing ratio	As of	
	06/30/23	12/31/22
Net debt	(8,677,260)	(9,967,019)
Equity	29,985,619	28,961,421
Net debt to equity ratio	-28.9%	-34.4%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Capitalised interest

Interest is capitalised when incurred on the specialized borrowings that are used for the over-one-year construction of plant and equipment. Capitalised interest is added to the cost of the underlying assets and is depreciated over as accounting policy. No interest was capitalised during the reporting period and the corresponding period. For the reporting period and the corresponding period, the Group recorded depreciation expenses relating to the capitalised interest of US\$15.0 million and US\$18.7 million, respectively.

(IV) ANALYSIS ON INVESTMENTS

Overall analysis on external equity investment

The following is the paid-in amount of the Company's investment in associates during the reporting period:

In USD'000

	Six months ended		Change
	06/30/23	06/30/22	
Capital injection in associates	110,052	50,822	116.5%

1. FINANCIAL ASSETS AT FAIR VALUE

In USD'000

Assets category	As of 01/01/2023	Fair value gains during the reporting period	Cumulative changes in fair value recognized in equity	Amount added in this period	Amount sold/ redeemed in the period	Others	As of 06/30/23
Stock	37,821	22,701	–	–	(207)	(1,750)	58,565
Private equity funds	170,486	22,911	–	8,872	(11,911)	(6,914)	183,444
Structural deposits and monetary funds	375,776	10,500	–	1,034,598	(1,010,106)	(26,638)	384,130
Derivative financial instruments	179,627	–	(35,388)	–	–	–	144,239
Total	763,710	56,112	(35,388)	1,043,470	(1,022,224)	(35,302)	770,378

Descriptions of securities investment

In USD'000

Security type	Stock code	Investment cost as of 06/30/2023	Source of funds	As of 01/01/2023	Fair value gains/ (losses) during the reporting period	Addition during the reporting period	Disposal during the reporting period	Others	As of 06/30/2023	Account
Domestic and foreign stocks	Listed Company A	1,152	Self-owned funds	36	(1)	–	–	(2)	33	Financial assets at fair value through profit or loss
Domestic and foreign stocks	Listed Company B	1,152	Self-owned funds	519	114	–	–	(24)	609	
Domestic and foreign stocks	Listed Company C	1,152	Self-owned funds	94	(1)	–	–	(3)	90	
Domestic and foreign stocks	Listed Company D	4,556	Self-owned funds	14,466	6,476	–	–	(764)	20,178	
Domestic and foreign stocks	Listed Company E	11,264	Self-owned funds	22,706	16,113	–	(207)	(957)	37,655	
Total		19,276		37,821	22,701	–	(207)	(1,750)	58,565	

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Descriptions of investment in private equity funds

In USD'000

Name	Signing time of investment agreement	Investment cost as of 06/30/2023	Any involved controlling shareholders or related parties	Descriptions of fund investment for the reporting period	Account	Gains/(losses) for the reporting period
A	March 2011	16	NO	Invest in integrated circuits and related industries		340
B	September 2014	4,867	NO	Invest in integrated circuits and related industries		6,676
C	September 2016	105	NO	Invest in strategic emerging industries		2,207
D	May 2017	3,245	NO	Invest in integrated circuits and related industries		1,616
E	March 2018	9,987	NO	Invest in integrated circuits and related industries		4,925
F	April 2018	2,383	NO	Invest in integrated circuits and related industries	Financial assets at fair value through profit or loss	216
G	June 2018	8,998	NO	Invest in strategic emerging industries		1,341
H	August 2020	3,004	NO	Invest in integrated circuits industry		4,237
I	October 2021	2,829	NO	Invest in regional strategic emerging industries		419
J	November 2021	28,974	NO	Invest in strategic emerging industries		1,274
K	December 2021	14,358	NO	Invest in strategic emerging industries		-
L	December 2022	5,743	NO	Invest in strategic emerging industries		-
Total		84,509				23,251

Descriptions of derivative financial instruments

On May 11, 2023, the Board of the Company reviewed and approved the Proposal on Carrying out Hedging Business in 2023, agreed the Company and its subsidiaries to carry out hedging business related to production and operation products in 2023. The hedging business plan of the Company and its subsidiaries shall not exceed 50% of the Company's latest audited net assets. As of June 30, 2023, the net liability carrying amount of derivative financial instruments was US\$1.7 million.

(V) ANALYSIS OF PRINCIPAL CONTROLLED AND INVESTEE COMPANIES

1. Major subsidiaries

The major subsidiaries of the Company are SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMNC, SMIC Shenzhen, SMSC, SMBC, SMOC and SMTC. The followings are the consolidated accounting data of the major subsidiaries:

In USD'000

Total assets	Net assets	Revenue	Profits from operations	Profit for the period
53,043,447	29,500,386	3,017,892	128,927	474,755

2. Major associates

Name of company	Place of registration/principal place of business	Business	Percentage of voting rights	Accounting treatment
JCET Group Co., Ltd. ("JCET")	No. 78 Changshan Road, Chengjiang Town, Jiangyin	Microsystem integration packaging and testing services	12.86%	Equity method
Sino IC Leasing Co., Ltd. ("Sino IC Leasing")	Room 3205F, 32/F, No. 707 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	Focusing on finance leases in IC industry	8.17%	Equity method
Semiconductor Manufacturing Electronics (Shaoxing) Corporation ("SMEC")	No.518 Linjiang Road, Yuecheng District, Shaoxing, Zhejiang	Providing foundry services of specialty process technology for wafer and module packaging	14.15%	Equity method
Ningbo Semiconductor International Corporation ("NSI")	Buildings 3, 4 and 5, No.335 Anju Road, Xiaogang street, Beilun District, Ningbo, Zhejiang	Focusing on the development of specialty process technologies, such as high voltage analog, optoelectronic integration, etc.	15.85%	Equity method

VII. PROSPECTS

Currently, China remains the world's largest consumer market for integrated circuits and discrete devices. Although it is foreseeable that the competition will be more intense in the future because of the reallocation of resources brought by the reconfiguration of the supply chain, we have long-term confidence in this industry, and what we pursue is long-term development. Based on the comprehensiveness, leadership and scale effect of our major platforms and technologies in the domestic industry, we will continue to strengthen our technology R&D and platform development, verify new products quickly, arrange the supporting capacity as soon as possible, and fully prepare for the next round of growth cycle.

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. The Company is committed to complying with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Hong Kong Listing Rules and 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 (latest amended on February 10, 2022) to comply with 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. 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, 2023.

II. INTRODUCTION OF GENERAL MEETINGS

Session	Date of convention	Inquiry index on the website on which the resolution(s) are published	Date of disclosure for publication of resolution(s)	Meeting resolution(s)
The 2023 annual general meeting	June 28, 2023	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)/The website of the SSE (http://www.sse.com.cn)	June 28, 2023/ June 29, 2023	All the resolutions of the general meeting of shareholders were passed.

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

Name	Position	Change
Gao Yonggang	Chief Financial Officer	Resignation
Wu Junfeng	Person-in-charge of Finance	Appointment
Huang Dengshan	Non-executive Director	Resignation
Liu Xunfeng	Vice Chairman, Executive Director	Appointment

Dr. Gao Yonggang has resigned as the Chairman of the Board, an executive Director and chairman of the nomination committee of the Board (the "Nomination Committee") with effect from July 17, 2023 due to job adjustment. Dr. Liu Xunfeng, the vice Chairman of the Board, executive Director and member of Nomination Committee, has been appointed as the Chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from July 17, 2023.

IV. UPDATES ON INFORMATION RELATING TO DIRECTORS AND CHIEF EXECUTIVES

As required under rule 13.51B of the Hong Kong Listing Rules, certain changes in, and updates on, the information from the disclosure of the 2022 annual report to the date of this report, regarding the Directors and chief executives are set out below:

Mr. Huang Dengshan has resigned as a non-executive Director and a member of the Nomination Committee of the Company on May 11, 2023.

Dr. Liu Xunfeng has been appointed as a Class II Director, an executive Director, vice Chairman of the Board and a member of the Nomination Committee on May 11, 2023. Dr. Liu has resigned as secretary of the Party Committee and chairman of Shanghai Huayi Group Co., Ltd. on May 26, 2023, resigned as chairman of Shanghai Huayi Holding Group Co., Ltd. on June 5, 2023.

Professor Lau Lawrence Juen-Yee has resigned as an independent non-executive director of CNOOC Limited on May 31, 2023.

Dr. Gao Yonggang has resigned as the Chairman of the Board, an executive Director and chairman of the Nomination Committee on July 17, 2023.

Dr. Liu Xunfeng has been appointed as the Chairman of the Board, an executive Director and chairman of the Nomination Committee on July 17, 2023.

V. PARTICULARS OF EMPLOYEES

Save as disclosed in this interim report, there is no material change to the information disclosed in the 2022 annual report of the Group in relation to the number and remuneration of employees, remuneration policies, employee bonus and share option schemes.

SECTION 4 CORPORATE GOVERNANCE

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 (share)	–
Dividend for every 10 shares (RMB) (tax inclusive)	–
Conversion into share capital for every 10 shares (share)	–

(II) DIVIDENDS

The Board did not propose to declare an interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

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

(I) RELEVANT SHARE 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) other than by Directors of the Company on January 30, 2023	Next day disclosure return on the Hong Kong Stock Exchange: January 30, 2023
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 17, 2023	Next day disclosure return on the Hong Kong Stock Exchange: February 17, 2023
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by Directors of the Company on February 27, 2023	Next day disclosure return on the Hong Kong Stock Exchange: February 27, 2023
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by Directors of the Company on March 29, 2023	Next day disclosure return on the Hong Kong Stock Exchange: March 29, 2023
On April 1, 2023, the Company granted Restricted Share Units under the 2014 Equity Incentive Plan.	For details, please see the Announcement on the CONNECTED TRANSACTION-RSU GRANT as disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on April 2, 2023
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by Directors of the Company on April 6, 2023	Next day disclosure return on the Hong Kong Stock Exchange: April 6, 2023
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by Directors of the Company on April 20, 2023	Next day disclosure return on the Hong Kong Stock Exchange: April 20, 2023
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by Directors of the Company on May 12, 2023	Next day disclosure return on the Hong Kong Stock Exchange: May 12, 2023
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 30, 2023	Next day disclosure return on the Hong Kong Stock Exchange: June 30, 2023
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2014 Equity Incentive Plan (adopted on June 13, 2013) other than by Directors of the Company on June 30, 2023	Next day disclosure return on the Hong Kong Stock Exchange: June 30, 2023

At the beginning and end of the reporting period, there was no stock options available to be granted under 2004 Stock Option Plan. At the beginning and end of the reporting period, there were 270,204,947 options and 271,100,399 options available to be granted under 2014 Stock Option Plan, respectively. At the beginning and end of the reporting period, there were 16,849,889 restricted share units (RSUs) and 10,786,676 RSUs available to be granted under 2014 Equity Incentive Plan, respectively. At the beginning and end of the reporting period, there was no restricted shares available for grant under the 2021 STAR Market Restricted Share Incentive Scheme.

During the reporting period, the number of the shares that may be issued in respect of options and awards granted under all plans divided by the number of weighted average shares issued is 0.1%.

SECTION 4 CORPORATE GOVERNANCE

1. 2004 Stock Option Plan – Hong Kong Share

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 options granted to employees of the Group (except Directors of the Company) under the 2004 Stock Option Plan during the six months ended June 30, 2023 is as follows:

Unit: Share

Options grant date	Exercise price at grant date per share (HKD)	Unexercised number as of 01/01/2023	Number of new grants during the reporting period	Lapsed number during the reporting period	Cancelled number during the reporting period	Exercised number during the reporting period	Weighted average closing price of Hong Kong Shares immediately before exercise dates (HKD)	Unexercised number as of 06/30/2023	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Exercisable period
5/7/2013	5.92	66,812	-	36,312	-	30,500	20.17	-	6.00	5/7/2013-5/6/2023
6/11/2013	6.40	1,032,490	-	12,416	-	1,020,074	19.53	-	6.20	6/11/2013-6/10/2023
9/6/2013	5.62	32,525	-	-	-	16,425	20.31	16,100	5.70	9/6/2013-9/5/2023
11/4/2013	5.74	56,300	-	-	-	32,100	19.26	24,200	5.60	11/4/2013-11/3/2023
Total		1,188,127	-	48,728	-	1,099,099		40,300		

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 – Hong Kong Share

The Company's shareholders adopted the 2014 Stock Option Plan that became effective on November 15, 2013.

Movement of the options granted to employees of the Group (except Directors of the Company) under the 2014 Stock Option Plan during the six months ended June 30, 2023 is as follows:

Unit: Share

Options grant date	Exercise price at grant date per share (HKD)	Unexercised number as of 01/01/2023	Number of new grants during the reporting period	Lapsed number during the reporting period	Cancelled number during the reporting period	Exercised number during the reporting period	Weighted average closing price of Hong Kong Shares immediately before exercise dates (HKD)	Unexercised number as of 06/30/2023	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Exercisable period
6/12/2014	6.40	53,229	-	-	-	2,062	21.70	51,167	6.40	6/12/2014-6/11/2024
11/17/2014	8.50	1,033,399	-	11,542	-	183,112	20.65	838,745	8.60	11/17/2014-11/16/2024
2/24/2015	7.08	19,500	-	-	-	3,500	16.96	16,000	6.90	2/24/2015-2/23/2025
5/20/2015	8.30	2,557,079	-	-	-	1,721,163	20.05	835,916	8.20	5/20/2015-5/19/2025
5/25/2016	6.42	30,450	-	-	-	-	-	30,450	6.50	5/25/2016-5/24/2026
5/22/2017	8.48	11,687	-	-	-	4,750	17.27	6,937	8.35	5/22/2017-5/21/2027
9/7/2017	7.90	1,687,500	-	-	-	-	-	1,687,500	7.83	9/7/2017-9/6/2027
5/23/2018	10.51	5,993,572	-	35,400	-	1,391,390	20.31	4,566,782	10.40	5/23/2018-5/22/2028
11/19/2018	6.85	62,000	-	-	-	62,000	17.86	-	6.86	11/19/2018-11/18/2028
9/12/2019	9.82	254,500	-	-	-	189,000	21.93	65,500	9.70	9/12/2019-9/11/2029
5/25/2020	18.10	5,843,730	-	194,586	-	1,017,537	21.65	4,631,607	16.92	5/25/2020-5/24/2030
9/9/2020	22.05	8,851	-	-	-	-	-	8,851	18.80	9/9/2020-9/8/2030
11/23/2020	23.00	2,735,087	-	177,572	-	20,358	24.18	2,537,157	22.75	11/23/2020-11/22/2030
5/31/2021	24.50	3,269,542	-	125,404	-	-	-	3,144,138	24.15	5/31/2021-5/30/2031
9/15/2021	23.18	362,000	-	75,000	-	-	-	287,000	22.95	9/15/2021-9/14/2031
11/19/2021	22.41	3,718,775	-	150,948	-	20,809	24.06	3,547,018	22.35	11/19/2021-11/18/2031
Total		27,640,901	-	770,452	-	4,615,681		22,254,768		

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 anniversary 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 the Directors of the Company and employees of the Group.

SECTION 4 CORPORATE GOVERNANCE

As the 2024 Equity Incentive Plan has been approved at the annual general meeting held on June 28, 2023 and the Board has resolved to terminate the 2014 Stock Option Plan, the 2014 Stock Option Plan shall become expired on the effective date of the 2024 Equity Incentive Plan (as at the date of this report, the incentive plan is subject to the registration with the PRC State Administration of Foreign Exchange). Upon termination of the 2014 Stock Option Plan, no further options may be offered, but the options that have been granted before the termination shall remain outstanding and continue to vest in accordance with, and subject to the terms of the 2014 Stock Option Plan.

3. 2014 Equity Incentive Plan – Hong Kong Share

The Company's shareholders adopted the 2014 Equity Incentive Plan that became effective as on November 15, 2013.

Movement of the RSUs granted to employees of the Group (except Directors of the Company) under the 2014 Equity Incentive Plan during the six months ended June 30, 2023 is as follows:

Unit: Share

RSUs grant date	Purchase price per share (HKD)	Unvested RSUs as of 01/01/2023	New grants during the reporting period	Lapsed RSUs during the reporting period	Cancelled RSUs during the reporting period	Vested RSUs during the reporting period	Weighted average closing price of Hong Kong Shares immediately before vesting dates (HKD)	Unvested RSUs as of 06/30/2023	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Vesting period
9/12/2019	0.031	12,000	-	-	-	12,000	14.79	-	9.70	10/15/2018-12/12/2022
5/25/2020	0.031	931,911	-	28,739	-	528,190	16.50	374,982	16.92	3/1/2019-3/1/2024
9/9/2020	0.031	873	-	-	-	873	16.72	-	18.80	3/1/2019-5/6/2024
11/23/2020	0.031	620,596	-	13,874	-	293,643	18.91	313,079	22.75	3/1/2020-9/29/2024
5/31/2021	0.031	1,160,067	-	40,088	-	373,242	18.91	746,737	24.15	10/16/2020-3/1/2025
9/15/2021	0.031	105,750	-	29,250	-	25,500	20.15	51,000	22.95	4/1/2021-6/10/2025
11/19/2021	0.031	1,311,997	-	40,922	-	419,960	20.18	851,115	22.35	3/1/2021-9/27/2025
4/8/2022	0.031	5,882,368	-	194,787	-	1,405,673	19.20	4,281,908	16.80	11/1/2021-3/1/2026
5/20/2022	0.031	119,970	-	-	-	29,992	17.83	89,978	15.88	1/4/2022-2/9/2026
9/5/2022	0.031	173,610	-	-	-	43,402	17.87	130,208	15.00	4/1/2022-6/28/2026
11/18/2022	0.031	500,340	-	-	-	-	15.62	500,340	17.40	8/29/2022-9/27/2026
4/1/2023	0.031	-	6,141,528	75,220	-	2,866,465	17.20	3,199,843	18.60	10/9/2022-10/9/2026
Total		10,819,482	6,141,528	422,880	-	5,998,940		10,539,190		

Awards of the RSUs issued before April 1, 2023 to new employees and existing employees generally vest at a rate of 25% upon the first, second, third, and fourth anniversary of the vesting commencement date, respectively.

Awards of the RSUs issued after April 1, 2023 (included) to existing employees generally vest at a rate of 50%/30%/20% upon the anniversary of the vesting commencement date within three (3) years, respectively.

In accordance with the terms of the 2014 Equity Incentive Plan, the Compensation Committee may approve to accelerate the vesting period of the RSUs granted to the Directors of the Company and the employees of the Group.

As the 2024 Equity Incentive Plan has been approved at the annual general meeting held on June 28, 2023 and the Board has resolved to terminate the 2014 Equity Incentive Plan, the 2014 Equity Incentive Plan shall become expired on the effective date of the 2024 Equity Incentive Plan (as at the date of this report, the incentive plan is subject to the registration with the PRC State Administration of Foreign Exchange). Upon termination of the 2014 Equity Incentive Plan, no further restricted share units ("RSUs") may be offered, but RSUs that have been granted before the termination shall remain outstanding and continue to vest in accordance with, and subject to the terms of the 2014 Equity Incentive Plan.

SECTION 4 CORPORATE GOVERNANCE

4. 2021 STAR Market Restricted Share Incentive Scheme (Type II Restricted Shares)

On June 25, 2021, the Company's general meeting adopted the 2021 STAR Market Restricted Share Incentive Scheme.

Movement of restricted shares granted under the 2021 STAR Market Restricted Share Incentive Scheme to employees of the Group (except Directors of the Company) during the six months ended June 30, 2023 is as follows:

Unit: Share

Restricted Shares grant date	Grant price per share (RMB)	Unvested restricted shares as of 01/01/2023	New grants during the reporting period	Lapsed restricted shares during the reporting period	Cancelled restricted shares during the reporting period	Vested restricted shares during the reporting period	Weighted average closing price of A Shares immediately before vesting dates (RMB)	Unvested restricted shares as of 06/30/2023	Closing price of A Shares immediately before grant dates (RMB)	Vesting period
7/19/2021	20.00	42,397,096	-	1,876,000	-	-	-	40,521,096	-	7/20/2022-7/17/2026
6/21/2022	20.00	7,526,800	-	353,200	-	-	-	7,173,600	-	6/22/2023-6/18/2027
Total		49,923,896	-	2,229,200	-	-		47,694,696		

The Company had undertaken not to issue and grant further restricted share under the 2021 STAR Market Restricted Share Incentive Scheme.

5. 2024 Equity Incentive Plan – Hong Kong Share

During the reporting period, the Board of the Company has resolved to approve the 2024 Equity Incentive Plan and to approve to grant new Hong Kong Shares in the form of RSUs. The plan has been approved by the shareholders at the annual general meeting held on June 28, 2023. The terms of the 2024 Equity Incentive Plan are set out in the circular of the Company dated June 2, 2023. As at the date of this report, the 2024 Equity Incentive Plan has not become effective and it is subject to the registration with the PRC State Administration of Foreign Exchange.

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

The Company has developed the Management System and Implementation Rules for Insiders 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 to all Directors, received confirmation that all Directors have complied with the Management System and Implementation Rules for Insiders of the Company throughout the six months ended June 30, 2023.

All directors, senior management, and employees of the Company and its subsidiaries are also required to comply with the Management System and Implementation Rules for Insiders of the Company and relevant provisions stipulated by CSRC and SSE in relation to inside trading.

IX. REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting standards and practices adopted by the Company and the unaudited interim financial report of the Company for 2023.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENTAL INFORMATION

Whether relevant mechanisms for environmental protection have been established	Yes
Environmental protection funds invested in the reporting period	US\$97 million

(I) WHETHER THE COMPANY AND ITS SIGNIFICANT SUBSIDIARIES ARE CLASSIFIED AS THE KEY POLLUTANT DISCHARGING UNITS ANNOUNCED BY THE ENVIRONMENTAL PROTECTION AUTHORITY

SMIC's subsidiaries including SMIC Shanghai, SMIC Beijing, SMNC, SMIC Tianjin, SMIC Shenzhen and SMSC are the key pollutant discharging companies. SMBC is the key environmental risk monitoring company.

1. Information on pollutant discharging

In the first half of 2023, none of the above companies have excessive emissions.

Exhaust Gases					
Methods of emission	Discharged after treatment up to standard		Number and distribution of outlets	273 outlets on the roof and ground	
Region	Type	Name of main pollutants	Maximum emission concentration of exhaust gases (mg/m ³)	Emission standard (mg/m ³)	Compliance
Shanghai Region	Acid exhaust	Nitrogen oxides	8.7	150	Achieve
		Fluoride	0.5	1.5	Achieve
Beijing Region	Alkaline exhaust	Ammonia	1.7	No concentration limit	Achieve
	Organic exhaust	Non-methane hydrocarbon	32.3	70	Achieve
	Acid exhaust	Nitrogen oxides	15.7	50	Achieve
		Fluoride	0.5	3	Achieve
Tianjin Region	Acid exhaust	Alkaline exhaust	2.3	10	Achieve
		Organic exhaust	4.2	10	Achieve
Shenzhen Region	Acid exhaust	Nitrogen oxides	30.0	50	Achieve
		Fluoride	0.9	9	Achieve
	Alkaline exhaust	Ammonia	1.9	100	Achieve
	Organic exhaust	Non-methane hydrocarbon	7.4	20	Achieve
	Acid exhaust	Nitrogen oxides	6.1	120	Achieve
		Fluoride	2.6	9	Achieve
	Alkaline exhaust	Ammonia	24.9	No concentration limit	Achieve
	Organic exhaust	Non-methane hydrocarbon	14.3	20	Achieve

Wastewater					
Methods of emission	Discharged through the pipe after treatment up to standard		Number and distribution of outlets	17 outlets in workshop and non-workshop	
Region	Name of main pollutants	Maximum emission concentration of wastewater (mg/L)	Emission standard (mg/L)	Compliance	
Shanghai Region	Fluoride	12.2	20	Achieve	
	Chemical Oxygen Demand (COD)	451.2	500	Achieve	
	Ammonia nitrogen	29.1	45	Achieve	
Beijing Region	Arsenic	0.1866	0.2	Achieve	
	Fluoride	6.7	10	Achieve	
	Chemical Oxygen Demand (COD)	92.8	500	Achieve	
	Ammonia nitrogen	9.5	45	Achieve	
Tianjin Region	Arsenic	0.0149	0.1	Achieve	
	Fluoride	7.4	20	Achieve	
	Chemical Oxygen Demand (COD)	187.0	500	Achieve	
Shenzhen Region	Ammonia nitrogen	4.5	35	Achieve	
	Fluoride	13.8	20	Achieve	
	Chemical Oxygen Demand (COD)	265.0	500	Achieve	
	Ammonia nitrogen	37.0	45	Achieve	

2. Construction and operation of pollution prevention and control facilities

In the first half of 2023, SMIC can treat 154,160 m³ of wastewater and 405,532,200 m³ of exhaust gas per day, all pollution prevention and control facilities are in normal operation. 7 sets of acid exhaust treatment equipment, 3 sets of alkaline exhaust treatment equipment, 3 sets of organic exhaust treatment equipment and 3 sets of Arsenane treatment equipment are under construction/completed. 1 set of ammonia-containing wastewater treatment system, 1 set of fluorine-containing wastewater treatment system are under construction/completed.

3. Environmental impact assessment and other administrative permissions for environmental protection of construction projects

The construction projects of all key pollutant discharging companies and key environmental risk monitoring company have completed the environmental impact assessment and obtained the required environmental protection administrative permits according to the construction progress.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

4. Emergency response plan for environmental incidents

In accordance with the requirements of the environmental protection department, the above key pollutant discharging companies and key environmental risk monitoring company have all completed the preparation and filing of the Emergency Response Plan for Environmental Incidents (the "Plan"). All these units have 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 and key environmental risk monitoring company have completed the preparation of the self-monitoring program in accordance with the requirements and completed regular monitoring according to the Plan. As of the end of the reporting period, the emission indicators of all units have reached the standard.

6. Administrative penalty for environmental problems during the reporting period

None of the above key pollutant discharging companies and key environmental risk monitoring company were subject to administrative penalties for environmental problems during the reporting period.

7. Other environmental information that should be disclosed

The above key pollutant discharging companies have achieved certification of ISO 14001 environmental management system, ISO 14064 greenhouse gas emission verification system, ISO 50001 energy management system, and IECQ QC 080000 hazardous substance management system, the key environmental risk monitoring company has achieved certification of ISO 14001 environmental management system and IECQ QC 080000 hazardous substance management system, and all above companies have effectively implemented them in accordance with the system requirements.

(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. We continue to implement improvement measures and the concept of sustainable development and fulfill environmental responsibility, to reduce the impact on the ecological environment. In the first half of 2023, SMIC Shanghai and SMIC Shenzhen obtained national green factory certification. SMIC Tianjin has been awarded the title of "Leader" in Green Development in Tianjin.

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

Whether carbon reduction measures have been taken	Yes
CO ₂ equivalent reduction	5,781 tons
Type of carbon reduction measures (such as the use of clean energy for power generation, the use of carbon reduction technology in the production process, and the development and production of new products that contribute to carbon reduction)	Use carbon reduction technologies in the production process

SMIC continues to carry out carbon verification, fulfil carbon emission obligations as required, and implement carbon emission control measures at the same time, and control carbon emissions via various engineering and management measures. The main carbon emission control measures and achievements during the reporting period are as below:

In the first half of 2023, SMIC has implemented 9 projects, including aging ice machine renovation, energy-saving renovation of circulating air conditioners and heat recovery of ice machines, etc, to improve energy utilization efficiency, reduce energy consumption, and reduce carbon emissions, equivalent to an annual carbon reduction of about 5,781 tons of equivalent CO₂.

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
	Others (commitments on price stabilisation)	The Company, salaried directors (excluding independent non-executive Directors) and senior management personnel	See note 3	July 16, 2020 to July 16, 2023	Yes	Yes	N/A	N/A
	Others (share repurchase and commitment on share repurchase)	The Company	See note 4	Effective for a long time	No	Yes	N/A	N/A
	Others (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
	Others (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
	Others (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
	Others (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
	Others (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 affiliates, including but not limited to develop, operate or assist in operating, participating in, and engaging in relevant businesses, independently or in conjunction with, on behalf of any person, firm or company (enterprise, unit).
2. As of the date of this undertaking, the Company undertakes that it will not: (1) independently or with a third party, in the form of direct or indirect control, engage in a business or activity that constitutes peer competition or potential peer competition with issuer's or its affiliates' principal business that has a significant adverse impact ("competitive business"); (2) if the Company and its affiliates directly or indirectly controlled by the Company obtained new investment opportunities in any way to own the controlling shares, equity or interests of companies engaged in competitive business with the issuer and its affiliates, the Company will notify the issuer in writing. If within the reasonable period specified in the notice, the issuer makes a written reply that it is willing to accept the new investment opportunity, the Company or its affiliates directly or indirectly controlled by the Company (except the issuer and its affiliates) will procure as permitted by law that these new investment opportunities to be first provided to the issuer or its affiliates on reasonable and fair terms and conditions.
3. The undertaking takes effect from the date of making the undertaking until any of the following occurs: (1) the Company and parties acting in concert (if any) directly or indirectly hold less than 5% (exclusive) of the issuers' shares; (2) the issuer's shares are terminated from listing on the Shanghai Stock Exchange (except for the suspension of trading of the issuer's shares for any reason); (3) when there is no statutory requirement for the content of a certain undertaking, the relevant part shall be automatically terminated.
4. For any party of the letter of undertaking, "affiliates" shall mean any other enterprise or entity of which (1) the party holds or controls 50% or more issued share capital or 50% or more voting rights, if applicable; or (2) the party is entitled 50% or more profits after tax; or (3) the party has the right to control the composition of the board of directors or control in any other form, regardless of whether it has legal personality or not, and the affiliates of the enterprise or entity.

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

Note 2:

Commitments by the Company

1. To implement the statutory approval procedures for related (connected) transaction in strict accordance with the relevant laws and regulations of the place of listing, and strictly implement the related (connected) transaction avoidance system;
2. To ensure that independent non-executive Directors exercise their powers according to law, ensure the fairness of prices of related (connected) transactions and the compliance of approval procedures, and protect the interests of other shareholders to the maximum;
3. Where there are related (connected) transactions between the Company's substantial shareholders or 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 the 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.

SECTION 6 SIGNIFICANT EVENTS

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

1. Without adversely affecting the interests of the issuer or other shareholders, the Company will take measures to regulate and minimize related (connected) transactions with the issuer.
2. For related (connected) transactions required in normal course of business, the Company will sign a standardised transaction agreement with the issuer according to law, fulfill or cooperate with the issuer to perform review and approval procedures and avoidance of voting and information disclosure obligations in accordance with relevant laws, regulations, regulatory documents and the requirements of issuer's internal control systems including the Memorandum and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering, and guarantee the related (connected) transactions will be implemented based on the basic principles of related (connected) transactions, such as fairness, impartiality and openness.
3. Undertakes not to harm the interests of the issuer or other shareholders by virtue of the related (connected) transactions.

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

Commitments by Directors and senior management personnel

1. Without adversely affecting the interests of the issuer or other shareholders, I will take measures to regulate and minimize related (connected) transactions with the issuer.
2. For related (connected) transactions in normal course of business or unavoidable for other reasonable reasons, I will sign a standardised transaction agreement with the issuer according to law, fulfill review and approval procedures and avoidance of voting and information disclosure obligations in accordance with relevant laws, regulations, regulatory documents, the Memorandum and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering and the requirements of relevant internal control systems, and guarantee the related (connected) transactions will be implemented based on the principles of related (connected) transactions.
3. Undertakes not to harm the interests of the issuer or other shareholders by virtue of the related (connected) transactions.

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

Note 3:

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

Triggering condition for stabilisation of share price:

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

SECTION 6 SIGNIFICANT EVENTS

Major measures and procedures of price stabilisation 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 organisation(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 (excluding 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 stabilisation 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 STAR Market of the Shanghai Stock Exchange.

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

Note 4:

Commitments by the Company

1. If securities regulatory departments or other competent departments determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus for the A Share offering such that there is a material and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, and the Company has obtained registration of the issuance by fraud and has the shares listed, the Company hereby undertakes to repurchase all the 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 Plan for Stabilisation of the Price of RMB Ordinary Shares (A Shares) for the Three Years after the Initial Public Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation is satisfied, the Company will perform its obligations to repurchase the shares in accordance with the provisions in such plan.

In violation of the above-mentioned 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

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

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

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

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

Note 6:

Commitments by the Company

The Company will take active measures in 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 diluted immediate returns.
5. In the case that any equity incentive scheme 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 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 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 and Articles of Association of Semiconductor Manufacturing International Corporation, and the Profit Distribution Policy and Dividend Return Plan for the Three Years after the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) on the STAR Market of the Shanghai Stock Exchange of Semiconductor Manufacturing International Corporation 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.

SECTION 6 SIGNIFICANT EVENTS

Note 8:

Commitments by the Company

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. If the China Securities Regulatory Commission or other competent departments determine(s) that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that there is a material and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, and the Company has obtained registration of the issuance by fraud and has the shares listed, the Company hereby undertakes to repurchase all the new shares issued under the A Share offering in accordance with laws.
3. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any loss of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or other competent departments determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within five working days after receiving such written confirmation;
 - (2) The Company will communicate with the relevant intermediaries and investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or other competent departments, the Company will make compensation in the form confirmed through the above-mentioned method or such other forms required by laws.

In violation of the above-mentioned 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.

Commitments by substantial shareholders

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any loss of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within ten working days after receiving such written confirmation;
 - (2) The Company will communicate with the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, the Company will make compensation accordingly.

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

SECTION 6 SIGNIFICANT EVENTS

Commitments by domestic shareholders indirectly holding over 5% of shares

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any loss of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation;
 - (2) The Company will communicate with the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, the Company will make compensation accordingly.

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

Commitments by Directors and senior management personnel

1. Contents contained in the Prospectus for the A Share offering and other application documents have no misrepresentation, misleading statement or material omission, and I will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus and other application documents leads to any loss of investors in securities transactions, I will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or other competent authorities determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus and other application documents such that I shall be liable, I will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation;
 - (2) I will communicate with the issuer, other intermediaries and the investors actively to negotiate and confirm the scope, sequence, amount and form of compensation;
 - (3) After confirming the compensation amount through the above-mentioned method, or by securities regulatory departments or the judicial authority, I will make compensation in the form confirmed through the above-mentioned method or such other forms required by laws.

The commitments made by me shall comply with applicable laws, regulations and regulatory documents, as well as the regulatory requirements of the securities regulatory authority and other competent authorities. In violation of the above-mentioned 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.

SECTION 6 SIGNIFICANT EVENTS

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 the “Company Commitments”) are true and binding on the Company. The Company voluntarily accepts the supervision by regulatory authorities, self-regulatory organisations and the public. The Company will perform all obligations and take all responsibilities under the Company Commitments strictly.
2. If the Company fails to fulfill the Company Commitments fully and effectively for reasons other than force majeure, the Company hereby undertakes to adopt the following binding measures:
 - (1) Taking 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 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 Company Commitments, or within 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 the “Shareholders Commitments”) are true and binding on the Company. The Company voluntarily accepts the supervision by regulatory authorities, self-regulatory organisations and the public. The Company will perform all obligations and take all responsibilities under the Shareholders Commitments strictly.
2. If the Company fails to fulfill the Shareholders Commitments fully and effectively for reasons other than force majeure, the Company hereby undertake to adopt the following binding measures:
 - (1) Taking 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 Shareholders Commitments and shall assume corresponding responsibility, the Company will assume corresponding responsibility in accordance with laws.

Commitments by Directors and senior management personnel

1. All public commitments made by me in the course of the A Share offering (hereinafter referred to as the “Individual Commitments”) are true and binding on me. I voluntarily accept the supervision by regulatory authorities, self-regulatory organisations and the public. I will perform all obligations and take all responsibilities under the Individual Commitments strictly.
2. If I fail to fulfill the Individual Commitments fully and effectively for reasons other than force majeure, I hereby undertake to adopt the following binding measures:
 - (1) Taking 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 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 Individual Commitments, or within 30 days after determining that the investors suffer losses in securities transactions due to my breaking of or failure to fulfill the Individual Commitments, I voluntarily compensate investors in advance from all salary and/or allowances I received from the issuer.

SECTION 6 SIGNIFICANT EVENTS

Note 10:

Commitments by the Company

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

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

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

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
On June 9, 2022 (Los Angeles, U.S. time), the Company received a ruling from the United States District Court for the Central District of California dismissing, in its entirety, the civil lawsuit as disclosed in the Company's announcement dated December 15, 2020, with prejudice and without leave to amend.	For details, please refer to the Announcement of Complete Dismissal of Civil Lawsuit published on the website of SSE (http://www.sse.com.cn) dated June 10, 2022, and Announcement of Complete Dismissal of Civil Lawsuit published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) dated June 10, 2022.

(II) OTHER EXPLANATIONS

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, stating that 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. PDF required SMIC New Technology to pay the relevant fees under the agreements. 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.

2. Civil complaint filed with the United States district court

On July 8, 2022 (Los Angeles, U.S. time), the plaintiff filed a notice appeal from the dismissal of the civil complaint as mentioned in (I) above. United States Court of Appeals for the Ninth Circuit confirmed receipt of the appeal with a notification on July 11, 2022 (Log Angeles, U.S. time). The litigation is still ongoing.

SECTION 6 SIGNIFICANT EVENTS

III. SIGNIFICANT RELATED PARTY TRANSACTIONS

(I) RELATED PARTY TRANSACTIONS IN RELATION TO DAILY OPERATION

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

Summary of the event	Inquiry index
On March 28, 2023, the Board of the Company reviewed and approved the Proposal for Estimated Amount of Daily Related Transactions in 2023.	For details, please refer to the Announcement on Estimated Amount of Daily Related Transactions in 2023 dated March 29, 2023 published on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and on the website of SSE (http://www.sse.com.cn).

The actual amounts during the reporting period of the daily related transactions, of which estimated amount in RMB are approved in the period and disclosed on the Shanghai Stock Exchange, are as follows:

Related party	Related transaction	Estimated amount for 2023 (RMB'000)	Actual amount for the reporting period (RMB'000)	Percentage in the amount of similar transactions (%)
Semiconductor Global Solutions Corporation ("SGS")	Purchase of goods	220	32	0.0
	Purchase of services	1,500	253	0.0
	Leasing assets to the related party	2,650	2,664	3.2
	Purchase of machinery and equipment from the related party	165,000	51,435	0.3
	Sale of machinery and equipment to the related party	2,100	–	0.0
	Subtotal	171,470	54,384	
China Fortune-Tech Capital Co., Ltd. ("China Fortune-Tech")	Purchase of services	4,375	2,114	8.3
	Leasing assets to the related party	5,701	3,003	3.6
	Subtotal	10,076	5,117	
Toppan Sensing Electronics (Shanghai) Co., Ltd. (former Toppan SMIC Electronic (Shanghai) Co., Ltd.) ("Toppan")	Purchase of goods	32,148	10,494	0.3
	Leasing assets to the related party	29,556	15,413	18.6
	Subtotal	61,704	25,907	
Brite Semiconductor (Shanghai) Corporation ("Brite")	Sale of goods	678,000	196,871	1.0
	Subtotal	678,000	196,871	
	Total	921,250	282,279	

The actual amounts during the reporting period of the daily related transactions, of which annual caps in USD are approved in the previous year and disclosed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, are as follows:

Related party	Related transaction	Annual caps in 2023 (USD' million)	Actual amount for the period (USD' million)
Datang Holdings and its related parties	Sale of goods	182	10

SECTION 6 SIGNIFICANT EVENTS

IV. MATERIAL CONTRACTS AND PERFORMANCE

(I) MAJOR GUARANTEES PERFORMED AND OUTSTANDING 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 for subsidiaries)	–
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided for subsidiaries)	–
Guarantees provided by the Company or its subsidiaries for its subsidiaries	
Total guarantee for subsidiaries incurred during the reporting period	415,466
Total balance of guarantee for subsidiaries as at the end of the reporting period (B)	2,237,958
Aggregate guarantee of the Company (including those provided for subsidiaries)	
Aggregate guarantee (A+B)	2,237,958
Percentage of aggregate guarantee to net assets of the Company (%)	11.35
Including:	
Amount of guarantees provided for shareholders, de facto controller and related parties (C)	–
Amount of debts guarantee directly or indirectly provided for guaranteed parties with gearing ratio over 70% (D)	1,483,504
Excess amount of aggregate guarantee over 50% of net assets (E)	–
Aggregate amount of the above three categories (C+D+E)	1,483,504

V. USE OF THE PROCEEDS

(I) OVERALL UTILIZATION OF PROCEEDS

The Company received proceeds and over-allotment funds with total amount of approximately RMB53,230.2 million (approximately US\$7,616.1 million) on July 14, 2020 and August 17, 2020, respectively. The net amount of proceeds after deducting the issuance expenses was approximately RMB52,515.6 million (approximately US\$7,513.9 million). The Company's proceeds have been fully invested in the fundraising project according to the purpose of the proceeds, and the cancellation procedures for all proceeds special accounts have been completed during the reporting period. For details, please refer to the Company's Announcement of Special Explanation on the Deposit and Actual Use of Proceeds for the Half Year of 2023 disclosed on the same date of this interim report.

In USD'000

Source of the proceeds	Time for receiving the proceeds ^(note)	Total proceeds	The net amount of proceeds after deducting the issuance expenses	Total committed investment amount	Total committed investment amount after adjustment (1)	Accumulated investment amount as at the end of the reporting period (2)	Progress in investment as at the end of the reporting period (%) (3)=(2)/(1)	Investment amount for the period	Expected timeline for the use of unutilized proceeds
Initial public offering of shares	July 14, 2020	7,616,128	7,513,885	7,513,885	7,513,885	7,513,885	100.0	–	N/A

Note: Over-allotment funds was received on August 17, 2020.

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		Issuance of new shares	Increase/(decrease) in the change				After the change	
	Number	Proportion (%)		Shares Dividend	Conversion of capital reserves into share capital	Others	Sub-total	Number	Proportion (%)
I. Tradable shares not subject to selling restrictions	7,912,664,696	100.00	13,271,854	-	-	-	13,271,854	7,925,936,550	100.00
1. RMB Ordinary Shares	1,957,402,720	24.74	-	-	-	-	-	1,957,402,720	24.70
2. Overseas-listed foreign shares	5,955,261,976	75.26	13,271,854	-	-	-	13,271,854	5,968,533,830	75.30
II. Total shares	7,912,664,696	100.00	13,271,854	-	-	-	13,271,854	7,925,936,550	100.00

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

2. Description of changes in shares

During the reporting period, the number of shares increased by 13,271,854 shares due to the new shares issued under the Hong Kong share incentive plans.

3. The impact (if any) 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 due to the new shares issued under the Hong Kong share incentive plans. The change has no significant impact on financial indicators, such as earnings per share and net assets per share.

(II) 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.

II. PARTICULARS OF SHAREHOLDERS

(I) TOTAL NUMBER OF SHAREHOLDERS

	Number of registered shareholders
Total number of shareholders of ordinary shares as at the end of the reporting period ^(note)	268,688
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, 268,688 registered shareholders consist of 256,576 holding A Shares and 12,112 holding Hong Kong Shares.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(II) SUBSTANTIAL SHAREHOLDERS

As at June 30, 2023, the following parties (other than the Directors or chief executives of the Company) had interest or short positions in the Shares or underlying Shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were interested in 5% or more that were required to be entered in the register to be kept by the Company pursuant to Section 336 of the SFO:

Unit: Share

Name of shareholder	Nature of interests	Long/Short position	Number of ordinary shares held		Percentage of ordinary shares held to total issued share capital ⁽¹⁾	Derivatives	Total interests	Percentage of total interests to total issued share capital ⁽¹⁾
			Held directly	Held indirectly				
China Information and Communication Technology Group Co., Ltd. and related stakeholders								
China Information and Communication Technology Group Co., Ltd.	Interest of corporation controlled	Long Position	72,470,855 ⁽¹⁾	1,116,852,595 ⁽²⁾	15.01%	-	1,189,323,450	15.01%
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	1,116,852,595 ⁽²⁾	-	14.09%	-	1,116,852,595	14.09%
China Integrated Circuit Industry Investment Fund Co., Ltd. and related stakeholders								
China Integrated Circuit Industry Investment Fund Co., Ltd.	Interest of corporation controlled	Long Position	-	617,214,804 ⁽³⁾	7.79%	-	617,214,804	7.79%
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	617,214,804 ⁽³⁾	-	7.79%	-	617,214,804	7.79%

Notes:

- (1) Based on 7,925,936,550 shares in issue as at June 30, 2023.
- (2) 1,116,852,595 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 1,189,323,450 shares.
- (3) 617,214,804 shares are held by Xinxin HK, a wholly-owned subsidiary of Xinxin (Shanghai) Investment Co., Ltd., which in turn is wholly-owned by China IC Fund.

(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

1. As at the end of the reporting period, the Company had issued 5,968,533,830 shares in Hong Kong, accounting for approximately 75.3% of the total share capital of the Company and 1,957,402,720 shares in SSE STAR Market, accounting for approximately 24.7% of the total share capital of the Company.
2. The Company's register of members in Hong Kong consists of HKSCC NOMINEES LIMITED and other registered shareholders, among which, shares held by HKSCC NOMINEES LIMITED on behalf of non-registered shareholders account for approximately 99.8% of the Company's Hong Kong Shares; shares held by other registered shareholders account for approximately 0.2% of the Company's Hong Kong Shares.
3. According to the SFO, shareholders who are interested in 5% or more of any class of voting shares in the Company are required to make disclosure. The number of shares held by HKSCC NOMINEES LIMITED displayed below excludes 1,116,852,595 Hong Kong Shares held by Datang HK and 617,214,804 Hong Kong Shares held by Xinxin HK based on the information disclosed in the declaration.
4. Nature of A shareholders is reported according to the nature of holders of shares as set out in the A Share register of China Securities Depository and Clearing.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Unit: Share

Particulars of shareholdings of top 10 shareholders

Name of shareholder	Increase/ (decrease) during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held with selling restrictions	Number of restricted shares including lending shares for securities financing	Pledged, tagged or frozen Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED	13,765,742	4,222,796,886	53.28	-	-	Unknown	-	Unknown
Datang Holdings (Hongkong) Investment Company Limited	-	1,116,852,595	14.09	-	-	Nil	-	Overseas legal person
Xinxin (Hongkong) Capital Co., Ltd.	-	617,214,804	7.79	-	-	Nil	-	Overseas legal person
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	-	127,458,120	1.61	-	-	Nil	-	Others
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)	18,844,184	126,433,871	1.60	-	-	Nil	-	Others
China Information and Communication Technology Group Co., Ltd.	-	72,470,855	0.91	-	-	Nil	-	State-owned legal person
China Construction Bank Corporation – ChinaAMC CNI Semiconductor Wafer Exchange Traded Funds* (華夏國證半導體芯片交易型開放式指數證券投資基金)	4,734,532	44,403,694	0.56	-	-	Nil	-	Others
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)	9,650,566	44,395,697	0.56	-	-	Nil	-	Others
Guotai Junan Securities Co., Ltd. – Guolian China Securities All Refers to Semiconductor Products and Equipment Trading Open-ended Index Securities Investment Funds* (國聯安中證全指半導體產品與設備交易型開放式指數證券投資基金)	9,126,871	32,978,372	0.42	-	-	Nil	-	Others
Bank of China Limited-Cathay CES Semiconductor Chip Industry Transactional Open-ended Index Securities Investment Funds* (國泰CES半導體芯片行業交易型開放式指數證券投資基金)	6,905,562	27,448,794	0.35	-	-	Nil	-	Others

Particulars of shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held without selling restrictions	Type	Number
HKSCC NOMINEES LIMITED	4,222,796,886	Overseas listed foreign shares	4,222,796,886
Datang Holdings (Hongkong) Investment Company Limited	1,116,852,595	Overseas listed foreign shares	1,116,852,595
Xinxin (Hongkong) Capital Co., Ltd.	617,214,804	Overseas listed foreign shares	617,214,804
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	127,458,120	Ordinary shares denominated in RMB	127,458,120
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)	126,433,871	Ordinary shares denominated in RMB	126,433,871
China Information and Communication Technology Group Co., Ltd.	72,470,855	Ordinary shares denominated in RMB	72,470,855
China Construction Bank Corporation – ChinaAMC CNI Semiconductor Wafer Exchange Traded Funds* (華夏國證半導體芯片交易型開放式指數證券投資基金)	44,403,694	Ordinary shares denominated in RMB	44,403,694
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)	44,395,697	Ordinary shares denominated in RMB	44,395,697
Guotai Junan Securities Co., Ltd. – Guolian China Securities All Refers to Semiconductor Products and Equipment Trading Open-ended Index Securities Investment Funds* (國聯安中證全指半導體產品與設備交易型開放式指數證券投資基金)	32,978,372	Ordinary shares denominated in RMB	32,978,372
Bank of China Limited-Cathay CES Semiconductor Chip Industry Transactional Open-ended Index Securities Investment Funds* (國泰CES半導體芯片行業交易型開放式指數證券投資基金)	27,448,794	Ordinary shares denominated in RMB	27,448,794

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

- Datang HK is a wholly-owned subsidiary of CICT.
- Xinxin HK is a wholly-owned subsidiary of China IC Fund.
- Lou Yuguang (樓宇光), Yang Lumin (楊魯閩), Tang Xuefeng (唐雪峰), Yan Jianqiu (嚴劍秋) and Wang Wenli (王文莉), directors of China IC Fund, also serve as the directors of China IC Fund II. Supervisors Lin Guifeng (林桂鳳) and Song Ying (宋穎) also serve as supervisors of China IC Fund II, and director Fan Bing (范冰) also serves as the supervisor of China IC Fund II.
- As the fund manager, Sino IC Capital Co., Ltd. signed entrusted management agreements separately with China IC Fund and China IC Fund II, and managed them in accordance with the agreements.
- China IC Fund and China IC Fund II have some of the same shareholders.

Apart from these, the Company does not know whether the other shareholders mentioned above have affiliated relationship or parties acting in concert.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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

Name of strategic investors or general legal persons	Stipulated start date of shareholding	Stipulated end date of shareholding
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	July 16, 2020	Nil
China Information and Communication Technology Group Co., Ltd.	July 16, 2020	Nil
Explanation on agreed shareholding period of strategic investors or general legal persons participating in placing of new shares	The lock-up period was within twelve months from the date of initial public offering of shares and listing on SSE STAR Market.	

III. DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

(I) CHANGES IN SHAREHOLDING OF CURRENT AND RESIGNED DIRECTORS, 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 for the period	Reason for changes
Zhang Xin	Core Technician Senior Vice President	23,000	–	-23,000	sale of shares
Jin Da	Core Technician Vice President	48,000	24,000	-24,000	sale of shares
Total		71,000	24,000	-47,000	

Note: The number of ordinary shares held at the beginning or at the end of the reporting period only refers to the A-share holdings of the Company.

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

1. Stock options of Directors and chief executives

(1) 2004 Stock Option Plan – Hong Kong Share

Unit: Share

Name	Position	Options grant date	Exercise price at grant date per share (HKD)	Unexercised options as of 01/01/2023	New grants during the reporting period	Lapsed options during the reporting period	Cancelled options during the reporting period	Exercised options during the reporting period	Weighted average closing price of Hong Kong Shares immediately before exercise dates (HKD)	Unexercised options as of 06/30/2023	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Exercisable period
Zhao Haijun	Co-Chief Executive Officer	6/11/2013	6.40	188,233	–	–	–	188,233	–	–	6.20	6/11/2013-6/10/2023
Gao Yonggang (Resigned)	Chairman, Executive Director	6/17/2013	6.24	1,360,824	–	–	–	1,360,824	–	–	6.10	6/17/2013-6/16/2023
Total				1,549,057	–	–	–	1,549,057	–	–		

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(2) 2014 Stock Option Plan – Hong Kong Share

Unit: Share

Name	Position	Options grant date	Exercise price at grant date per share (HKD)	Unexercised options as of 01/01/2023	New grants during the reporting period	Lapsed options during the reporting period	Cancelled options during the reporting period	Exercised options during the reporting period	Weighted average closing price of Hong Kong Shares immediately before exercise dates (HKD)	Unexercised options as of 06/30/2023	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Exercisable period
Lau Lawrence Juen-Yee	Independent Non-executive Director	5/31/2021	24.50	32,877	-	-	-	-	-	32,877	24.15	5/31/2021-5/30/2031
Fan Ren Da Anthony	Independent Non-executive Director	9/13/2018 5/31/2021	8.57 24.50	187,500 32,877	-	-	-	-	-	187,500 32,877	8.35 24.15	9/13/2018-9/12/2028 5/31/2021-5/30/2031
Liu Ming	Independent Non-executive Director	5/31/2021	24.50	187,500	-	-	-	-	-	187,500	24.15	5/31/2021-5/30/2031
Zhao Haijun	Co-Chief Executive Officer	9/7/2017 5/25/2020 5/31/2021	7.90 18.10 24.50	1,687,500 219,706 277,149	-	-	-	-	-	1,687,500 219,706 277,149	7.83 16.92 24.15	9/7/2017-9/6/2027 5/25/2020-5/24/2030 5/31/2021-5/30/2031
Liang Mong Song	Co-Chief Executive Officer	5/25/2020	18.10	659,117	-	-	-	-	-	659,117	16.92	5/25/2020-5/24/2030
Gao Yonggang (Resigned)	Chairman, Executive Director	6/12/2014 5/25/2020 5/31/2021	6.40 18.10 24.50	288,648 586,793 296,085	-	-	-	288,648	17.68	- 586,793 296,085	6.40 16.92 24.15	6/12/2014-6/11/2024 5/25/2020-5/24/2030 5/31/2021-5/30/2031
Total				4,455,752	-	-	-	288,648		4,167,104		

2. Restricted Share Units of Directors and chief executives

(1) 2014 Equity Incentive Plan – Hong Kong Share

Unit: Share

Name	Position	RSUs grant date	Purchase price per share (HKD)	The vested RSUs held as of 01/01/2023	Unvested RSUs as of 01/01/2023	New grants during the reporting period	Lapsed RSUs during the reporting period	Cancelled RSUs during the reporting period	Vested RSUs during the reporting period	Weighted average closing price of Hong Kong Shares immediately before vesting dates (HKD)	Unvested RSUs as of 06/30/2023	The vested RSUs held as of 06/30/2023	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Vesting period
Lau Lawrence Juen-Yee	Independent Non-executive Director	5/31/2021	0.031	32,877	-	-	-	-	-	18.91	-	32,877	24.15	6/22/2021-1/1/2022
		4/8/2022	0.031	-	92,500	-	-	-	92,500	19.20	-	92,500	16.80	1/1/2022-1/1/2023
		4/1/2023	0.031	-	-	92,500	-	-	-	17.20	92,500	-	18.60	1/1/2023-1/1/2024
Fan Ren Da Anthony	Independent Non-executive Director	5/31/2021	0.031	32,877	-	-	-	-	-	18.91	-	-	24.15	6/22/2021-1/1/2022
		4/8/2022	0.031	-	92,500	-	-	-	92,500	19.20	-	-	16.80	1/1/2022-1/1/2023
		4/1/2023	0.031	-	-	92,500	-	-	-	17.20	92,500	-	18.60	1/1/2023-1/1/2024
Liu Ming	Independent Non-executive Director	5/31/2021	0.031	-	125,625	-	-	-	61,875	18.91	63,750	61,875	24.15	2/4/2021-2/4/2024
Wu Hanming	Independent Non-executive Director	9/5/2022	0.031	-	277,500	-	-	-	-	17.87	277,500	-	15.00	8/11/2022-8/11/2025
Zhao Haijun	Co-Chief Executive Officer	5/25/2020	0.031	43,301	43,302	-	-	-	21,651	16.50	21,651	64,952	16.92	3/1/2020-3/1/2024
		5/31/2021	0.031	34,512	103,538	-	-	-	34,513	18.91	69,025	69,025	24.15	3/1/2021-3/1/2025
		4/8/2022	0.031	-	401,538	-	-	-	100,384	19.20	301,154	100,384	16.80	3/1/2022-3/1/2026
		4/1/2023	0.031	-	-	159,565	-	-	79,783	17.20	79,782	-	18.60	4/1/2023-4/1/2025
Liang Mong Song	Co-Chief Executive Officer	5/25/2020	0.031	64,952	21,651	-	-	-	21,651	16.50	-	86,603	16.92	3/1/2019-3/1/2023
		5/25/2020	0.031	86,602	86,603	-	-	-	43,301	16.50	43,302	129,903	16.92	3/1/2020-3/1/2024
		4/8/2022	0.031	-	401,538	-	-	-	100,384	19.20	301,154	100,384	16.80	3/1/2022-3/1/2026
		4/1/2023	0.031	-	-	159,565	-	-	79,783	17.20	79,782	-	18.60	4/1/2023-4/1/2025
Gao Yonggang (Resigned)	Chairman, Executive Director	11/17/2014	0.031	85,505	-	-	-	-	-	7.53	-	85,505	8.60	6/17/2013-3/1/2018
		5/25/2020	0.031	55,512	18,504	-	-	-	18,504	16.50	-	74,016	16.92	3/1/2019-3/1/2023
		5/25/2020	0.031	78,642	78,642	-	-	-	39,321	16.50	39,321	117,963	16.92	3/1/2020-3/1/2024
		5/31/2021	0.031	36,870	110,612	-	-	-	36,871	18.91	73,741	73,741	24.15	3/1/2021-3/1/2025
		4/8/2022	0.031	-	400,764	-	-	-	100,191	19.20	300,573	100,191	16.80	3/1/2022-3/1/2026
		4/1/2023	0.031	-	-	159,565	-	-	79,783	17.20	79,782	-	18.60	4/1/2023-4/1/2025
Total				551,650	2,254,817	663,695	-	-	1,002,995		1,915,517	1,189,919		

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

3. 2021 STAR Market Restricted Share Incentive Scheme (Type II Restricted Shares)

Unit: Share

Name	Position	Restricted Shares grant date	Grant price per share (RMB)	Unvested Restricted Shares as of 01/01/2023	New grants during the reporting period	Lapsed Restricted Shares during the reporting period	Cancelled Restricted Shares during the reporting period	Vested Restricted Shares during the reporting period	Weighted average closing price of A Shares immediately before vesting dates (RMB)	Unvested Restricted Shares as of 06/30/2023	Closing price of A Shares immediately before grant dates (RMB)	Vesting period
Zhang Xin	Senior Vice President	7/19/2021	20	224,000	-	-	-	-	-	224,000	54.86	7/20/2022-7/17/2026
Jin Da	Vice President	7/19/2021	20	112,000	-	-	-	-	-	112,000	54.86	7/20/2022-7/17/2026
Yan Dayong	Vice President	7/19/2021	20	98,000	-	-	-	-	-	98,000	54.86	7/20/2022-7/17/2026
Total				434,000	-	-	-	-		434,000		

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

As at June 30, 2023, the interests or short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name	Long/Short position	Nature of interests	Number of Ordinary Shares held	Derivatives		Total interests	Percentage of aggregate interests to total issued share capital of the Company ⁽¹⁾
				Options (Hong Kong Share) ⁽²⁾	Restricted Share Units (Hong Kong Share) ⁽²⁾		
Executive Directors							
Liu Xunfeng	-	-	-	-	-	-	-
Gao Yonggang*	Long Position	Beneficial Owner	40,082	882,878	944,833	1,867,793	0.024%
Non-executive Directors							
Lu Guoqing	-	-	-	-	-	-	-
Chen Shanzhi	-	-	-	-	-	-	-
Yang Lumin	-	-	-	-	-	-	-
Independent Non-executive Directors							
Lau Lawrence Juen-Yee	Long Position	Beneficial Owner	-	32,877	217,877	250,754	0.003%
Fan Ren Da Anthony	Long Position	Beneficial Owner	312,877	220,377	92,500	625,754	0.008%
Liu Ming	Long Position	Beneficial Owner	-	187,500	125,625	313,125	0.004%
Wu Hanming	Long Position	Beneficial Owner	-	-	277,500	277,500	0.004%
Co-Chief Executive Officer							
Zhao Haijun	Long Position	Beneficial Owner	40,082	2,184,355	705,973	2,930,410	0.037%
Liang Mong Song	Long Position	Beneficial Owner	48,873	659,117	741,128	1,449,118	0.018%

* Dr. Gao Yonggang has resigned as the Chairman of the Board and an executive Director of the Company on July 17, 2023.

Notes:

(1) Based on 7,925,936,550 shares in issue as at June 30, 2023.

(2) As at June 30, 2023, the interests held by Directors and Co-CEOs were all in Hong Kong Shares. Please refer to the above information for the details of options (Hong Kong Share) and RSUs (Hong Kong Share): 2004 Stock Option Plan, 2014 Stock Option Plan and 2014 Equity Incentive Plan.

SECTION 8 FINANCIAL REPORT

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023

(In USD'000, except per share data)

	Notes	Six months ended	
		06/30/23	06/30/22
Revenue	4	3,022,684	3,745,058
Cost of sales		(2,401,515)	(2,244,315)
Gross profit		621,169	1,500,743
Research and development expenses		(345,301)	(352,753)
Selling and marketing expenses		(17,360)	(18,627)
General and administration expenses		(206,313)	(213,721)
Impairment losses on financial assets, net		(230)	99
Other operating income	5	111,116	159,673
Profit from operations		163,081	1,075,414
Interest income		371,959	126,621
Finance costs	6	(92,387)	(54,852)
Foreign exchange (loss)/gain		(2,640)	13,269
Other gains/(losses), net	7	267,209	(1,266)
Share of profits and losses of associates and joint venture		64,432	51,211
Profit before tax		771,654	1,210,397
Income tax expense	8	(40,363)	(12,163)
Profit for the period	9	731,291	1,198,234
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translating foreign operations		(71,513)	(85,802)
Cash flow hedges	20	(35,196)	16,800
Total comprehensive income for the period		624,582	1,129,232
Profit for the period attributable to:			
Owners of the Company		633,864	961,559
Non-controlling interests		97,427	236,675
		731,291	1,198,234
Total comprehensive income for the period attributable to:			
Owners of the Company		527,155	892,557
Non-controlling interests		97,427	236,675
		624,582	1,129,232
Earnings per share			
Basic	10	\$0.08	\$0.12
Diluted	10	\$0.08	\$0.12

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

(In USD'000)

	Notes	06/30/23	12/31/22
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	20,593,730	18,855,532
Right-of-use assets	13	498,075	529,795
Intangible assets		38,803	45,331
Investments in associates	14	2,144,734	1,912,042
Investment in joint venture	14	3,272	9,051
Deferred tax assets		13,930	14,244
Financial assets at fair value through profit or loss	15	523,568	208,307
Financial assets at amortised cost	15	5,796,005	5,553,445
Derivative financial instruments	15	20,142	32,958
Other assets		26,671	52,877
Total non-current assets		29,658,930	27,213,582
<i>Current assets</i>			
Inventories	17	2,345,303	1,911,487
Prepayment and prepaid operating expenses		106,718	103,368
Trade and other receivables	18	1,044,726	1,302,642
Financial assets at fair value through profit or loss	15	102,571	375,776
Financial assets at amortised cost	15	4,491,898	5,122,706
Derivative financial instruments	15	124,097	146,669
Restricted cash	16	388,837	676,937
Cash and cash equivalents		7,559,268	6,932,587
		16,163,418	16,572,172
Assets classified as held-for-sale		22,030	22,030
Total current assets		16,185,448	16,594,202
Total assets		45,844,378	43,807,784

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

(In USD'000)

	Notes	06/30/23	12/31/22
Equity and liabilities			
<i>Capital and reserves</i>			
Ordinary shares	19	31,704	31,651
Share premium		13,989,821	13,963,465
Other reserves	20	307,265	377,059
Retained earnings		5,411,665	4,777,801
Equity attributable to owners of the Company		19,740,455	19,149,976
Non-controlling interests		10,245,164	9,811,445
Total equity		29,985,619	28,961,421
<i>Non-current liabilities</i>			
Borrowings	21	6,653,113	6,718,304
Lease liabilities		42,681	57,682
Bonds payable	22	598,744	598,379
Deferred tax liabilities		48,300	34,980
Deferred government funding		327,698	396,803
Derivative financial instruments	15	40,457	15,286
Total non-current liabilities		7,710,993	7,821,434
<i>Current liabilities</i>			
Trade and other payables	23	3,176,360	3,217,001
Contract liabilities		2,007,618	1,977,058
Borrowings	21	2,327,861	1,268,218
Lease liabilities		38,920	51,849
Deferred government funding		190,075	153,812
Accrued liabilities		281,755	309,183
Derivative financial instruments	15	105,501	45,217
Current tax liabilities		19,676	2,591
Total current liabilities		8,147,766	7,024,929
Total liabilities		15,858,759	14,846,363
Total equity and liabilities		45,844,378	43,807,784

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

(In USD'000)

	Ordinary shares	Share premium	Equity-settle employee benefit reserve	Foreign currency translation reserve	Convertible bond equity reserve
	(Note 19)				
As at January 1, 2022	31,615	13,836,614	112,426	46,558	341
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	(85,802)	-
Total comprehensive income for the period	-	-	-	(85,802)	-
Shares repurchased	(33)	(17,154)	-	-	-
Issue of shares under share incentive plans	19	8,103	(6,853)	-	-
Share-based compensation	-	-	89,466	-	-
Conversion options of convertible bonds exercised during the period	7	2,325	-	-	(341)
Share of other capital reserve of associates accounted for using equity method	-	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-
Dilution of interests in subsidiaries	-	-	-	-	-
Subtotal	(7)	(6,726)	82,613	-	(341)
As at June 30, 2022	31,608	13,829,888	195,039	(39,244)	-
As at January 1, 2023	31,651	13,963,465	142,754 ⁽¹⁾	(102,325) ⁽¹⁾	-
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	(71,513)	-
Total comprehensive income for the period	-	-	-	(71,513)	-
Issue of shares under share incentive plans	53	26,356	(17,539)	-	-
Share-based compensation	-	-	44,837	-	-
Share of other capital reserve of associates accounted for using equity method	-	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-
Dilution of interests in subsidiaries	-	-	-	-	-
Subtotal	53	26,356	27,298	-	-
As at June 30, 2023	31,704	13,989,821	170,052 ⁽¹⁾	(173,838) ⁽¹⁾	-

⁽¹⁾ These reserve accounts comprise the other reserves of US\$307,265 thousand (December 31, 2022: US\$377,059 thousand) in the consolidated statement of financial position.

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

(In USD'000)

Cash flow hedges reserve	Others	Retained earnings	Attributable to owner of the Company	Non-controlling interests	Total equity
(Note 20)					
17	162,234	2,959,859	17,149,664	8,288,479	25,438,143
–	–	961,559	961,559	236,675	1,198,234
16,800	–	–	(69,002)	–	(69,002)
16,800	–	961,559	892,557	236,675	1,129,232
–	–	–	(17,187)	–	(17,187)
–	–	–	1,269	–	1,269
–	–	–	89,466	12,242	101,708
–	–	–	1,991	–	1,991
–	2,693	–	2,693	–	2,693
–	–	–	–	672,786	672,786
–	75,439	–	75,439	(75,439)	–
–	78,132	–	153,671	609,589	763,260
16,817	240,366	3,921,418	18,195,892	9,134,743	27,330,635
94,933 ⁽¹⁾	241,697 ⁽¹⁾	4,777,801	19,149,976	9,811,445	28,961,421
–	–	633,864	633,864	97,427	731,291
(35,196)	–	–	(106,709)	–	(106,709)
(35,196)	–	633,864	527,155	97,427	624,582
–	–	–	8,870	–	8,870
–	–	–	44,837	5,589	50,426
–	8,900	–	8,900	–	8,900
–	–	–	–	331,420	331,420
–	717	–	717	(717)	–
–	9,617	–	63,324	336,292	399,616
59,737 ⁽¹⁾	251,314 ⁽¹⁾	5,411,665	19,740,455	10,245,164	29,985,619

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

(In USD'000)

	Six months ended	
	06/30/23	06/30/22
Operating activities		
Cash generated from operations	1,445,098	3,725,363
Interest paid	(102,123)	(80,761)
Interest received	214,956	95,308
Income taxes returned/(paid)	39,774	(24,451)
Net cash generated from operating activities	1,597,705	3,715,459
Investing activities		
Payments to acquire financial assets at fair value through profit or loss	(1,043,470)	(361,094)
Proceeds from sale of financial assets at fair value through profit or loss	1,019,643	117,800
Payments to acquire financial assets at amortised cost	(4,139,498)	(6,763,755)
Proceeds from maturity of financial assets at amortised cost	4,789,127	4,074,573
Payments for property, plant and equipment	(3,059,774)	(2,023,422)
Proceeds from disposal of property, plant and equipment and assets classified as held-for-sale	110	36,374
Payments for intangible assets	(577)	(6,089)
Proceeds from disposal of land-use right	-	6,325
Payments for land use right	(275)	-
Capital injection in associates	(110,052)	(50,822)
Proceeds from sale of equity interests in associates and joint venture	100,487	12,599
Distributions received from associates and joint venture	461	290
Proceeds from release of restricted cash relating to investing activities	-	33,300
Proceeds from/(payments for) settlement of derivative financial instruments	118,350	(23,477)
Net cash used in investing activities	(2,325,468)	(4,947,398)
Financing activities		
Proceeds from borrowings	2,658,957	1,682,489
Repayment of borrowings	(1,342,607)	(667,574)
Principal elements of lease payments	(29,197)	(54,329)
Repayment of medium-term notes	-	(238,042)
Payment for shares repurchased	-	(17,187)
Proceeds from issue of shares under share incentive plans	8,870	1,269
Capital injection from non-controlling interests	331,420	672,786
(Payments for)/proceeds from settlement of derivative financial instruments	(2,653)	49,970
Payments for deposit relating to financing activities	-	(12,818)
Net cash generated from financing activities	1,624,790	1,416,564
Net increase in cash and cash equivalents	897,027	184,625
Cash and cash equivalents at the beginning of the period	6,932,587	8,581,746
Effects of exchange rate changes on the balance of cash held in foreign currencies	(270,346)	(131,876)
Cash and cash equivalent at the end of the period	7,559,268	8,634,495

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

1. GENERAL INFORMATION

Semiconductor Manufacturing International Corporation (the “Company” or “SMIC”) was established as an exempt company incorporated under the laws of the Cayman Islands on April 3, 2000. The Company’s ordinary shares are listed on the mainboard of Stock Exchange of Hong Kong Limited and the SSE STAR Market, respectively. 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.

The Company is an investment holding company. The subsidiaries of the Company are engaged in the various business activities, such as manufacture, testing and trading of integrated circuits, as well as technical research and development, manufacture of semiconductor masks and providing of other services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Company and its subsidiaries (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, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period’s financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group’s policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2023, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2023, if any.

Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities’ exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

4. SEGMENT INFORMATION AND REVENUE DESCRIPTION OF SEGMENTS

For management purposes, the Group operates in one segment, engaging principally in the manufacture and sale of integrated circuits. Management makes high-level strategic decisions and reviews the consolidated results of the Group.

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's operating revenue from customers is detailed as below:

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Geographical market⁽¹⁾		
China	2,345,700	2,849,189
America	562,098	708,408
Eurasia	114,886	187,461
	3,022,684	3,745,058
Types of goods or services		
Sale of wafers	2,759,387	3,495,072
Mask making, testing and others	263,297	249,986
	3,022,684	3,745,058
Timing of revenue recognition		
Goods transferred at a point in time	3,002,510	3,674,122
Services transferred over time	20,174	70,936
	3,022,684	3,745,058

⁽¹⁾ Representing the revenue from those companies whose headquarters are in this area, but ultimately selling and shipping the products to their global customers.

5. OTHER OPERATING INCOME

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
(Loss)/gain on disposal of property, plant and equipment and assets classified as held-for-sale	(357)	14,433
Government funding	111,473	145,240
	111,116	159,673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

6. FINANCE COSTS

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Interest on:		
Bank and other borrowings	82,495	41,816
Leases	1,447	3,124
Convertible bonds	–	13
Corporate bonds	8,445	8,435
Medium-term notes	–	1,464
	92,387	54,852

7. OTHER GAINS/(LOSSES), NET

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Net gain/(loss) arising on financial assets at fair value through profit or loss:		
Foreign currency forward contracts	–	359
Structural deposits and monetary funds	10,500	4,129
Equity securities	46,002	(11,280)
	56,502	(6,792)
Others ⁽¹⁾	210,707	5,526
	267,209	(1,266)

⁽¹⁾ Others included the gain amounted to US\$203.7 million on passive dilution of equity interests in an associate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

8. INCOME TAX EXPENSE

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Current tax — Land Appreciation Tax	—	25
Current tax — Enterprise Income Tax	25,549	15,701
Deferred tax	14,814	(3,563)
	40,363	12,163

INCOME TAX RATE

The Company is incorporated in the Cayman Islands, where it is not currently subject to taxation. The detailed tax statuses of SMIC's principal PRC entities with tax holidays are elaborated as follows:

SMIC Shanghai obtained the certificate of high-tech enterprise issued on November 18, 2020 and was entitled to enjoy the preferential income tax rate of 15% from 2020 to 2022. In 2023, SMIC Shanghai would apply for the certificate of high-tech enterprise again in accordance with the relevant regulations. The prepaid income tax rate for SMIC Shanghai was 15%.

SMIC Tianjin obtained the certificate of high-tech enterprise issued on November 15, 2022 and is entitled to enjoy the preferential income tax rate of 15% from 2022 to 2024. In 2023, the income tax rate for SMIC Tianjin was 15%.

According to CaiShui [2012] No.27, Guofa [2020] No.8 and relevant tax regulations, SMIC Beijing is qualified as an integrated circuit enterprise and entitled to enjoy a 10-year tax holiday (income tax full exemption from 2015 to 2024) beginning from 2015 after utilizing all prior years' tax losses. Meanwhile, SMIC Beijing has obtained the certificate of high-tech enterprise issued on December 17, 2021. SMIC Beijing enjoyed the preferential treatment of full exemption from income tax in 2023 and would submit the required documents in accordance with the relevant regulations.

SMNC obtained the certificate of high-tech enterprise issued on December 30, 2022 and is entitled to enjoy the preferential income tax rate of 15% from 2022 to 2024. In 2023, the income tax rate for SMNC was 15%.

SMIC Shenzhen obtained the certificate of high-tech enterprise issued on December 11, 2020 and was entitled to enjoy the preferential income tax rate of 15% from 2020 to 2022. In 2023, SMIC Shenzhen would apply for the certificate of high-tech enterprise again in accordance with the relevant regulations. The prepaid income tax rate for SMIC Shenzhen was 15%.

SMSC obtained the certificate of high-tech enterprise issued on December 14, 2022 and is entitled to enjoy the preferential income tax rate of 15% from 2022 to 2024. In 2023, the income tax rate for SMSC was 15%.

All the other PRC entities of SMIC are subject to income tax rate of 25%.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Depreciation of property, plant and equipment	1,247,606	1,021,828
Depreciation of right-of-use assets	33,219	57,530
Amortisation of intangible assets	7,124	11,809
Impairment losses recognised on inventories	67,503	21,008
Addition/(reversal) in allowance on doubtful trade and other receivables	230	(99)
Equity-settled share-based payments expense	50,426	101,708

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

10. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

	(In USD'000, except share and per share data)	
	Six months ended	
	06/30/23	06/30/22
Earnings used in the calculation of basic earnings per share	633,864	961,559
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,918,590,091	7,904,648,304
Basic earnings per share	\$0.08	\$0.12

DILUTED EARNINGS PER SHARE

The earnings used in the calculation of diluted earnings per share are as follows:

	(In USD'000, except share and per share data)	
	Six months ended	
	06/30/23	06/30/22
Earnings used in the calculation of basic earnings per share	633,864	961,559
Interest on convertible bonds (Note 6)	–	13
Earnings used in the calculation of diluted earnings per share	633,864	961,572
Weighted average number of ordinary shares used in the calculation of basic earnings per share	7,918,590,091	7,904,648,304
Employee options	6,478,775	9,124,132
Restricted share units	9,570,043	10,650,322
Restricted shares	13,490,391	11,373,416
Convertible bonds	–	933,108
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	7,948,129,300	7,936,729,282
Diluted earnings per share	\$0.08	\$0.12

11. DIVIDEND

No dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil) was proposed by the Board.

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	06/30/23	06/30/22
	USD'000	USD'000
As at January 1	18,855,532	14,260,783
Additions	2,988,169	2,546,388
Depreciation	(1,247,606)	(1,021,828)
Disposals	(2,383)	(6,709)
Impairment loss written off	18	108
Reclassified as held-for-sale	–	(5,543)
As at June 30	20,593,730	15,773,199

As of June 30, 2023, certain of the Group's property, plant and equipment with a carrying amount of approximately US\$189.8 million (December 31, 2022: approximately US\$198.4 million) have been mortgaged to borrowings of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

13. LEASES

The carrying amounts of the Group's right-of-use assets during the period are as follows:

	06/30/23 USD'000	12/31/22 USD'000
Buildings	2,634	1,630
Machinery and equipment	75,347	103,729
Land use right	420,094	424,436
	498,075	529,795

For the six month ended June 30, 2023, addition to the right-of-use assets was US\$1.5 million (six months ended June 30, 2022: Nil).

As of June 30, 2023, certain land-use right with a carrying amount of approximately US\$32.9 million (December 31, 2022: approximately US\$33.4 million) have been mortgaged to borrowings of the Group.

14. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

The details of the Group's material associates, at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Class of share held	Statutory percentage of ownership interest attributable to the Group	
			06/30/23	12/31/22
JCET	Jiangsu, PRC	Ordinary	12.86%	12.86%
Sino IC Leasing	Shanghai, PRC	Ordinary	8.17%	8.17%
NSI	Zhejiang, PRC	Ordinary	15.85%	15.85%
SMEC	Zhejiang, PRC	Ordinary	14.15%	19.57%

Among the above enterprises, NSI is a non-listed company. JCET and SMEC are listed on the Shanghai Stock Exchange. Sino IC Leasing issued bonds on the Shanghai Stock Exchange.

In accordance with the Articles of Association of the investees, the Group has significant influence through the right the Group owned to appoint director(s) to the board of directors of the above companies.

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

Name of entity	Place of establishment and operation	Class of share held	Proportion of ownership interest and voting power held by the Group	
			06/30/23	12/31/22
Shanghai Xinxin Investment Centre (Limited Partnership)	Shanghai, PRC	Limited partner interest	49.00%	49.00%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	06/30/23 USD'000	12/31/22 USD'000
Financial assets		
Non-current portion		
<i>Financial assets at fair value through profit or loss</i>		
Listed equity securities	732	649
Restricted listed equity securities	57,833	37,172
Unlisted equity securities	183,444	170,486
Structural deposits	281,559	–
<i>Financial assets at amortised cost</i>		
Bank deposits with more than 1 year	5,796,005	5,553,445
<i>Derivative financial instruments</i>		
Cross currency swap contracts — cash flow hedges	207	9,028
Interest rate swap contracts — cash flow hedges	19,935	23,930
Current portion		
<i>Financial assets at fair value through profit or loss</i>		
Structural deposits	–	290,523
Monetary funds	102,571	85,253
<i>Financial assets at amortised cost</i>		
Bank deposits with more than 3 months	4,491,898	5,122,706
<i>Other financial assets at amortised cost</i>		
Cash and cash equivalents	7,559,268	6,932,587
Restricted cash (Note 16)	388,837	676,937
Trade and other receivables ⁽¹⁾ (Note 18)	701,424	905,037
<i>Derivative financial instruments</i>		
Cross currency swap contracts — cash flow hedges	124,097	146,669
	19,707,810	19,954,422

⁽¹⁾ Trade and other receivables at amortised cost excluded the value-added tax to be deducted and tax recoverables, which were not recognised as financial assets at amortised cost.

	06/30/23 USD'000	12/31/22 USD'000
Financial liabilities		
Non-current portion		
<i>Financial liabilities at amortised cost</i>		
Borrowings (Note 21)	6,653,113	6,718,304
Lease liabilities	42,681	57,682
Bonds payable (Note 22)	598,744	598,379
<i>Derivative financial instruments</i>		
Cross currency swap contracts — cash flow hedges	40,457	15,286
Current portion		
<i>Financial liabilities at amortised cost</i>		
Financial liabilities included in trade and other payables and accrued liabilities	3,029,421	3,059,683
Borrowings (Note 21)	2,327,861	1,268,218
Lease liabilities	38,920	51,849
<i>Derivative financial instruments</i>		
Cross currency swap contracts — cash flow hedges	105,501	45,217
	12,836,698	11,814,618

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

16. RESTRICTED CASH

	06/30/23 USD'000	12/31/22 USD'000
Current portion	388,837	676,937

As of June 30, 2023, the restricted cash consisted of bank deposits pledged against letters of credit and letters of guarantee of US\$0.0 (December 31, 2022: US\$23.5 million), and bank deposits pledged against secure borrowings of US\$388.8 million (December 31, 2022: US\$653.4 million).

17. INVENTORIES

	06/30/23 USD'000	12/31/22 USD'000
Raw materials	982,314	764,026
Work in progress	1,030,206	945,529
Finished goods	332,783	201,932
	2,345,303	1,911,487

18. TRADE AND OTHER RECEIVABLES

	06/30/23 USD'000	12/31/22 USD'000
Trade receivables	544,521	691,783
Allowance on doubtful trade receivables	(2,243)	(1,560)
	542,278	690,223
Other receivables	13,611	29,885
Allowance on doubtful other receivables	(413)	(866)
	13,198	29,019
Notes receivables	60,387	74,894
Value-added tax to be deducted	319,786	325,027
Tax recoverables	23,516	72,578
Investment receivables	9,555	8,502
Dividend receivables	6,513	-
Interest receivables	43,009	77,247
Refundable deposits and surety	26,484	25,152
	1,044,726	1,302,642

The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period.

Age of trade receivables	06/30/23 USD'000	12/31/22 USD'000
Within 1 year	543,844	690,995
1-2 years	633	553
2-3 years	30	36
Over 3 years	14	199
	544,521	691,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

18. TRADE AND OTHER RECEIVABLES *(continued)*

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business, which are generally due for settlement within 30-90 days. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The following is an aging analysis of other receivables at the end of the reporting period.

Age of other receivables	06/30/23 USD'000	12/31/22 USD'000
Within 1 year	12,823	29,050
1-2 years	463	538
2-3 years	181	92
Over 3 years	144	205
	13,611	29,885

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

19. SHARES AND ISSUED CAPITAL

	Six months ended 06/30/23		Six months ended 06/30/22	
	Number of shares	USD'000	Number of shares	USD'000
As at January 1	7,912,664,696	31,651	7,903,856,555	31,615
Issue of shares under share incentive plans	13,271,854	53	4,725,650	19
Shares repurchased	-	-	(8,325,500)	(33)
Conversion options of convertible bonds exercised	-	-	1,679,502	7
As at June 30	7,925,936,550	31,704	7,901,936,207	31,608

20. OTHER RESERVES

CASH FLOW HEDGES

To mitigate the impact of 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 profit or loss, except for the effective portion of cash flow hedges, which is recognised 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 recognised in other comprehensive income. Amounts will be reclassified to profit or loss when the associated hedged transaction affects profit or loss.

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Other comprehensive income on cash flow hedges recognised		
Fair value gain	7,865	107,054
Offset foreign exchange gain/(loss)	8,121	(90,185)
Deducted finance cost	(51,182)	(69)
	(35,196)	16,800
As at January 1	94,933	17
As at June 30	59,737	16,817

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

21. BORROWINGS

	06/30/23 USD'000	12/31/22 USD'000
At amortised cost		
Short-term bank borrowings		
– secured	–	140,000
– unsecured nor unguaranteed	1,675,715	508,704
Long-term bank borrowings		
– guaranteed	1,565,198	1,869,234
– secured	472,000	478,000
– unsecured nor unguaranteed	5,249,569	4,969,689
Other borrowings		
– secured	18,492	20,895
	8,980,974	7,986,522
Current portion		
Short-term bank borrowings	1,675,715	648,704
Current maturities of long-term bank borrowings and other borrowings	652,146	619,514
	2,327,861	1,268,218
Non-current portion		
Non-current maturities of long-term bank borrowings and other borrowings	6,653,113	6,718,304
	8,980,974	7,986,522
Borrowing by repayment schedule		
Within 1 year	2,327,861	1,268,218
1-2 years	1,231,787	1,399,806
2-5 years	3,492,939	3,744,395
Over 5 years	1,928,387	1,574,103
	8,980,974	7,986,522

The amounts of the bank borrowings and other borrowings secured by the below mortgage of assets (Note 12, 13) or the pledge of bank deposits (Note 16) are set out below:

	06/30/23 USD'000	12/31/22 USD'000
Secured by		
– Property, plant and equipment and land-use rights	176,492	184,895
– Restricted cash	314,000	454,000
	490,492	638,895

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

21. BORROWINGS *(continued)*

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

	06/30/23 USD'000	12/31/22 USD'000
RMB	7,978,957	6,630,555
USD	1,002,017	1,355,967
	8,980,974	7,986,522

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

	06/30/23 USD'000	12/31/22 USD'000
RMB	2.13%	2.25%
USD	3.46%	2.79%

Interest rates above do not include effect by hedging Instruments.

22. 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 of the issue date, the net book value of the liabilities amounted to US\$596.4 million after deducting transaction cost in connection with the offering of the bonds.

	USD'000
Principal amount	600,000
Discount of bonds payable	(3,233)
Transaction cost	(367)
	596,400

The movement of the corporate bonds is set out below:

	USD'000
As at January 1, 2022	597,663
Interest charged	8,435
Interest payable recognised	(8,080)
As at June 30, 2022	598,018
As at January 1, 2023	598,379
Interest charged (Note 6)	8,445
Interest payable recognised	(8,080)
As at June 30, 2023	598,744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

23. TRADE AND OTHER PAYABLES

	06/30/23 USD'000	12/31/22 USD'000
Payables for property, plant and equipment	1,747,285	1,758,066
Trade payables	608,028	582,548
Deposits received	508,638	556,953
Others	312,409	319,434
	3,176,360	3,217,001

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

The following is an aging analysis of trade payables and payables for property, plant and equipment presented based on the invoice date at the end of the reporting period:

	06/30/23 USD'000	12/31/22 USD'000
Within 30 days	1,983,704	2,256,114
31-60 days	97,568	48,127
Over 60 days	274,041	36,373
	2,355,313	2,340,614

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

24. SHARE-BASED PAYMENT SHARE INCENTIVE PLANS

The Company's share incentive plans allow the Company to offer a variety of incentive awards, including share options, RSUs and restricted shares, to employees of the Group.

The expense arising from equity-settled share-based payments for the six months ended June 30, 2023 was US\$50.4 million (six months ended June 30, 2022: US\$101.7 million).

MOVEMENTS DURING THE PERIOD

Share options

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the period:

	Six months ended 06/30/23		Six months ended 06/30/22	
	Number	WAEP	Number	WAEP
Outstanding at January 1	31,927,132	US\$2.00	38,579,564	US\$1.94
Lapsed during the period	(944,180)	US\$2.58	(1,076,108)	US\$1.88
Exercised during the period	(7,364,252)	US\$1.20	(1,886,644)	US\$0.67
Outstanding at June 30	23,618,700	US\$2.21	35,616,812	US\$1.99

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

24. SHARE-BASED PAYMENT *(continued)* MOVEMENTS DURING THE PERIOD *(continued)* **RSUs**

The following table illustrates the number and purchase price of, and movements in, RSUs during the period:

	Six months ended 06/30/23		Six months ended 06/30/22	
	Number	Purchase price	Number	Purchase price
Unvested at January 1	13,880,499	HKD0.031	10,862,268	HKD0.031
Granted during the period	6,486,093	HKD0.031	7,677,896	HKD0.031
Lapsed during the period	(422,880)	HKD0.031	(458,550)	HKD0.031
Vested during the period	(5,907,602)	HKD0.031	(2,839,006)	HKD0.031
Unvested at June 30	14,036,110	HKD0.031	15,242,608	HKD0.031

Restricted shares

The following table illustrates the number and grant price of, and movements in, restricted shares during the period:

	Six months ended 06/30/23		Six months ended 06/30/22	
	Number	Grant price	Number	Grant price
Unvested at January 1	49,923,896	RMB20	66,858,880	RMB20
Granted during the period	–	RMB20	8,115,200	RMB20
Lapsed during the period	(2,229,200)	RMB20	(399,200)	RMB20
Unvested at June 30	47,694,696	RMB20	74,574,880	RMB20

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The Group considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statement approximate their fair values.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSES OF MEASURING FAIR VALUE

The fair values of financial instruments are based on quoted market prices in active markets and valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Pricing information that the Group obtains from third parties is internally validated for reasonableness prior to use in the consolidated financial statements. When observable market prices are not readily available, the Group generally estimates the fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily observable from objective sources and are estimated based on pertinent information available at the time of the applicable reporting periods. In certain cases, fair values are not subject to precise quantification or verification and may fluctuate as economic and market factors vary and the Group's evaluation of those factors changes.

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following tables provide an analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. There is no transfer within different levels of the fair value hierarchy in the six months ended June 30, 2023 and the year ended December 31, 2022:

- 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, 2023

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)* **FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)***

June 30, 2023	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Listed equity securities	Using quoted market prices	732	-	-	732
Restricted listed equity securities	Using Asian options pricing model	-	-	57,833	57,833
Unlisted equity securities	Using valuation multiples or the latest price method of financing	-	-	183,444	183,444
Structural deposits	Monte Carlo simulation	-	-	281,559	281,559
Monetary funds	Using observable prices	-	102,571	-	102,571
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	-	124,304	-	124,304
Interest rate swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	-	19,935	-	19,935
		732	246,810	522,836	770,378
Financial liabilities					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	-	145,958	-	145,958
December 31, 2022	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Listed equity securities	Using quoted market prices	649	-	-	649
Restricted listed equity securities	Using Asian options pricing model	-	-	37,172	37,172
Unlisted equity securities	Using valuation multiples or the latest price method of financing	-	-	170,486	170,486
Structural deposits	Monte Carlo simulation	-	-	290,523	290,523
Monetary funds	Using observable prices	-	85,253	-	85,253
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	-	155,697	-	155,697
Interest rate swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	-	23,930	-	23,930
		649	264,880	498,181	763,710
Financial liabilities					
Cross currency swap contracts — cash flow hedges	Using the present value of the estimated future cash flows based on observable yield curves	-	60,503	-	60,503

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)* FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 instruments for the six months ended:

	Restricted listed equity securities USD'000	Unlisted equity securities USD'000	Structural deposits USD'000	Total USD'000
As at January 1, 2022	16,133	204,556	–	220,689
Additions	–	2,600	240,681	243,281
Disposals	–	(2,698)	(4,744)	(7,442)
(Losses)/gains recognised	(5,243)	(5,829)	3,469	(7,603)
Foreign exchange gain	(628)	(9,782)	(12,198)	(22,608)
As at June 30, 2022	10,262	188,847	227,208	426,317
As at January 1, 2023	37,172	170,486	290,523	498,181
Additions	–	8,742	876,023	884,765
Disposals	(207)	(12,240)	(884,290)	(896,737)
Gains recognised	22,591	23,115	9,619	55,325
Foreign exchange gain	(1,723)	(6,659)	(10,316)	(18,698)
As at June 30, 2023	57,833	183,444	281,559	522,836

26. RELATED PARTY TRANSACTIONS

The names of the related parties which had transactions with the Group for the six months ended June 30, 2023 and the relationships with the Group are disclosed below:

Related party name	Relationship
Datang Holdings (“Datang”), a subsidiary of CICT	CICT indirectly holding more than 5% shares of the Company
Toppan	An associate of the Group
Brite and its subsidiaries	An associate of the Group
China Fortune-Tech	An associate of the Group
JCET and its subsidiaries	An associate of the Group
Sino IC Leasing and its subsidiaries	An associate of the Group
SMEC	An associate of the Group
NSI	An associate of the Group
SGS	An associate of the Group
Semiconductor Technology Innovation Center (Beijing) Co., Ltd. (“Beijing Innovation Center”)	An associate of the Group
China IC Fund II	A Director of the Company served as its director
Key Management Personnel who have transactions with the Group	Directors and senior management personnel

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

26. RELATED PARTY TRANSACTIONS *(continued)*

TRADING TRANSACTIONS

During the period, the Group's transactions with related parties that are not members of the Group are as below:

		Six months ended	
		06/30/23 USD'000	06/30/22 USD'000
Sale of goods and services			
Brite and its subsidiaries	Sale of goods	52,154	69,924
Beijing Innovation Center	Sale of goods and services	27,878	77,911
Datang	Sale of goods	10,227	94,059
NSI	Sale of goods and services	6,730	10,734
SMEC	Sale of goods and services	-	54
Purchase of goods and services			
Toppan	Purchase of goods	1,501	933
Beijing Innovation Center	Purchase of services	1,268	-
JCET and its subsidiaries	Purchase of services	459	275
China Fortune-Tech	Purchase of services	304	282
SGS	Purchase of goods and services	40	19
Transfer of assets			
SGS	Purchase of equipment	7,407	13,848
SMEC	Sale of equipment	-	352
Group as a lessor			
Toppan	Rent income	2,217	2,383
China Fortune-Tech	Rent income	433	336
SGS	Rent income	384	211
Beijing Innovation Center	Rent income	218	151
SMEC	Rent income	103	95
NSI	Rent income	20	45
Group as a lessee			
Sino IC Leasing and its subsidiaries	Payment of lease liabilities	30,368	54,154

The pricing of trading transactions with related parties that are not members of the Group refers to the pricing standards of third parties for comparable product or services at the same time and in the same region.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

26. RELATED PARTY TRANSACTIONS *(continued)*

TRADING TRANSACTIONS *(continued)*

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

	Amounts due from related parties		Amounts due to related parties	
	06/30/23 USD'000	12/31/22 USD'000	06/30/23 USD'000	12/31/22 USD'000
Brite and its subsidiaries	16,216	15,643	8,380	8,110
SMEC	104	72	86	24
SGS	7,139	10,808	1,762	1,262
Toppan	771	780	478	174
Beijing Innovation Center	22,088	127,630	23,611	28,340
China Fortune-Tech	4	–	–	56
Sino IC Leasing and its subsidiaries	–	–	78,777	107,751
Datang	1,132	1,470	4,371	11,933
NSI	5,439	6,071	2,126	2,202
JCET and its subsidiaries	6,513	–	11	12

Amounts due from related parties are normally settled on terms of 30 to 90 days. Amounts due to related parties are normally settled on terms of 30 to 60 days.

CAPITAL CONTRIBUTION

The Group engaged with China IC Fund II jointly injected capital into certain subsidiaries of the Group, of which the China IC Fund II contributed a total of US\$73.5 million during the period.

COMPENSATION OF KEY 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 emoluments of directors and senior management personnel during the reporting and the corresponding period are as follows:

	Six months ended	
	06/30/23 USD'000	06/30/22 USD'000
Salaries, bonus and benefits	1,181	1,776
State-managed pension	20	19
Equity-settled share-based payments expense	1,529	4,600
	2,730	6,395

The emoluments of directors and senior management personnel is determined by the Compensation Committee in 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, 2023

27. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	06/30/23 USD'000	12/31/22 USD'000
Commitments for building and facility construction	1,065,947	1,163,143
Commitments for acquisition of machinery and equipment	10,914,528	11,213,365
Commitments for acquisition of intangible assets	12,054	45,169
Commitments for capital contributions	168,107	209,690
	12,160,636	12,631,367

28. CONTINGENCY EVENTS

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. PDF required SMIC New Technology to pay the relevant fees under the agreements. 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.

Management of the Group is of the view that the aforementioned contract dispute is still in the arbitration stage and the result of arbitration is uncertain and cannot be reasonably ascertainable. As of June 30, 2023, the Group did not make provision for the contingent liabilities from the contract dispute.

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.

On June 9, 2022 (Los Angeles, U.S. time), the Company received a ruling from the United States District Court for the Central District of California dismissing, in its entirety, the civil lawsuit as mentioned above, with prejudice and without leave to amend. On July 8, 2022 (Los Angeles, U.S. time), the plaintiff filed a notice appeal from the dismissal of the case. United States Court of Appeals for the Ninth Circuit confirmed receipt of the appeal with a notification on July 11, 2022 (Log Angeles, U.S. time). The litigation is still ongoing.

Management of the Group believes that it is unlikely that the lawsuit would cause the outflow of economic benefits. As of June 30, 2023, the Group did not make provision for the contingent liabilities from the civil complaint.

29. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after June 30, 2023.



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