



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

2024 INTERIM REPORT



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FORWARD-LOOKING STATEMENTS

This report may contain, in addition to historical information, forward-looking statements. These forward-looking statements are based on SMIC's current assumptions, expectations, beliefs, plans, objectives and projections about future events or performance. SMIC uses words 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 cyclical 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, common intellectual property litigation in the semiconductor industry, macro-economic conditions, fluctuations in currency exchange rates and the risk of geopolitics.

SECTION 1 DEFINITIONS

In this report, unless the context requires otherwise, the following expressions shall have meanings as follows:

Definitions of common terms

the Company, Company or SMIC	for	Semiconductor Manufacturing International Corporation
the 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.
2024 AGM	for	the Company's annual general meeting held on June 28, 2024
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, 2024 to June 30, 2024
Corresponding period or previous period	for	period from January 1, 2023 to June 30, 2023

All references in this report to silicon wafer quantities are to 8-inch wafer equivalents, unless otherwise specified. The number of 8-inch equivalent wafers is equal to the number of 12-inch wafers multiplied by 2.25.

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	29th Floor, Exchange Square One, 8 Connaught Place, Central, Hong Kong
Postal code of the office address of the Company	201203
Website address	https://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 ("China Clearing")

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

III. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

Names and websites of the media 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 of the Company	https://www.sse.com.cn
Website of the Hong Kong Stock Exchange for publishing the interim report of the Company	https://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

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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 Hong Kong Shares	SSE STAR Market Main Board of the Hong Kong Stock Exchange	中芯國際 SMIC	688981 00981

V. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) PRINCIPAL ACCOUNTING DATA

in USD '000

	Six months ended		
	06/30/24	06/30/23	06/30/24 as compared with 06/30/23 (%)
Revenue	3,651,452	3,022,684	20.8
Profit for the period attributable to owners of the Company	236,361	633,864	(62.7)
Profit for the period attributable to owners of the Company, net of non-recurring profit or loss ⁽¹⁾	181,340	255,427	(29.0)
Net cash generated from operating activities	489,297	1,597,705	(69.4)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,942,598	2,151,990	(9.7)

	As of		
	06/30/24	12/31/23	06/30/24 as compared with 12/31/23 (%)
Equity attributable to owners of the Company	20,236,749	20,116,102	0.6
Total assets	47,351,767	47,787,312	(0.9)

(II) PRINCIPAL FINANCIAL INDICATORS

	Six months ended		
	06/30/24	06/30/23	06/30/24 as compared with 06/30/23 (%)
Gross margin	13.8%	20.6%	Decreased by 6.8 percentage points
Net margin	6.5%	24.2%	Decreased by 17.7 percentage points
EBITDA margin	53.2%	71.2%	Decreased by 18.0 percentage points
Basic earnings per share	\$0.03	\$0.08	(62.5)
Diluted earnings per share	\$0.03	\$0.08	(62.5)
Basic earnings per share, net of non-recurring profit or loss ⁽¹⁾	\$0.02	\$0.03	(33.3)
Weighted average return on equity ⁽²⁾	1.2%	3.3%	Decreased by 2.1 percentage points
Weighted average return on equity, net of non-recurring profit or loss ⁽¹⁾⁽³⁾	0.9%	1.3%	Decreased by 0.4 percentage point
Percentage of research and development ("R&D") costs to revenue	10.1%	11.4%	Decreased by 1.3 percentage points

Notes:

- (1) According to the latest Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public – Non-recurring Profit or Loss (Revised in 2023) released on December 22, 2023, the Company restated the amount of non-recurring profit or loss, profit for the period attributable to owners of the Company, net of non-recurring profit or loss, basic earnings per share, net of non-recurring profit or loss, weighted average return on equity, net of non-recurring profit or loss for the corresponding period.
- (2) Weighted average return on equity = profit for the period attributable to owners of the Company/weighted average equity
- (3) Weighted average return on equity, net of non-recurring profit or loss = profit for the period attributable to owners of the Company, net of non-recurring profit or loss/weighted average equity

Profit for the period attributable to owners of the Company decreased, primarily due to the product mix change, the increase in depreciation, the decrease of investment income and net interest income for this period.

Net cash generated from operating activities decreased, primarily due to the decrease of cash received from sale of goods and the increase in the cash payments for purchase of goods and services during this period.

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 of profit for the period attributable to owners of the Company.

SECTION 2 CORPORATE PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VI. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DIFFERENT ACCOUNTING STANDARDS

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

in USD'000

	Profit for the period attributable to owners of the Company		Equity attributable to owners of the Company	
	Six months ended 06/30/24	Six months ended 06/30/23	06/30/24	12/31/23
Prepared in accordance with CASs	231,773	430,134	20,236,749	20,116,102
Adjustments to items and amounts prepared in accordance with IFRSs:				
Equity interest in associates being passively diluted ^(Note)	4,588	203,730	–	–
Prepared in accordance with IFRSs	236,361	633,864	20,236,749	20,116,102

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 06/30/24
Gain on disposal of property, plant and equipment	14
Government funding	140,894
Net gain arising from the fair value through profit or loss ("FVPL")	(3,180)
Other non-recurring profit or loss items	(2,657)
	135,071
Effects on income tax	(27,659)
Impact on non-controlling interests (after tax)	(52,391)
Total	55,021

in USD'000

Other non-recurring profit or loss items	Six months ended 06/30/24
Share of net gain arising from FVPL of associates and a joint venture	(7,365)
Equity interest in associates being passively diluted	4,588
Others	120

VIII. EBITDA

in USD'000

	Six months ended	
	06/30/24	06/30/23
Profit for the period	235,777	731,291
Finance costs	138,467	92,387
Depreciation and amortisation	1,542,703	1,287,949
Income tax expense	25,651	40,363
EBITDA	1,942,598	2,151,990



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESS AND INDUSTRIAL OVERVIEW 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 8-inch and 12-inch wafers.

In addition to the IC foundry business, the Group 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 verification, product validation 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 its 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 formulate 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 companies, industry associations and various IC industry promotion centers. 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 2024, the global semiconductor industry showed signs of recovery. The industrial chains have established moderate upward trend. Since the semiconductor industry is involved in wide range of application areas, the development of each market segment varied correspondently during the same period. In the area of global leading industries on intellectualization and high speed computing, the related leading application companies, as the major driving force to the incremental market scale, have kept capturing their fast-growing phase, steering the industries towards further explosive growth injected by the industry pursuits of excellence. Benefiting from the new round of intelligent terminal products' function upgrade and performance boosts, the new waves of device replacements on smartphone, personal computer, connectivity and IoT, consumer electronics and other products were encouraged by the moderate market where corresponding demand has shown a mild growth. In the automotive electronics market, as the EV market competition becomes increasingly fierce, the inventory digestion of automotive chips has gradually slowed down, and now the semiconductor demand is entering a cyclical adjustment phase. As a whole, the global economy is still facing many uncertainties at present. The sustainability of industry growth remains to be seen.

From the perspective of the semiconductor demand and wafer foundry business, the companies participating in industry chains of each market segment may have different development situations. Among which, the leading industry has rapid growth in logic IC demand with extremely high technical requirements on IC design, wafer foundry and varied package types. The industrial barrier has already established. The area of smartphone, personal computer, connectivity and IoT, consumer electronics and other products have covered a wider range and relatively large number of semiconductor types. The market trend was in the progress of recovery, while the upstream and downstream supply-chain-players are still facing intensive competition landscape; as for the automotive and industrial, their market share from total semiconductor market is relatively small, it requires relatively specific requirements on their products specifications and reliabilities. Therefore, the industry supply chains for related IC design and foundry business are relatively concentrated. Their inventory adjustment may have relatively more tolerance while facing industrial cyclical change, with limited impacts on the overall semiconductor and foundry industry.

From the regional perspectives, in order to enhance supply chain convenience, the local industrial chains establishment has formed a mega trend in many countries and regions around the world. From the perspective of industry construction in Chinese Mainland, the current IC industry, including IC design, wafer foundry capacity scale, process technology capability and packaging technology, still cannot meet the actual market demand. As one of the world's largest semiconductor consumption markets, our IC industry still relies on import to a certain extent at current stage. From the perspectives of technology and manufacturing scale, our domestic companies in the upstream and downstream chains still have wide gap compared with global leading companies, accompanied with challenges in many aspects. Driven by the new round of technological innovation, the constructions for domestic industrial chains are having large growth space.

According to the industry characteristics, the wafer foundry industry is still the crucial sector of front-end semiconductor supply chains with high technology-intensive, talent-intensive and capital-intensive features. Its operation procedure requires stringent control and execution standards for the manufacturing environment, energy, raw materials, equipment and quality management system, etc. The R&D and manufacturing process 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 and engineering capabilities for process integration. The industry is with extremely high barrier to entry.

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

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 2023, 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*

In recent years, the foundry manufacturers attract customers with their core advantages in the field of technological leadership, platform diversity, and device performance differentiation. Meanwhile, the market demand is becoming more diversified. The enterprises pursue not only smaller transistor structures vertically but also the derivative platforms establishment by utilizing existing technology nodes as horizontal development, in order to meet the differentiated needs of the huge end market.

At the same time, the technologies' breakthrough in new types of packaging, design services and photomask also empower the wafer foundry technologies iterations. In the field of new packaging technologies, a variety of systematic solutions effectively exceed the limitation of transistor linewidth, and further 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 minimise the risk of process going for production. Photomask as a core tool in IC manufacturing industry chain, the process performance of design pattern lithography has been further improved with the evolutions on photomask types and graphic transfer materials.

With the changes in global industrial landscape, the wafer foundry companies begin to pay more attentions to the industrial constructions ecosystem layout instead of just focus on own technology capability and platform buildup. The foundries' capacity scale effect and collaboration capabilities in local industry chain have become the important factors for customers' assessment of supply chain stability and completeness.

Regarding the future development trends, the foundry companies continue to strengthen their industry barriers in the aspects of capital, technology and ecosystem through their continuous efforts on capacity scale expansion, new process developing, and industrial chain collaborations, etc. The business format dominated by a small number of companies in the market will exist in long run, and the industry's leading effect will become increasingly evident.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. CORE TECHNOLOGIES AND R&D PROGRESS

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

SMIC has a comprehensive core technology system of IC wafer foundry, which helps customer complete product engagement and stable mass production quickly and effectively. SMIC has successfully developed multiple technology platforms for 8-inch and 12-inch wafers, providing customers with “one-stop” wafer foundry and technical services.

In the first half of 2024, multiple platform projects were developed as planned. Please refer to the following information on R&D ongoing projects for details.

(II) R&D ACHIEVEMENTS DURING THE REPORTING PERIOD

List of intellectual property rights obtained during the reporting period:

	Addition during this period		Accumulative number	
	Number of applications	Number of rights obtained	Number of applications	Number of rights obtained
Invention patents	354	224	17,956	11,865
Utility model patents	25	25	1,866	1,834
Layout design rights	–	–	94	94
Total	379	249	19,916	13,793

(III) ANALYSIS OF R&D COSTS

in USD'000

	Six months ended		
	06/30/24	06/30/23	06/30/24 as compared with 06/30/23 (%)
Expensed R&D costs	368,858	345,301	6.8
Total R&D costs	368,858	345,301	6.8
Percentage of total R&D costs to revenue (%)	10.1	11.4	Decreased by 1.3 percentage points

(IV) R&D ONGOING PROJECTS

No.	Name of project	Progress or milestone achievements	Expected objective	Technology positioning	Specific application prospects
1	28nm ULL Technology Platform	PDK V1.0 has been released. Customers' products are continuously being introduced.	To engage more customers' products, and to reach mass production.	Chinese Mainland leadership	Mainly applied to various IoT, mobile communication and other industries to meet the needs of smartphones, digital TVs, set-top boxes, image processing and other products demand.
2	55nm HV Display Driver Gen2 Technology Platform	PDK V1.0 has been released. The layout of key IP is in progress.	To complete the layout of IP, to engage customers' products, to complete product verification and to reach mass production.	Chinese Mainland leadership	Mainly applied to small and medium-sized LCD and OLED display driver chips.
3	65nm RF-SOI Technology Platforms Continuous Development Project	The performance is continuously being optimised and some products have been introduced.	To improve the performance to the best level in the industry, and to engage more customers' products and to reach mass production.	Chinese Mainland leadership	Mainly applied to RF chips in RF frontend modules for smartphones, Wi-Fi and etc.
4	90nm BCD Technology Platform Continuous Development Project	Reliability verification for the standards of Automotive Grade has been completed. The type of devices is being enriched and the voltage range is being expanded.	To meet more customers' demands with improving the performance and enriching the type of devices, and to reach mass production.	Chinese Mainland leadership	Mainly applied to intelligent power management, audio amplifiers, intelligent motor drivers and automotive chips.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of project	Progress or milestone achievements	Expected objective	Technology positioning	Specific application prospects
5	8'' BCD and Analog Technology Platform Continuous Development Project	The development of multi-platform has been ongoing and some products have been introduced.	To further improve the performance, to expand more devices and to reach mass production.	Chinese Mainland leadership	Mainly applied to power management, industrial applications and automotive chips.
6	0.18μm eNVM for Automotive Electronics Technology Platform	The development of key process module has been completed. The verification of process integration has been ongoing.	To complete the platform development with reliability verification, to release model and PDK, and to reach mass production.	Chinese Mainland leadership	Mainly applied to industrial applications and automotive chips.
7	8'' HV Display Driver Technology Platform Continuous Development Project	The development of multi-platform has been ongoing and some products have been introduced.	To enrich the type of devices, to expand more devices and to reach mass production.	Chinese Mainland leadership	Mainly used in large and medium-sized screen display driver chips and car screen display driver chips.

(V) R&D STAFF

Basic information

	Six months ended	
	06/30/24	06/30/23
Number of R&D staff of the Group (person)	2,300	2,283
Proportion of R&D staff to the total number of employees in the Group (%)	12.2	11.1
Total compensation of R&D staff (in USD'000)	68,213	60,256
Average compensation of R&D staff (in USD'000)	30	26

Education level

Education level	Number of persons by education
Doctorate	444
Master	1,279
Bachelor and below	577

Age structure

Age group	Number of persons by age
Aged below 30 (excluding 30)	981
Aged 30-40 (excluding 40)	947
Aged 40-50 (excluding 50)	345
Aged 50 and above	27

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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, and provides semiconductor foundry and technology services to global customers on 8-inch and 12-inch wafers, 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 smartphone, computer and tablet, consumer electronics, connectivity and IoT, industrial and automotive 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, 2024, the Company had 13,699 patents in total, including 11,865 invention patents. In addition, the Company also had 94 layout design rights of IC.

5. Internationalised and supply chain layout

The Company is based on the concept of globalised 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, the Company has set up marketing offices in the United States, Europe, Japan and Taiwan, 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. Sound quality, occupational health, safety and environmental protection 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 Supply Chain (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).

IV. DISCUSSION AND ANALYSIS ON BUSINESS

In the first half of 2024, the demand from global market has gradually recovered; all the links in the industrial chains have gradually improved. Wafer foundry business as the key front end of the industrial chain, has seen a certain demand rebound. In the short term, the leading companies of consumer electronics etc. have further inventory digestion improvement as compared with the same period in the year 2023. Thus, the industry confidence on market recovery for 2024 has further boosted correspondingly. According to the latest forecast data from the World Semiconductor Trade Statistics (WSTS), the global semiconductor market scale in 2024 is expected to increase to \$611.2 billion. From medium-to long-term, the overall industry pattern with cyclical growth remains unchanged. With continuously rising demand on interconnection and intelligence devices in various application fields, covering wearable, home appliance, commercial, transportation, industrial, medical, education, science research and other fields, the IC content per terminal device continues to increase year by year.

During the reporting period, the Company constantly improved core competitiveness and company values, actively implemented various innovative measures in the aspects of management improvement, team development, cost reduction, productivity exaltation, technology research, business development, etc., devoting all efforts to firm up every mission. Under the environment where the overall industry was in the early stages of recovery, the Company proactively responded to the changes in customer needs, through rapid identifications on customers' market share of the incremental market segments, timely adjusted the product mix based on priority levels, provided our customers with comprehensive platform technology support and professional design services, and actively promoted win-win cooperation with customers. With the efforts from all employees, the Company continued to practice medium-to long-term planning while consolidating its short-term operating layout, and continued to improve the four aspects of "capacity stabilization, cost control, technology leadership and customer oriented", so as to firmly capture long-term growing megatrend of the semiconductor industry.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group recorded revenue of US\$3,651.5 million, representing a period-over-period increase of 20.8%. In particular, the wafer revenue amounted to US\$3,394.6 million, representing a period-over-period increase of 23.0%.

V. RISK FACTORS

(I) RISK OF CORE COMPETITIVENESS

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

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 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 sector 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 the past 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 its 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.

(II) OPERATING RISKS

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

The IC wafer foundry industry is a capital-intensive industry. In order to continuously upgrade the existing technology platforms to maintain the advantage of 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 profit 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 the Company needs 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.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) FINANCIAL RISKS

1. *The risk of performance fluctuations*

Fluctuations in the macro environment, change in the industry prosperity of integrated circuit, domestic and foreign customers' demand not meeting expectations, price fluctuations of major raw materials and equipment etc., high capital expenditure and R&D investment resulting from the Company's continuous production capacity expansion and other situations, may cause the Company to be exposed to the risks of fluctuations in sales revenue, gross margin, profit, etc. within a certain period of time.

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 net realizable value of some inventories fails to cover the cost in the future, the Company will be exposed to the risk of an increase in the impairment losses on inventories.

(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" (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" (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 various new application fields, 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 structural oversupply of capacity.

In the future, if the Company fails to develop and introduce the manufacturing process technologies and platforms that fit for the market and meet customers demand or fails to expand capacity in a timely manner, etc., 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 the factors such as global macroeconomic fluctuations and industry prosperity, the IC industry has a certain cyclicality, and it is also 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 relatively weak, 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 continue 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.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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 issued by U.S. president Biden placed the Company on the Chinese Military Industrial Complex Companies List, restricting U.S. persons from investing 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 further restricted.

3. The risk of exchange rate fluctuations

The functional currency of the Company is 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.

(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 (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, there will be certain differences when compared with the general A Share listed companies registered in the PRC. Please refer to “I. Introduction of Corporate Governance” in “Section 4 Corporate Governance” of this interim report for details.

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 Chinese Mainland. 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 date of this report, the Company’s pending litigations and arbitrations which are relatively large include: 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.

(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. Except for the SMOC fab which is undergoing verification, 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 minimise 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 still remain. If any of these risks occurs, it 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, formulate information security policies and objectives, and build 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 0 day 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 2024, the Group recorded a revenue of US\$3,651.5 million and profit for the period attributable to owners of the Company of US\$236.4 million.

(I) ANALYSIS OF PRINCIPAL BUSINESSES

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

in USD'000

	Six months ended		06/30/24 as compared with 06/30/23 (%)
	06/30/24	06/30/23	
Revenue	3,651,452	3,022,684	20.8
Cost of sales	(3,146,655)	(2,401,515)	31.0
Gross profit	504,797	621,169	(18.7)
Research and development expenses	(368,858)	(345,301)	6.8
Selling and marketing expenses	(18,780)	(17,360)	8.2
General and administration expenses	(277,008)	(206,313)	34.3
Other operating income	249,384	111,116	124.4
Finance income, net	176,987	276,932	(36.1)
Other gains, net	2,401	267,209	(99.1)
Share of (loss)/profit of associates and a joint venture	(7,506)	64,432	(111.6)
Income tax expense	(25,651)	(40,363)	(36.4)
Net cash generated from operating activities	489,297	1,597,705	(69.4)
Net cash used in investing activities	(2,966,022)	(2,325,468)	27.5
Net cash generated from financing activities	90,553	1,624,790	(94.4)

(1) Revenue

The Group's revenue increased by 20.8% from US\$3,022.7 million for the corresponding period to US\$3,651.5 million for this period, primarily due to the increase in wafer shipment for this period. The wafer shipment quantity (8" equivalent wafers) increased from 2,655 thousand for the corresponding period to 3,907 thousand for this period.

(2) Cost of sales

Cost of sales increased by 31.0% from US\$2,401.5 million for the corresponding period to US\$3,146.7 million for this period, primarily due to the increase in wafer shipment and depreciation for this period.

(3) Gross profit

Gross profit decreased by 18.7% from US\$621.2 million for the corresponding period to US\$504.8 million for this period, primarily due to the product mix change and depreciation increase for this period.

(4) Profit from operations for the period

Profit from operations for the period decreased by 45.1% from US\$163.1 million for the corresponding period to US\$89.5 million for this 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\$368.9 million for this period, compared to US\$345.3 million for the corresponding period.

Selling and marketing expenses were US\$18.8 million for this period, compared to US\$17.4 million for the corresponding period.

General and administration expenses increased by 34.3% from US\$206.3 million for the corresponding period to US\$277.0 million for this period, primarily due to the increase in new fab start-up costs for this period.

Other operating income increased from US\$111.1 million for the corresponding period to US\$249.4 million for this period, primarily due to the increase in income of government funding for this 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 decrease of net interest income for this period.

The decrease of other gains, net was primarily due to the decrease of the gain on passive dilution of equity interests in associates and the decrease of the gain on the fair value change of the investments in equity securities for this period.

The decrease of share of (loss)/profit of associates and a joint venture was mainly due to the investment loss recognised for this period.

The decrease of income tax expense was primarily due to the decrease of income tax expense caused by disposal of some investments in equity securities for this period compared with the corresponding period.

The Group recorded a profit of US\$235.8 million for this period, compared to a profit of US\$731.3 million for the corresponding period, representing a decrease of 67.8%, which was mainly due to the impact of the factors described above.

(6) Cash flows

The change in net cash generated from operating activities was mainly due to the decrease of cash received from sale of goods and the increase in cash payments for purchase of goods and services for this period.

The change in net cash used in investing activities was mainly due to the increase in the cash payments for the purchase of property, plant and equipment and cash placed as bank time deposits for this period.

The change in net cash generated from financing activities was mainly due to the net cash outflow of new and repaid borrowings for this period.

2. Analysis of revenue

Revenue of principal businesses by region

By region	Six months ended	
	06/30/24	06/30/23
China	80.9%	77.6%
America	15.5%	18.6%
Eurasia	3.6%	3.8%

Analysis on revenue of IC wafer foundry

By application	Six months ended	
	06/30/24	06/30/23
Smartphone	31.5%	25.2%
Computer and Tablet	15.3%	23.1%
Consumer Electronics	33.4%	26.6%
Connectivity and IoT	12.1%	14.2%
Industrial and Automotive	7.7%	10.9%

By size	Six months ended	
	06/30/24	06/30/23
8" wafers	25.5%	26.7%
12" wafers	74.5%	73.3%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. LIQUIDITY AND CAPITAL SOURCES

(1) Net debt

in USD'000

	As of	
	06/30/24	12/31/23
Borrowings	9,785,890	9,550,931
Lease liabilities	42,483	58,620
Bonds payable	604,877	599,115
Total debt	10,433,250	10,208,666
Less: Cash and cash equivalents	3,694,277	6,215,058
Restricted cash	370,445	435,607
Financial assets at FVPL-current portion ⁽¹⁾	101,109	214,629
Financial assets at amortised cost ⁽²⁾	8,814,627	9,840,224
Net debt	(2,547,208)	(6,496,852)

Notes:

- (1) Mainly include structural 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\$10,433.3 million, and primarily consisted of secured bank loans of US\$3,167.4 million, unsecured bank loans of US\$6,618.5 million, lease liabilities and bonds payable. Debt due within 1 year amounted to US\$1,993.8 million. For details of debt, please refer to Note 22 to the consolidated financial statements.

(2) Capital expenditure and funding sources

Most of the capital expenditure in the reporting period are used for capacity expansion.

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, the demands of the customers, cash flow from operations, etc. and will adjust the 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. The amount of capital required to meet the Group's growth and development targets is difficult to predict in the highly cyclical and rapidly changing semiconductor industry.

(3) Expenditure commitments

At the end of the reporting period, the Group had expenditure commitments of US\$363.3 million for facilities and buildings construction, US\$7,354.0 million to purchase machinery and equipment, US\$15.7 million to purchase intangible assets and US\$122.4 million for capital contributions.

(4) Exchange rate and interest rate risks

The functional currency of the Company is U.S. dollar, but the Group also enters into transactions in other currencies that results in the Group being primarily exposed to changes in exchange rates for the Euro, Japanese Yen, and RMB. Additionally, the Group entered into or issued several RMB denominated loan facility agreements 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 minimise 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

Item	Amount	Percentage of profit for the period (%)	Explanation for the cause	If there is any sustainability
Other operating income	249,384	105.8	Primarily due to the recognised income of government funding received for this period.	No

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

in USD'000

Items	As of 06/30/24	The closing balance to the total assets (%)	As of 12/31/23	The opening balance to the total assets (%)	06/30/24 as compared with 12/31/23 (%)	Explanations
Derivative financial instruments- net liabilities	25,701	0.1	69,804	0.1	(63.2)	Decrease mainly due to the change in fair value of cross currency swap contracts during this period.
Financial assets at fair value through profit or loss – current	101,109	0.2	214,629	0.4	(52.9)	Decrease due to the decrease of structural bank deposits and monetary funds within one year during this period.
Cash and cash equivalent	3,694,277	7.8	6,215,058	13.0	(40.6)	Decrease mainly due to the cash payments for the purchase of property, plant and equipment.
Contract liabilities	1,015,698	2.1	2,053,222	4.3	(50.5)	Decrease due to the decrease of prepayments relevant to sales of goods during this period.
Bonds payable-current	604,877	1.3	–	–	N/A	Increase due to the long-term bonds payable converted to mature within one year during this 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, no property, plant and equipment or land-use right have been secured to borrowings of the Group.

(2) Restricted cash

At the end of this reporting period, restricted cash consisted of bank time deposits of US\$370.4 million pledged against borrowings and the security deposit of US\$280.2 million received for the transfer of equity.

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 maximising the return to stakeholders through the optimization of the capital structure.

The Group manages its capital through the issue of new shares, share buy-backs, the issue of new bonds or the repayment of existing bonds 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	
	06/30/24	12/31/23
Net debt	(2,547,208)	(6,496,852)
Equity	30,969,673	30,845,616
Net debt to equity ratio	-8.2%	-21.1%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Capitalised interest

Interest is capitalised when incurred on the specialised 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\$11.0 million and US\$15.0 million, respectively.

(IV) ANALYSIS ON INVESTMENTS

1. Overall analysis on 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
	06/30/24	06/30/23	
Capital injection in associates	74,516	110,052	-32.3%

2. Financial assets at fair value

in USD'000

Assets category	As of 1/1/24	Fair value gains/(losses) during this period	Cumulative changes in fair value recognised in equity	Amount added in this period	Amount sold/redeemed in this period	Others	As of 06/30/24
Stocks	30,009	(2,787)	–	–	–	(166)	27,056
Private equity funds	167,821	(5,709)	–	634	(13,109)	(1,005)	148,632
Structural deposits and monetary funds	498,768	4,820	–	294,144	(407,275)	(2,656)	387,801
Derivative financial instruments – net liabilities	(69,804)	–	(21,330)	–	–	65,433	(25,701)
Total	626,794	(3,676)	(21,330)	294,778	(420,384)	61,606	537,788

(1) Descriptions of securities investment

in USD'000

Security type	Stock code	Investment cost as of 06/30/24	Source of funds	As of 1/1/24	Fair value gains/(losses) during this period	Others	As of 06/30/24	Account
Domestic and foreign stocks	List Company A	1,152	Self-owned funds	–	34	–	34	Financial assets at fair value through profit or loss
Domestic and foreign stocks	List Company B	11,264		30,009	(2,821)	(166)	27,022	
Total		12,416		30,009	(2,787)	(166)	27,056	

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Descriptions of derivative financial instruments

Derivative financial instruments for hedging purpose during the reporting period

in USD'000

Derivative financial instruments types	Amounts invested as of 06/30/24	As of 1/1/24	Cumulative changes in fair value recognised in equity	Others	As of 06/30/24	The closing balance to equity attributable to owners of the Company (%)
Cross currency swap contracts	-	(84,524)	(23,204)	82,535	(25,193)	-0.12
Interest rate swap contracts	-	14,720	9,738	(14,330)	10,128	0.05
Forward currency exchange contracts	-	-	(7,864)	(2,772)	(10,636)	-0.05
Total	-	(69,804)	(21,330)	65,433	(25,701)	-0.13

Explanation for principles regarding accounting policies and methods of hedging transactions during the reporting period, and if any significant change occurred as compared with the previous reporting period	Hedge accounting is adopted during the reporting period. The portion of gains or losses from hedging instruments that are effective in hedging are directly recognised as other comprehensive income, while the portion that is ineffective in hedging is recognised as profit or loss for the current period. There was no significant change in the accounting policies and specific accounting principles for this period.
Explanation for actual gains or losses during the reporting period	Transactions of derivatives entered by the Company during the reporting period were all for hedging management purposes, and changes in fair value were recognised in other comprehensive income, with no actual impact on profit or loss for the current period.
Explanation of hedging effect	Please refer to the Announcement of Conducting Hedging Activities in 2024 on the website of SSE (https://www.sse.com.cn) dated May 10, 2024.
Sources of funds for derivative financial instruments	Please refer to the Announcement of Conducting Hedging Activities in 2024 on the website of SSE (https://www.sse.com.cn) dated May 10, 2024.
Explanation for risk analysis and control measures for derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	Please refer to the Announcement of Conducting Hedging Activities in 2024 on the website of SSE (https://www.sse.com.cn) dated May 10, 2024.
Changes in the market price or product fair value of invested derivatives during the reporting period; methods assumptions and parameters used for analysing fair value of derivatives shall be disclosed	The Company followed the regulations and guidelines, namely "IFRS 7-Financial Instruments: Disclosures", "IFRS 9-Financial Instruments", "IFRS 13-Fair Value Measurement", to conduct its corresponding accounting treatment for the proposed foreign exchange hedging activities and reflect the relevant items of statement of financial position and statement of profit or loss.
Disclosure date for announcement on approval of the Board for investment in derivative financial instruments (if any)	On May 9, 2024, the Board of the Company approved "Proposal for Conducting Hedging Activities in 2024", allowing the Company and its subsidiaries to operate hedging activities relating to production and operation in 2024.
Disclosure date for announcement on approval of the annual general meeting for investment in derivative financial instruments (if any)	The above "Proposal for Conducting Hedging Activities in 2024" was approved at the Company's general meeting of shareholders on June 28, 2024.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Descriptions of investment in private equity funds

in USD'000

Name	Signing time of investment agreement	Investment purpose	Total proposed investment	Investment cost during the reporting period	Investment cost as of 06/30/24	Participation role	Capital contribution ratio as at 06/30/24 (%)	Whether control or exert significant influence over the fund	Account	Related parties or not	Fund underlying assets	Effect on profit for the reporting period	Accumulated effect on profit
A	March 2011		US\$1,000,000	-	16		1.27				Invest in integrated circuits and related industries	317	3,116
B	September 2014		RMB100,000,000	-	3,974		8.92				Invest in integrated circuits and related industries	(1,157)	21,609
C	September 2016		RMB13,000,000	-	119		3.61				Invest in strategic emerging industries	(1,284)	5,538
D	May 2017		RMB30,000,000	-	3,465		3.00				Invest in integrated circuits and related industries	138	9,285
E	March 2018		RMB100,000,000	-	9,941		9.05				Invest in integrated circuits and related industries	(1,292)	14,297
F	April 2018		RMB165,000,000	-	8,998		10.21		Financial assets at fair value through profit or loss	No	Invest in integrated circuits and related industries	(78)	4,382
G	June 2018	Financial investment	RMB50,000,000	-	1,897	Limited partner	16.53	No			Invest in strategic emerging industries	(604)	5,860
H	August 2020		RMB50,000,000	-	1,537		30.12				Invest in integrated circuits industries	(2,348)	13,909
I	October 2021		RMB30,000,000	634	3,463		2.96				Invest in regional strategic emerging industries	(21)	550
J	November 2021		RMB200,000,000	-	28,843		24.84				Invest in strategic emerging industries	596	2,507
K	December 2021		RMB100,000,000	-	14,358		17.21				Invest in strategic emerging industries	-	-
L	December 2022		RMB100,000,000	-	5,743		16.61				Invest in strategic emerging industries	341	341
M	October 2023		RMB7,500,000	-	1,045		15.00				Invest in regional strategic emerging industries	-	-
Total				634	83,399							(5,392)	81,394

(V) SIGNIFICANT ASSET AND EQUITY DISPOSAL

On March 26, 2024, the Company's subsidiary, SilTech Semiconductor (Shanghai) Corporation Limited ("SilTech Shanghai"), engaged into a share transfer agreement (the "Agreement") with Pan Shi Hong Kong Company Limited ("Pan Shi Hong Kong").

According to the Agreement, SilTech Shanghai intends to transfer its 228,833,996 shares of JCET Group Co., Ltd. ("JCET"), which are subject to unrestricted circulation, to Pan Shi Hong Kong or its affiliates at a price of RMB29.00 per share, with a total transfer consideration of RMB6,636 million (approximately US\$935 million). After the completion of this transaction, SilTech Shanghai will no longer hold any shares in JCET.

As of the date of this interim report, the transaction has not yet been completed.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) 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	Equity	Revenue	Profit before tax	Profit for the period
53,135,815	30,893,993	3,646,963	327,471	330,245

2. Major associates

Name of company	Place of registration/principal place of business	Business	Percentage of voting rights	Accounting treatment
JCET	No. 78 Changshan Road, Chengjiang Town, Jiangyin	Microsystem integration packaging and testing services	12.79%	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
United Nova Technology Co., Ltd. ("UNTC")	No.518 Linjiang Road, Yuecheng District, Shaoxing, Zhejiang	Providing foundry services of specialty process technology for wafer and module packaging	14.09%	Equity method
Ningbo Semiconductor International Corporation ("NSI")	Building 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.	14.83%	Equity method

VII. PROSPECTS

In the first half of 2024, the Company had made steadily progress in capacity layout, showed notable initial results in key projects, accelerated establishment of partnerships ecosystem and comprehensively improved management efficiency and capability.

In the third quarter, due to the geopolitical impact, demand for localization accelerates and the capacity for chip set in the main markets is in short supply. Capacity is particularly tight in certain 12-inch nodes, and price is trending upward. Additionally, the newly expanded capacity this year is all 12-inch capacity, which is relatively high value-added. The fully-utilized incremental capacity will generate revenue and optimize product mix. Generally, the fourth quarter follows traditionally seasonal pattern. The Company is now taking a cautiously optimistic view, and there's still some uncertainty in this fourth quarter.

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 C1 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. The Company had complied with all Code Provisions set out in the CG Code during the six months ended June 30, 2024. The current corporate governance situation is as follows:

The Company, being a red chip company established in the Cayman Islands and listed on the Hong Kong Stock Exchange and the Science and Technology Innovation Board of the Shanghai Stock Exchange, has formulated the Articles of Association in accordance with the requirements of the laws of the Cayman Islands and taking into account the actual circumstances.

At the same time, the Company strictly complies with the Hong Kong Listing Rules and the SSE STAR Market Listing Rules, and has developed a well-established corporate governance structure. The general meeting of shareholders and the Board of Directors of the Company operate independently and effectively and perform their duties in accordance with the laws of the Cayman Islands, the Hong Kong Listing Rules, the SSE STAR Market Listing Rules, the Articles of Association and other regulations.

The standing special committees of the Board of Directors of the Company include the Audit Committee, the Compensation Committee, the Nominating Committee and the Strategy Committee, which assist the Board of Directors in discharging its functions in the areas of audit, compensation, nomination and strategy respectively.

In addition, the Company currently employs three professionals as independent non-executive Directors of the Company to participate in decision-making and supervision, so as to enhance the objectivity and scientificity of the decision-making process of the Board. The independent non-executive Directors of the Company have been performing their duties in accordance with the Hong Kong Listing Rules and the standards generally recognised by the Hong Kong securities market.

As there are no provisions in the Companies Act of the Cayman Islands for the establishment of a supervisor or a supervisory committee of a company, the Company does not have a supervisor or a supervisory committee. The independent non-executive Directors and the Audit Committee of the Company can effectively exercise a substantial part of the duties and powers of the supervisory committee as mentioned above.

II. INTRODUCTION OF GENERAL MEETINGS

Session	Date of convention	Inquiry index on the website on which the resolution(s) are publicised	Date of disclosure for publication of resolution(s)	Meeting resolution(s)
The 2024 annual general meeting	June 28, 2024	The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk/) The website of the SSE (http://www.sse.com.cn)	June 28, 2024/ June 29, 2024	All the resolutions of the general meeting were passed.

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

Name	Position	Change
Lau Lawrence Juen-Yee	Independent Non-executive Director	Retirement

Professor Lau Lawrence Juen-Yee has retired as an independent non-executive Director, and ceased to be a member of each of the Audit Committee, the Compensation Committee, the Nomination Committee and the Strategic Committee of the Board with effect from the conclusion of the AGM on June 28, 2024.

IV. UPDATES ON INFORMATION RELATING TO DIRECTORS AND CHIEF EXECUTIVES

As required under rule 13.51B of the Hong Kong Listing Rules, save as disclosed in the 2023 annual report, certain changes in, and updates on, the information during the reporting period and up to the date of this report, regarding the Directors and chief executives are set out below:

Mr. Yang Lumin ceased to serve as a director of Wuhan Xinxin Semiconductor Manufacturing Co., Ltd. from February 29, 2024.

Dr. Fan Ren Da Anthony ceased to serve as an independent non-executive director of China Development Bank International Investment Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1062) from March 20, 2024.

Dr. Zhao Haijun ceased to serve as the chairman of the board of Brite Semiconductor (Shanghai) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688691) from May 15, 2024.

SECTION 4 CORPORATE GOVERNANCE

V. PARTICULARS OF EMPLOYEES

Save as disclosed in this interim report, there is no material change to the information disclosed in the 2023 annual report of the Group in relation to the number and remuneration of employees, remuneration policies, employee bonus and stock incentive plans.

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, 2024 (six months ended June 30, 2023: nil).

VII. INFORMATION ABOUT THE COMPANY'S STOCK 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 5, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: January 5, 2024
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 26, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: February 26, 2024
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 27, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: March 27, 2024
On April 1, 2024, the Company granted Restricted Share Units under the 2024 Equity Incentive Plan.	For details, please see the GRANT OF RESTRICTED SHARE UNITS as disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on April 1, 2024
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 and non-directors of the Company on April 3, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: April 3, 2024
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2024 Equity Incentive Plan (adopted on June 28, 2023) other than by directors of the Company on April 24, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: April 24, 2024
Issue of ordinary shares pursuant to exercise of Restricted Share Units granted under the 2024 Equity Incentive Plan (adopted on June 28, 2023) by Directors and non-directors of the Company on May 28, 2024; 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 28, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: May 28, 2024
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 19, 2024.	Next day disclosure return on the Hong Kong Stock Exchange: June 19, 2024

SECTION 4 CORPORATE GOVERNANCE

As the 2004 Stock Option Plan was terminated on November 15, 2013, and the 2014 Stock Option Plan and the 2014 Equity Incentive Plan were terminated on November 10, 2023, there have been no stock options or awards available for grant under the respective plan since its termination. In addition, the Company had undertaken not to issue and grant further restricted shares under the 2021 STAR Market Restricted Share Incentive Scheme upon the effective date of the 2024 Equity Incentive Plan (i.e. November 10, 2023). Accordingly, under the aforesaid shares schemes, there were no stock options or awards available for grant at the beginning and the end of this period. Under the 2024 Equity Incentive Plan, there were 596,812,206 Restricted Share Units ("RSUs") available for grant at the beginning of this period, and there were 588,074,408 RSUs available for grant at the end of this period.

There were no stock options available for exercise under the 2004 Stock Option Plan at the beginning of this period, therefore the Hong Kong Shares to be issued in accordance with such plan was nil.

During this period, the number of Hong Kong Shares that may be issued in respect of all options and awards granted under all Hong Kong Share schemes (including the 2014 Stock Option Plan, the 2014 Equity Incentive Plan and the 2024 Equity Incentive Plan) of the Company divided by the weighted average number of Hong Kong Shares in issue at the end of this period is 0.51%.

During this period, the number of A Shares that may be issued in respect of the awards granted under the A Share scheme (i.e. the 2021 STAR Market Restricted Share Incentive Scheme) of the Company divided by the weighted average number of A Shares in issue for this period is 1.46%.

During this period, there were no options or awards granted under the 2014 Stock Option Plan, the 2014 Equity Incentive Plan and the 2021 STAR Market Restricted Share Incentive Scheme. There were 8,737,798 RSUs granted under the 2024 Equity Incentive Plan on April 1, 2024 with fair value of HKD15.13 which was based on ordinary share price on the grant date. Such RSUs granted had been or will be vested in accordance with the vesting period as disclosed in the Company's announcement dated April 1, 2024.

Please refer to Note 4 to the consolidated financial statements in the 2023 annual report of the Company published on April 9, 2024 for the relevant accounting standards and policies adopted for stock options and Restricted Share Units, and please refer to Note 25 to the consolidated financial statements in this interim report for the fair value on the grant date.

1. 2014 Stock Option Plan – Hong Kong Share

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

Movement of the 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, 2024 is as follows:

Unit: Share

Options grant date	Exercise price at grant date per share (HKD)	Unexercised number as of 1/1/2024	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 6/30/2024	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Exercisable period
6/12/2014	6.40	9,167	-	167	-	9,000	16.70	-	6.40	6/12/2014-6/11/2024
11/17/2014	8.50	727,921	-	8,960	-	104,487	16.25	614,474	8.60	11/17/2014-11/16/2024
5/20/2015	8.30	35,916	-	-	-	33,000	17.22	2,916	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	6,937	-	-	-	-	-	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	3,922,970	-	51,200	-	102,500	16.56	3,769,270	10.40	5/23/2018-5/22/2028
9/12/2019	9.82	65,500	-	-	-	-	-	65,500	9.70	9/12/2019-9/11/2029
5/25/2020	18.10	4,990,745	-	73,030	-	24,159	18.48	4,893,556	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	2,371,581	-	40,531	-	-	-	2,331,050	22.75	11/23/2020-11/22/2030
5/31/2021	24.50	3,330,469	-	239,710	-	-	-	3,090,759	24.15	5/31/2021-5/30/2031
9/15/2021	23.18	262,000	-	-	-	-	-	262,000	22.95	9/15/2021-9/14/2031
11/19/2021	22.41	3,234,194	-	112,997	-	-	-	3,121,197	22.35	11/19/2021-11/18/2031
Total		20,684,201	-	535,446	-	273,146		19,875,609		

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

Options granted after January 1, 2018 and issued to new employees and existing employees available for subscription 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 Stock Option Plan, the Board and the Compensation Committee may respectively approve to accelerate the vesting period of the stock 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. Upon termination of the 2014 Stock Option Plan, no further options may be offered, but the options granted before the termination shall be retained and continue to vest in accordance with, and subject to the terms of the 2014 Stock Option Plan.

2. 2014 Equity Incentive Plan – Hong Kong Share

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

Movement of the 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, 2024 is as follows:

Unit: Share

RSUs grant date	Purchase price per share (HKD)	Unvested RSUs as of 1/1/2024	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 6/30/2024	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Vesting period
5/25/2020	0.031	355,750	-	2,816	-	352,934	16.80	-	16.92	3/1/2019-3/1/2024
11/23/2020	0.031	285,864	-	966	-	278,898	16.78	6,000	22.75	3/1/2020-9/29/2024
5/31/2021	0.031	690,810	-	21,526	-	337,088	16.71	332,196	24.15	10/16/2020-3/1/2025
9/15/2021	0.031	51,000	-	-	-	25,500	16.30	25,500	22.95	4/1/2021-6/10/2025
11/19/2021	0.031	778,489	-	18,038	-	378,395	16.78	382,056	22.35	3/1/2021-9/27/2025
4/8/2022	0.031	3,894,406	-	68,100	-	1,288,889	16.79	2,537,417	16.80	11/1/2021-3/1/2026
5/20/2022	0.031	89,978	-	-	-	29,993	16.45	59,985	15.88	1/4/2022-2/9/2026
9/5/2022	0.031	130,208	-	-	-	43,403	16.26	86,805	15.00	4/1/2022-6/28/2026
11/18/2022	0.031	375,256	-	-	-	-	-	375,256	17.40	8/29/2022-9/27/2026
4/1/2023	0.031	2,896,466	-	27,876	-	1,605,389	15.17	1,263,201	18.60	10/9/2022-1/16/2027
Total		9,548,227	-	139,322	-	4,340,489		5,068,416		

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.

The RSUs issued after April 1, 2023 (included) to existing employees generally vest at a rate of 50%, 30%, 20% on the vesting commencement date and on the subsequent first and second anniversary, 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. Upon termination of the 2014 Equity Incentive Plan, no further RSUs may be offered, but RSUs granted before the termination shall be retained and continue to vest in accordance with, and subject to the terms of the 2014 Equity Incentive Plan.

3. 2021 STAR Market Restricted Share Incentive Scheme – A Share

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, 2024 is as follows:

Unit: Share

Restricted Shares grant date	Grant price per share (RMB)	Unvested Restricted Shares as of 1/1/2024	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 price of A Shares immediately before vesting dates (RMB)	Unvested Restricted Shares as of 6/30/2024	Closing price of A Shares immediately before grant dates (RMB)	Vesting period
7/19/2021	20.00	24,966,540	-	606,780	-	-	-	24,359,760	54.86	7/20/2022-7/17/2026
6/21/2022	20.00	4,674,320	-	245,560	-	-	-	4,428,760	45.68	6/22/2023-6/18/2027
Total		29,640,860	-	852,340	-	-		28,788,520		

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

SECTION 4 CORPORATE GOVERNANCE

4. 2024 Equity Incentive Plan – Hong Kong Share

The Company's Shareholders adopted the 2024 Equity Incentive Plan that became effective on November 10, 2023 when the 2024 Equity Incentive Plan was registered with the PRC State Administration of Foreign Exchange.

Movement of the RSUs granted to employees of the Group (except Directors of the Company) under the 2024 Equity Incentive Plan during the six months ended June 30, 2024 is as follows:

Unit: Share

RSUs grant date	Consideration for the grant per share (HKD)	Unvested RSUs as of 1/1/2024	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 6/30/2024	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Vesting period
4/1/2024	0.031	-	8,315,970	38,314	-	4,158,080	15.16	4,119,576	15.16	4/1/2024-4/1/2026

Part of employees of the Group participate in the Company's 2024 Equity Incentive Plan. The RSUs issued to participants by the Group generally vest at a rate of 50%, 30%, 20% on the vesting commencement date and on the subsequent first and second anniversary, respectively.

According to the terms of the 2024 Equity Incentive Plan, the Compensation Committee may approve the acceleration of the vesting period of RSUs granted to Directors of the Company and employees of the Group.

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 C3 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 Model Code and the Management System and Implementation Rules for Insiders of the Company throughout the six months ended June 30, 2024.

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 principles and practices accepted by the Company and the unaudited interim financial report of the Company for 2024.

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\$98 million

(I) ENVIRONMENTAL PROTECTION STATUS OF THE COMPANY AND ITS MAJOR SUBSIDIARIES CLASSIFIED AS THE KEY POLLUTANT DISCHARGING UNITS ANNOUNCED BY THE ENVIRONMENTAL PROTECTION AUTHORITY

SMIC's subsidiaries including SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMIC Shenzhen, SMNC, SMSC, SMBC and SMOC are the key pollutant discharging companies.

1. Information on pollutant discharging

In the first half of 2024, none of the above companies have excessive emissions.

Exhaust Gases						
Methods of emission	Discharged after treatment up to standard		Number and distribution of outlets	351 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	10.0	150	Achieve	
		Fluoride	1.46		1.5	Achieve
	Alkaline exhaust	Ammonia	22.5	No concentration limit	Achieve	
Beijing Region	Organic exhaust	Non-methane hydrocarbon	53.6	70	Achieve	
	Acid exhaust	Nitrogen oxides	13.1	50	Achieve	
		Fluoride		0.4	3	Achieve
Tianjin Region	Alkaline exhaust	Ammonia	2.8	10	Achieve	
	Organic exhaust	Non-methane hydrocarbon	2.4	10	Achieve	
	Acid exhaust	Nitrogen oxides	27.0	50	Achieve	
Fluoride			0.9	9	Achieve	
Shenzhen Region	Alkaline exhaust	Ammonia	1.5	100	Achieve	
	Organic exhaust	Non-methane hydrocarbon	3.8	20	Achieve	
	Acid exhaust	Nitrogen oxides	0.7	120	Achieve	
		Fluoride		0.1	9	Achieve
	Alkaline exhaust	Ammonia	6.1	No concentration limit	Achieve	
Organic exhaust	Non-methane hydrocarbon	10.9	20	Achieve		

Wastewater						
Methods of emission	Discharged through the pipe after treatment up to standard		Number and distribution of outlets	20 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	10.9	20	Achieve		
	Chemical Oxygen Demand (COD)	248.4	500	Achieve		
	Ammonia nitrogen	17.2	45	Achieve		
	Arsenic	0.009	0.2	Achieve		
Beijing Region	Fluoride	6.9	10	Achieve		
	Chemical Oxygen Demand (COD)	191.0	500	Achieve		
	Ammonia nitrogen	15.4	45	Achieve		
	Arsenic	0.032	0.1	Achieve		
Tianjin Region	Fluoride	12.4	20	Achieve		
	Chemical Oxygen Demand (COD)	146.0	500	Achieve		
	Ammonia nitrogen	7.1	35	Achieve		
Shenzhen Region	Fluoride	14.1	20	Achieve		
	Chemical Oxygen Demand (COD)	244.7	500	Achieve		
	Ammonia nitrogen	17.2	45	Achieve		

2. Construction and operation of pollution prevention and control facilities

In the first half of 2024, SMIC can treat 176,510 m³ of wastewater and 494,245,200 m³ of exhaust gas per day, all pollution prevention and control facilities are in normal operation. 22 sets of acid exhaust treatment equipment, 6 sets of alkaline exhaust treatment equipment, 5 sets of organic exhaust treatment equipment and 3 sets of arsenic-containing exhaust treatment equipment are under construction. 1 set of ammonia-containing wastewater treatment system is under construction.

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

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



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

4. Response plan for environmental emergencies

In accordance with the requirements of the environmental protection department, the above key pollutant discharging companies have all completed the preparation and filing of the Emergency Response Plan for Environmental Incidents (the "Plan"). 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 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 were subject to administrative penalties for environmental problems during the reporting period.

7. Other environmental information that should be disclosed

Except for SMOC, 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, and 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 minimise the impact on the ecological environment. In the first half of 2024, SMNC has obtained the "Star of No Waste" certificate from the Beijing Economic-Technological Development Area.

(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	17,589 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)	40 projects including the replacement project of high-GWP refrigerants with low-GWP refrigerants, the system upgrade project of the ice machine, the optimization project of the fresh air system in humidification method, the cleaning project of the PCW system plate heat exchanger, the installation project of frequency converters on motors, and the energy-saving transformation project of the lighting system

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 of the undertaking	Whether there is a term for performance	Term of the undertaking	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	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Resolve related transaction	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares, Directors and senior management personnel	See note 2	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Other (share repurchase and commitment on share repurchase)	The Company	See note 3	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Other (share repurchase commitment for fraudulent offering and listing)	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares	See note 4	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Other (commitment to remedy diluted immediate returns)	The Company, Directors and senior management personnel	See note 5	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Dividends	The Company	See note 6	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Other (commitment to bear compensation or liability according to law)	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares, Directors and senior management personnel	See note 7	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Other (binding measures should the commitments be violated)	The Company, substantial shareholders, domestic shareholders indirectly holding over 5% of shares, Directors and senior management personnel	See note 8	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A
	Other (commitments on applicable laws and competent courts)	The Company, Directors and senior management personnel	See note 9	July 16, 2020	No	Effective for a long time	Yes	N/A	N/A

SECTION 6 SIGNIFICANT EVENTS

Note 1:

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

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

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

Note 2:

Commitments by the Company

1. To implement the statutory approval procedures for related (connected) transaction in strict accordance with the relevant laws and regulations of the place of listing, and strictly implement the related (connected) transaction avoidance system;
2. To ensure that independent non-executive Directors exercise their powers according to law, ensure the fairness of prices of related (connected) transactions and the compliance of approval procedures, and protect the interests of other shareholders to the maximum;
3. Where there are related (connected) transactions between the Company's substantial shareholders and affiliates and the Company, it will perform related (connected) transaction decision-making procedures, and disclose information in a timely manner to ensure not to harm the legitimate rights and interests of the Company and other shareholders by virtue of such related (connected) transactions in 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 and other shareholders, the Company will take measures to regulate and minimize related (connected) transactions with the issuer.
2. For related (connected) transactions required in normal course of business, the Company will sign a 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 of Association and Articles of Association of Semiconductor Manufacturing International Corporation applicable after the A Share offering, and guarantee such related (connected) transactions will be implemented based on the basic principles of related (connected) transactions, such as fairness, impartiality and openness.
3. Undertakes not to harm the interests of the issuer and other shareholders by virtue of the related (connected) transactions.

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

Commitments by Directors and senior management personnel

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

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

Note 3:

Commitments by the Company

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

SECTION 6 SIGNIFICANT EVENTS

Note 4:

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 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.

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

1. Undertake 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 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 5:

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 Remuneration 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 diluted immediate returns and any commitments made thereon regarding remedial measures for diluted immediate returns, in breach of such commitments and resulting in losses to the issuer or investors, I am willing to bear the compensation liability to the issuer or investor according to law.

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

SECTION 6 SIGNIFICANT EVENTS

Note 6:

Commitments by the Company

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

Note 7:

Commitments by the Company

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



SECTION 6 SIGNIFICANT EVENTS

Commitments by substantial shareholders

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

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

Commitments by domestic shareholders indirectly holding over 5% of shares

1. Contents contained in the Prospectus for the A Share offering have no misrepresentation, misleading statement or material omission, and the Company will be liable for the truthfulness, accuracy and completeness of the contents contained in the Prospectus.
2. In case any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus leads to any losses of investors in securities transactions, the Company will compensate for their losses in accordance with laws. The specific procedures are as follows:
 - (1) When securities regulatory departments or judicial authority determine that there is any misrepresentation, misleading statement or material omission in the contents contained in the Prospectus such that the Company shall be liable, the Company will initiate relevant procedures to compensate for the losses of investors within three working days after receiving such written confirmation;
 - (2) The Company will communicate with 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 Directors and senior management personnel

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

The commitments made by me shall comply with applicable laws, regulations and regulatory documents, as well as the regulatory requirements of the securities regulatory authority and other competent authorities. In violation of the above-mentioned 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 8:

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



SECTION 6 SIGNIFICANT EVENTS

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 except 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 except 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 of Association and Articles of Association of Semiconductor Manufacturing International Corporation, and the provisions in relevant internal control policy);
 - (2) Within 30 days after securities regulatory departments or other competent departments determine that I break or fail to fulfill foregoing Individual Undertakings, or 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.

Note 9:

Commitments by the Company

1. Any dispute arising from the initial public offering and listing of RMB Ordinary Shares (A Shares) on the STAR Market of the Shanghai Stock Exchange and during the listing period of the Company on STAR Market shall be governed by the laws of the People’s Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) (hereinafter referred to as “China”), and be adjudicated by competent courts in China. The Company will not raise any objection to the above-mentioned applicable law and competent court.
2. The “disputes” stipulated in foregoing paragraph 1 shall include:
 - (1) where Directors or senior management personnel violate laws and regulations or the Company’s Articles of Association in performing their duties and cause losses to the Company, or others infringe on the legal rights and interests of the Company and cause losses to the Company, derivative litigation filed by shareholders who individually or collectively hold more than 1% of the Company’s RMB Ordinary Shares (A Shares) for more than 180 consecutive days;
 - (2) where the Company fails to disclose information in accordance with regulations, or there is misrepresentation, misleading statement or material omission in securities issuance documents, regular reports, interim reports and other information disclosure materials, which causes holders of RMB Ordinary Shares (A Shares) to suffer losses in securities transactions, civil lawsuits filed by holders of RMB Ordinary Shares (A Shares) against the issuer and other responsible persons.

SECTION 6 SIGNIFICANT EVENTS

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) (hereinafter referred to as "China"), 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

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.

III. SIGNIFICANT RELATED PARTY TRANSACTIONS

(I) RELATED PARTY TRANSACTIONS IN RELATION TO DAILY OPERATION

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, 2024, the Board of the Company reviewed and approved the Proposal on Forecast of Daily Related Transaction Quota in 2024.	For details, please refer to the Announcement on Forecast of Daily Related Transaction Quota in 2024 dated March 29, 2024 published on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and on the website of SSE (https://www.sse.com.cn).

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

Related party	Related transaction	Estimated amount for 2024 (RMB'000)	Actual amount during this period (RMB'000)	Percentage in the amount of similar transactions (%)
Semiconductor Global Solutions Corporation ("SGS") ^(Note)	Purchase of goods	460	2,165	0.0
	Receiving services	300	–	0.0
	Leasing assets to the related party	2,291	1,686	2.2
	Purchase of machinery and equipment from the related party	33,950	5,110	0.0
	Subtotal	37,001	8,961	
China Fortune-Tech Capital Co., Ltd. ("China Fortune-Tech")	Receiving services	2,406	1,528	18.3
	Leasing assets to the related party	3,727	1,810	2.0
	Subtotal	6,133	3,338	
Toppan Sensing Electronics (Shanghai) Co., Ltd. ("Toppan")	Purchase of goods	52,329	38,205	0.6
	Leasing assets to the related party	33,705	19,002	21.2
	Subtotal	86,034	57,207	
Brite Semiconductor (Shanghai) Corporation ("Brite")	Sales of goods	520,000	202,831	0.8
	Subtotal	520,000	202,831	
	Total	649,168	272,337	

Note: Semiconductor Global Solutions Corporation is no longer a related party of the Company under the SSE STAR Market Listing Rules since June 2024.

The actual amounts during this 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 2024 (USD in million)	Actual amount for this period (USD in million)
Datang Holdings and its related parties	Sales of goods	187	5

SECTION 6 SIGNIFICANT EVENTS

IV. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

(I) GUARANTEES

in USD'000

External guarantees provided by the Company (excluding guarantees provided to its subsidiaries)	
Total guarantees incurred during the reporting period (excluding those provided to subsidiaries)	–
Total balance of guarantees as at the end of the reporting period (A) (excluding those provided to subsidiaries)	–
Guarantees provided by the Company and its subsidiaries to its subsidiaries	
Total guarantees to subsidiaries incurred during the reporting period	168,379
Total balance of guarantees to subsidiaries as at the end of the reporting period (B)	2,968,106
Aggregate guarantees of the Company (including those provided to subsidiaries)	
Aggregate guarantees (A+B)	2,968,106
Percentage of aggregate guarantees to equity attributable to owners of the Company (%)	14.7
Including:	
Amount of guarantees provided to shareholders, de facto controller and related parties (C)	–
Amount of debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	2,307,207
Excess amount of aggregate guarantees over 50% of equity attributable to owners of the Company (E)	–
Aggregate amount of the above three categories (C+D+E)	2,307,207

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

I. CHANGES IN SHARES

(I) TABLE OF CHANGES IN SHARES

1. Table of changes in Shares

Unit: Share

	Prior to the change		Increase/(decrease) in the change					After the change	
	Number	Proportion (%)	Issuance of new shares	Shares dividend	Conversion of capital reserves into share capital	Others	Sub-total	Number	Proportion (%)
I. Tradable shares not subject to selling restrictions	7,946,555,760	100.00	-	-	-	9,651,268	9,651,268	7,956,207,028	100.00
1. RMB Ordinary Shares	1,973,609,172	24.84	-	-	-	-	-	1,973,609,172	24.81
2. Overseas-listed foreign shares	5,972,946,588	75.16	-	-	-	9,651,268	9,651,268	5,982,597,856	75.19
II. Total shares	7,946,555,760	100.00	-	-	-	9,651,268	9,651,268	7,956,207,028	100.00

Notes:

- (1) This table does not include the impact of refinancing business on share changes.
- (2) Overseas-listed foreign shares in this table are ordinary shares listed on the Hong Kong Stock Exchange.

2. Description of changes in shares

During the reporting period, the number of Hong Kong Shares increased by 9,651,268 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 equity 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 equity per share.

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

During the reporting period, neither the Company nor its subsidiaries had conducted any repurchase, sale or redemption of any ordinary shares (including sale of treasury shares (as defined under the Hong Kong Listing Rules)). As at June 30, 2024, there were no treasury shares held by the Company.

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)	246,030

Note: As at the end of the reporting period, 246,030 registered shareholders consist of 234,147 shareholders holding A Shares and 11,883 shareholders holding Hong Kong Shares.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(II) SUBSTANTIAL SHAREHOLDERS

As at June 30, 2024, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in 5% or more of the issued shares and underlying shares which are required to be disclosed to the Company pursuant to the provisions of Parts 2 and 3 of Chapter XV of the Hong Kong Securities and Futures Ordinance or which are required to be entered in the register of deposit of shares of the Company pursuant to the provisions of Section 336 of the Hong Kong Securities and Futures Ordinance:

Unit: Share

Name of shareholders	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 ⁽²⁾	1,116,852,595 ⁽²⁾	14.95%	-	1,189,323,450	14.95%
Datang Holdings (Hongkong) Investment Company Limited	Beneficial owner	Long Position	1,116,852,595 ⁽²⁾	-	14.04%	-	1,116,852,595	14.04%
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⁾	7.76%	-	617,214,804	7.76%
Xinxin (Hongkong) Capital Co., Ltd.	Beneficial owner	Long Position	617,214,804 ⁽³⁾	-	7.76%	-	617,214,804	7.76%

Notes:

- (1) Based on 7,956,207,028 shares in issue as at June 30, 2024.
- (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 Xunxin (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

Particulars of shareholdings of the top ten shareholders through both general securities accounts and securities accounts with customer credit trading guarantee in securities company

1. As of the end of the reporting period, the Company had issued 5,982,597,856 shares in Hong Kong, accounting for approximately 75.2% of the total share capital of the Company and 1,973,609,172 shares in SSE STAR Market, accounting for approximately 24.8% 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. Pursuant to the Hong Kong Securities and Futures Ordinance, shareholders holding interests in 5% or more of any class of voting shares of the Company are required to make their own declaration of interests. According to the declaration of shareholders' interests, Datang HK held 1,116,852,595 Hong Kong Shares and Xinxin HK held 617,214,804 Hong Kong Shares. The Company has excluded the number of shares held by the aforesaid shareholders from the number of shares held by HKSCC NOMINEES LIMITED.
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 Clearing.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Unit: Share

Particulars of shareholdings of top ten shareholders (excluding shares lent through securities financing)

Name of shareholders (full name)	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 shares lent through securities financing	Pledged, marked or frozen status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED	9,222,461	4,236,160,019	53.24	-	-	Unknown	-	Unknown
Datang Holdings (Hongkong) Investment Company Limited	-	1,116,852,595	14.04	-	-	Nil	-	Overseas legal person
Xinxin (Hongkong) Capital Co., Ltd.	-	617,214,804	7.76	-	-	Nil	-	Overseas legal person
China Merchants Bank Co., Ltd. – ChinaAMC SSE STAR 50 Exchange Traded Funds* (華夏上證科創板50成份交易型開放式指數證券投資基金)	(43,081,616)	165,270,498	2.08	-	-	Nil	-	Others
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	-	127,458,120	1.60	-	-	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)	17,633,246	73,143,635	0.92	-	-	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)	(4,081,228)	42,490,541	0.53	-	-	Nil	-	Others
Industrial and Commercial Bank of China – SSE 50 Exchange-Traded Open-End Index Securities Investment Fund* (上證50交易型開放式指數證券投資基金)	7,629,698	31,677,135	0.40	-	-	Nil	-	Others
Hong Kong Securities Clearing Company Ltd.	21,466,647	28,775,475	0.36	-	-	Nil	-	Others

Particulars of shareholding of the top ten shareholders not subject to selling restrictions (excluding shares lent through securities financing)

Name of shareholders (full name)	Number of tradable shares held without selling restrictions	Type	Number
HKSCC NOMINEES LIMITED	4,236,160,019	Overseas listed foreign shares	4,236,160,019
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 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)	165,270,498	RMB Ordinary Shares	165,270,498
China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.	127,458,120	RMB Ordinary Shares	127,458,120
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)	73,143,635	RMB Ordinary Shares	73,143,635
China Information and Communication Technology Group Co., Ltd.	72,470,855	RMB Ordinary Shares	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)	42,490,541	RMB Ordinary Shares	42,490,541
Industrial and Commercial Bank of China – SSE 50 Exchange-Traded Open-End Index Securities Investment Fund* (上證50交易型開放式指數證券投資基金)	31,677,135	RMB Ordinary Shares	31,677,135
Hong Kong Securities Clearing Company Ltd.	28,775,475	RMB Ordinary Shares	28,775,475

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), 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. manages China IC Fund and China IC Fund II in accordance with the respective entrusted management agreements.
- China IC Fund and China IC Fund II have some of the same shareholders.
- HKSCC NOMINEES LIMITED is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd.

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

Shares lent through securities financing by shareholders holding more than 5% of shares, top ten shareholders, top ten shareholders not subject to selling restrictions

Unit: Share

Name of shareholders (full name)	General and credit account holdings at the beginning of reporting period		Shares lent through securities financing at the beginning of the period and have not been returned		General and credit account holdings at the end of reporting period		Shares lent through securities financing at the end of the period and have not been returned	
	Total number of shares	Percentage (%)	Total number of shares	Percentage (%)	Total number of shares	Percentage (%)	Total number of shares	Percentage (%)
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)	208,352,114	2.62	2,708,300	0.03	165,270,498	2.08	1,199,400	0.02
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)	46,571,769	0.59	929,800	0.01	42,490,541	0.53	281,700	0.004
Industrial and Commercial Bank of China – SSE 50 Exchange-Traded Open-End Index Securities Investment Fund* (上證50交易型開放式指數證券投資基金)	24,047,437	0.30	169,900	0.002	31,677,135	0.40	–	–
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)	55,510,389	0.70	566,300	0.01	73,143,635	0.92	554,000	0.01

(IV) STRATEGIC INVESTORS OR GENERAL LEGAL PERSONS BECOMING TOP TEN 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) THE EQUITY INCENTIVES GRANTED TO THE DIRECTORS, SENIOR MANAGEMENT AND CORE TECHNICIANS DURING THE REPORTING PERIOD

1. Stock options of Directors and chief executives

(1) 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 1/1/2024	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 6/30/2024	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Exercisable period
Fan Ren Da	Independent Non-executive Director	9/13/2018	8.57	187,500	–	–	–	–	–	187,500	8.35	9/13/2018-9/12/2028
Anthony	Director	5/31/2021	24.50	32,877	–	–	–	–	–	32,877	24.15	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	7.90	1,687,500	–	–	–	–	–	1,687,500	7.83	9/7/2017-9/6/2027
		5/25/2020	18.10	219,706	–	–	–	–	–	219,706	16.92	5/25/2020-5/24/2030
		5/31/2021	24.50	277,149	–	–	–	–	–	277,149	24.15	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
Lau Lawrence Juen-Yee (retired)	Independent Non-executive Director	5/31/2021	24.50	32,877	–	–	–	–	–	32,877	24.15	5/31/2021-5/30/2031
				3,284,226	–	–	–	–	–	3,284,226		

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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 RSUs held as of 1/1/2024	Unvested RSUs as of 1/1/2024	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 6/30/2024	The RSUs held as of 6/30/2024	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Vesting period
Fan Ren Da Anthony	Independent Non-executive Director	4/1/2023	0.031	92,500	92,500	-	-	-	92,500	19.86	-	-	18.60	1/1/2023-1/1/2024
Liu Ming	Independent Non-executive Director	5/31/2021	0.031	63,750	63,750	-	-	-	63,750	14.08	-	-	24.15	2/4/2021-2/4/2024
Wu Hanming	Independent Non-executive Director	9/5/2022	0.031	185,925	185,925	-	-	-	-	-	185,925	185,925	15.00	8/11/2022-8/11/2025
Zhao Haijun	Co-Chief Executive Officer	5/25/2020	0.031	86,603	21,651	-	-	-	21,651	16.78	-	-	16.92	3/1/2020-3/1/2024
Liang Mong Song	Co-Chief Executive Officer	5/31/2021	0.031	138,050	69,025	-	-	-	34,512	16.78	34,513	34,513	24.15	3/1/2021-3/1/2025
		4/8/2022	0.031	401,538	301,154	-	-	-	100,385	16.78	200,769	200,769	16.80	3/1/2022-3/1/2026
		4/1/2023	0.031	79,782	79,782	-	-	-	47,870	15.16	31,912	31,912	18.60	4/1/2023-4/1/2025
		5/25/2020	0.031	86,603	-	-	-	-	-	-	-	-	16.92	3/1/2019-3/1/2023
		5/25/2020	0.031	173,205	43,302	-	-	-	43,302	16.78	-	-	16.92	3/1/2020-3/1/2024
Lau Lawrence Juen-Yee (retired)	Independent Non-executive Director	4/8/2022	0.031	401,538	301,154	-	-	-	100,385	16.78	200,769	200,769	16.80	3/1/2022-3/1/2026
		4/1/2023	0.031	79,782	79,782	-	-	-	47,870	15.16	31,912	31,912	18.60	4/1/2023-4/1/2025
		5/31/2021	0.031	32,877	-	-	-	-	-	-	-	-	24.15	6/22/2021-1/1/2022
		4/8/2022	0.031	92,500	-	-	-	-	-	-	-	-	16.80	1/1/2022-1/1/2023
		4/1/2023	0.031	92,500	92,500	-	-	-	92,500	19.86	-	-	18.60	1/1/2023-1/1/2024
				2,007,153	1,330,525	-	-	-	644,725		685,800	685,800		

(2) 2024 Equity Incentive Plan – Hong Kong Share

Unit: Share

Name	Position	RSUs grant date	Consideration for the grant per share (HKD)	The RSUs held as of 1/1/2024	Unvested RSUs as of 1/1/2024	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 6/30/2024	The RSUs held as of 6/30/2024	Closing price of Hong Kong Shares immediately before grant dates (HKD)	Vesting period
Liu Xunfeng	Chairman and Executive Director	4/1/2024	0.031	-	-	246,936	-	-	123,468	15.16	123,468	123,468	15.16	4/1/2024-4/1/2026
Fan Ren Da Anthony	Independent Non-executive Director	4/1/2024	0.031	-	-	45,492	-	-	45,492	16.94	-	45,492	15.16	1/1/2024-6/28/2024
Liu Ming	Independent Non-executive Director	4/1/2024	0.031	-	-	83,908	-	-	-	-	83,908	83,908	15.16	2/4/2024-1/1/2025
Zhao Haijun	Co-Chief Executive Officer	4/1/2024	0.031	-	-	227,029	-	-	113,515	15.16	113,514	227,029	15.16	4/1/2024-4/1/2026
Liang Mong Song	Co-Chief Executive Officer	4/1/2024	0.031	-	-	227,029	-	-	113,515	15.16	113,514	227,029	15.16	4/1/2024-4/1/2026
Lau Lawrence Juen-Yee (retired)	Independent Non-executive Director	4/1/2024	0.031	-	-	45,492	-	-	45,492	16.94	-	45,492	15.16	1/1/2024-6/28/2024
				-	-	875,886	-	-	441,482		434,404	752,418		

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

3. Type II Restricted Shares

(1) 2021 STAR Market Restricted Share Incentive Scheme – A Share

Unit: Share

Name	Position	Restricted Shares grant date	Grant price per share (RMB)	Unvested Restricted Shares as of 1/1/2024	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 6/30/2024	Closing price of A Shares immediately before grant dates (RMB)	Vesting period
Zhang Xin	Senior Vice President, Core Technician	7/19/2021	20.00	144,000	-	-	-	-	-	144,000	54.86	7/20/2022-7/17/2026
Jin Da	Senior Vice President, Core Technician	7/19/2021	20.00	72,000	-	-	-	-	-	72,000	54.86	7/20/2022-7/17/2026
Yan Dayong	Vice President, Core Technician	7/19/2021	20.00	63,000	-	-	-	-	-	63,000	54.86	7/20/2022-7/17/2026
				279,000	-	-	-	-	-	279,000		

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

As at June 30, 2024, the interests or short positions of the Directors and the chief executive officer in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the 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 Options (Hong Kong Share) ⁽²⁾	Restricted Share Units (Hong Kong Share) ⁽²⁾	Total interests (share)	Percentage of aggregate interests to total issued share capital of the Company ⁽¹⁾ (%)
Executive Director							
Liu Xunfeng	Long Position	Beneficial Owner	123,468	-	123,468	246,936	0.003
Non-executive Directors							
Lu Guoqing	-	-	-	-	-	-	-
Chen Shanzhi	-	-	-	-	-	-	-
Yang Lumin	-	-	-	-	-	-	-
Independent Non-executive Directors							
Fan Ren Da Anthony	Long Position	Beneficial Owner	405,377	220,377	45,492	671,246	0.008
Liu Ming	Long Position	Beneficial Owner	-	187,500	83,908	271,408	0.003
Wu Hanming	Long Position	Beneficial Owner	-	-	185,925	185,925	0.002
Co-Chief Executive Officers							
Zhao Haijun	Long Position	Beneficial Owner	275,200	2,184,355	494,223	2,953,778	0.037
Liang Mong Song	Long Position	Beneficial Owner	318,973	659,117	459,710	1,437,800	0.018

Notes:

(1) Based on 7,956,207,028 shares in issue as at June 30, 2024.

(2) As at June 30, 2024, the interests held by Directors and Co-CEOs were all in Hong Kong Shares. The details of options (Hong Kong Share) and RSUs (Hong Kong Share) are as in the above information: 2014 Stock Option Plan, 2014 Equity Incentive Plan and 2024 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, 2024

(In USD'000, except per share data)

	Notes	Six months ended	
		06/30/24	06/30/23
Revenue	4	3,651,452	3,022,684
Cost of sales		(3,146,655)	(2,401,515)
Gross profit		504,797	621,169
Research and development expenses		(368,858)	(345,301)
Selling and marketing expenses		(18,780)	(17,360)
General and administration expenses		(277,008)	(206,313)
Impairment losses on financial assets, net		11	(230)
Other operating income	5	249,384	111,116
Profit from operations		89,546	163,081
Interest income		306,343	371,959
Finance costs	6	(138,467)	(92,387)
Foreign exchange gain/(loss)		9,111	(2,640)
Other gains, net	7	2,401	267,209
Share of (loss)/profit of associates and a joint venture		(7,506)	64,432
Profit before tax		261,428	771,654
Income tax expense	8	(25,651)	(40,363)
Profit for the period	9	235,777	731,291
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translating foreign operations		(13,063)	(71,513)
Cash flow hedges	21	(135,590)	(35,196)
Total comprehensive income for the period		87,124	624,582
Profit for the period attributable to:			
Owners of the Company		236,361	633,864
Non-controlling interests		(584)	97,427
		235,777	731,291
Total comprehensive income for the period attributable to:			
Owners of the Company		87,652	527,155
Non-controlling interests		(528)	97,427
		87,124	624,582
Earnings per share			
Basic	10	\$0.03	\$0.08
Diluted	10	\$0.03	\$0.08

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2024

(In USD'000)

	Notes	06/30/24	12/31/23
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	26,914,232	23,944,961
Right-of-use assets	13	453,217	473,797
Intangible assets		28,757	33,662
Investments in associates	14	2,027,205	2,042,671
Investment in a joint venture	14	1,482	2,295
Deferred tax assets		13,192	13,194
Financial assets at fair value through profit or loss	15	462,380	481,969
Financial assets at amortised cost	15	5,851,621	6,891,233
Derivative financial instruments	15	8,928	12,087
Restricted cash	16	370,445	256,071
Other assets		246	209
Total non-current assets		36,131,705	34,152,149
<i>Current assets</i>			
Inventories	17	2,740,168	2,735,921
Prepayment and prepaid operating expenses		98,660	106,154
Trade and other receivables	18	1,235,380	1,170,008
Financial assets at fair value through profit or loss	15	101,109	214,629
Financial assets at amortised cost	15	2,963,006	2,948,991
Derivative financial instruments	15	85,204	42,836
Restricted cash	16	280,228	179,536
Cash and cash equivalents	19	3,694,277	6,215,058
		11,198,032	13,613,133
Assets classified as held-for-sale		22,030	22,030
Total current assets		11,220,062	13,635,163
Total assets		47,351,767	47,787,312

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2024

(In USD'000)

	Notes	06/30/24	12/31/23
Equity and liabilities			
<i>Capital and reserves</i>			
Ordinary shares	20	31,825	31,786
Share premium		14,138,415	14,117,072
Other reserves	21	149,821	286,917
Retained earnings		5,916,688	5,680,327
Equity attributable to owners of the Company		20,236,749	20,116,102
Non-controlling interests		10,732,924	10,729,514
Total equity		30,969,673	30,845,616
<i>Non-current liabilities</i>			
Borrowings	22	8,424,725	8,334,648
Lease liabilities		14,689	26,280
Bonds payable	23	–	599,115
Deferred tax liabilities		40,393	38,913
Deferred government funding		306,787	306,611
Derivative financial instruments	15	55,961	34,547
Total non-current liabilities		8,842,555	9,340,114
<i>Current liabilities</i>			
Trade and other payables	24	3,978,441	3,727,922
Contract liabilities		1,015,698	2,053,222
Borrowings	22	1,361,165	1,216,283
Lease liabilities		27,794	32,340
Bonds payable	23	604,877	–
Deferred government funding		159,591	173,097
Accrued liabilities		310,052	298,022
Derivative financial instruments	15	63,872	90,180
Current tax liabilities		18,049	10,516
Total current liabilities		7,539,539	7,601,582
Total liabilities		16,382,094	16,941,696
Total equity and liabilities		47,351,767	47,787,312

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024

(In USD'000)

	Ordinary shares	Share premium	Equity-settled employee benefit reserve	Foreign currency translation reserve
	(Note 20)			
As at January 1, 2023	31,651	13,963,465	142,754	(102,325)
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	–	–	–	–
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	(173,838)
As at January 1, 2024	31,786	14,117,072	120,981	(137,325)
Profit for the period	–	–	–	–
Other comprehensive income for the period	–	–	–	(13,119)
Total comprehensive income for the period	–	–	–	(13,119)
Issue of shares under share incentive plans	39	21,343	(20,999)	–
Share-based compensation	–	–	30,100	–
Share of other capital reserve of associates	–	–	–	–
Subtotal	39	21,343	9,101	–
As at June 30, 2024	31,825	14,138,415	130,082 ⁽¹⁾	(150,444) ⁽¹⁾

⁽¹⁾ These reserve accounts comprise the other reserves of US\$149,821 thousand (December 31, 2023: US\$286,917 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, 2024

(In USD'000)

Cash flow hedges reserve	Others	Retained earnings	Equity attributable to owner of the Company	Non-controlling interests	Total equity
(Note 21)					
94,933	241,697	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	251,314	5,411,665	19,740,455	10,245,164	29,985,619
14,300	288,961	5,680,327	20,116,102	10,729,514	30,845,616
–	–	236,361	236,361	(584)	235,777
(135,590)	–	–	(148,709)	56	(148,653)
(135,590)	–	236,361	87,652	(528)	87,124
–	–	–	383	–	383
–	–	–	30,100	3,938	34,038
–	2,512	–	2,512	–	2,512
–	2,512	–	32,995	3,938	36,933
(121,290) ⁽¹⁾	291,473 ⁽¹⁾	5,916,688	20,236,749	10,732,924	30,969,673

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

(In USD'000)

	Six months ended	
	06/30/24	06/30/23
Operating activities		
Cash generated from operations	434,815	1,445,098
Interest paid	(102,214)	(102,123)
Interest received	190,126	214,956
Income taxes (paid)/returned	(33,430)	39,774
Net cash generated from operating activities	489,297	1,597,705
Investing activities		
Acquisition of financial assets at fair value through profit or loss	(294,845)	(1,043,470)
Proceeds from sale of financial assets at fair value through profit or loss	419,907	1,019,643
Acquisition of financial assets at amortised cost	(805,521)	(4,139,498)
Proceeds from maturity of financial assets at amortised cost	1,940,944	4,789,127
Acquisition of property, plant and equipment	(4,267,321)	(3,059,774)
Proceeds from disposal of property, plant and equipment	1,833	110
Acquisition of intangible assets	(3,466)	(577)
Acquisition of land-use right	–	(275)
Capital injection in associates	(74,516)	(110,052)
Proceeds from sale of equity interests in associates and a joint venture	36,041	100,487
Dividends received from associates	1,373	461
Guarantee deposits refunded	24,136	–
Proceeds from settlement of derivative financial instruments	55,413	118,350
Net cash used in investing activities	(2,966,022)	(2,325,468)
Financing activities		
Proceeds from borrowings	1,626,496	2,658,957
Repayment of borrowings	(1,344,157)	(1,342,607)
Repayment of the principal portion of the lease liabilities	(16,137)	(29,197)
Proceeds from issue of shares under share incentive plans	383	8,870
Capital injection from non-controlling interests	–	331,420
Payments for settlement of derivative financial instruments	(176,032)	(2,653)
Net cash generated from financing activities	90,553	1,624,790
Net (decrease)/increase in cash and cash equivalents	(2,386,172)	897,027
Cash and cash equivalents at the beginning of the period	6,215,058	6,932,587
Effects of exchange rate changes on cash and cash equivalents	(134,609)	(270,346)
Cash and cash equivalents at the end of the period	3,694,277	7,559,268

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

1. GENERAL INFORMATION

The Company was established 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company. The subsidiaries of the Company are engaged in the manufacturing and testing of integrated circuits wafer (silicon wafers and various compound semiconductors), the rendering of the development, design and technical services related to integrated circuits, the manufacturing of photomask, the testing and sale of self-produced products, and other services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Hong Kong Listing Rules. The interim condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2023, 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 2023, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised IFRSs are described below:

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

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	
	06/30/24 USD'000	06/30/23 USD'000
By region		
China	2,955,182	2,345,700
America	566,200	562,098
Eurasia	130,070	114,886
	3,651,452	3,022,684
By type of goods or services		
wafers	3,394,625	2,759,387
Masks, testing and others	256,827	263,297
	3,651,452	3,022,684
By timing of revenue recognition		
Goods transferred at a point in time	3,615,249	3,002,510
Services transferred over time	36,203	20,174
	3,651,452	3,022,684

5. OTHER OPERATING INCOME

	Six months ended	
	06/30/24 USD'000	06/30/23 USD'000
Gain/(loss) on disposal of property, plant and equipment	63	(357)
Government funding	249,321	111,473
	249,384	111,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

6. FINANCE COSTS

	Six months ended	
	06/30/24 USD'000	06/30/23 USD'000
Interest on:		
Bank and other borrowings	129,324	82,495
Leases	688	1,447
Corporate bonds	8,455	8,445
	138,467	92,387

7. OTHER GAINS, NET

	Six months ended	
	06/30/24 USD'000	06/30/23 USD'000
Net gain/(loss) arising from the fair value through profit or loss:		
Structural deposits and monetary funds	4,820	10,500
Equity securities	(8,000)	46,002
	(3,180)	56,502
Gain on partial disposal of associates ⁽¹⁾	4,588	203,730
Others	993	6,977
	2,401	267,209

⁽¹⁾ The gain was mainly arising from the passive dilution of the Groups equity interests in associates caused by the new issuance of shares by the associates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

8. INCOME TAX EXPENSE

	Six months ended	
	06/30/24 USD'000	06/30/23 USD'000
Current tax		
– Enterprise income tax	24,016	25,549
Deferred tax	1,635	14,814
	25,651	40,363

INCOME TAX RATE

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

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 2024 and will submit documents in accordance with the relevant regulations as required.

According to Enterprise Income Tax Law of the People's Republic of China, some subsidiaries of the Company were qualified as high-tech enterprises and were entitled to enjoy the preferential corporate income tax rate of 15% in 2024.

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

Pillar Two income taxes

By assessing the effective tax rates in the jurisdictions where Pillar Two legislation has been enacted and considering the De Minimis relief that may limit the potential exposure, the Group does not expect a material exposure to Pillar Two income taxes.

9. PROFIT FOR THE PERIOD

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

	Six months ended	
	06/30/24 USD'000	06/30/23 USD'000
Depreciation of property, plant and equipment	1,514,472	1,247,606
Depreciation of right-of-use assets	20,580	33,219
Amortisation of intangible assets	7,651	7,124
Impairment losses recognised on inventories	10,141	67,503
(Reversal)/addition in allowance on doubtful trade and other receivables	(11)	230
Equity-settled share-based payments expense	34,038	50,426

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

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	
	06/30/24	06/30/23
Earnings used in the calculation of basic earnings per share	236,361	633,864
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,950,596,085	7,918,590,091
Basic earnings per share	\$0.03	\$0.08

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	
	06/30/24	06/30/23
Earnings used in the calculation of diluted earnings per share	236,361	633,864
Weighted average number of ordinary shares used in the calculation of basic earnings per share	7,950,596,085	7,918,590,091
Employee options	2,654,542	6,478,775
Restricted share units	6,499,613	9,570,043
Restricted shares	13,180,631	13,490,391
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	7,972,930,871	7,948,129,300
Diluted earnings per share	\$0.03	\$0.08

11. DIVIDEND

The board of director did not recommend the payment of any dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	06/30/24 USD'000	06/30/23 USD'000
As at January 1	23,944,961	18,855,532
Additions	4,484,229	2,988,169
Depreciation	(1,514,472)	(1,247,606)
Disposals	(486)	(2,365)
As at June 30	26,914,232	20,593,730

As of June 30, 2024, there were no property, plant and equipment in the Group (December 31, 2023: nil) that have been secured to borrowings of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

13. LEASES

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

	06/30/24 USD'000	12/31/23 USD'000
Buildings	2,030	2,336
Machinery and equipment	39,806	55,454
Land use right	411,381	416,007
	453,217	473,797

For the six month ended June 30, 2024, there were no new additions to the right-of-use assets (six months ended June 30, 2023: US\$1.5 million).

As of June 30, 2024, there was no land-use right (December 31, 2023: nil) that has been secured to borrowings of the Group.

14. INVESTMENT IN ASSOCIATES AND A 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	
			06/30/24	12/31/23
JCET	Jiangsu, PRC	Ordinary	12.79%	12.79%
Sino IC Leasing	Shanghai, PRC	Ordinary	8.17%	8.17%
NSI	Zhejiang, PRC	Ordinary	14.83%	14.83%
UNTC	Zhejiang, PRC	Ordinary	14.09%	14.10%

Among the above enterprises, NSI is a non-listed company. JCET and UNTC 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, which is an 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	
			06/30/24	12/31/23
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, 2024

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

Financial assets	06/30/24 USD'000	12/31/23 USD'000
Non-current portion		
Financial assets at fair value through profit or loss		
Listed equity securities	34	–
Restricted listed equity securities	27,022	30,009
Unlisted equity securities	148,632	167,821
Structural deposits	286,692	284,139
Financial assets at amortised cost		
Bank deposits maturing more than 1 year	5,851,621	6,891,233
Other financial assets at amortised cost		
Restricted cash (Note 16)	370,445	256,071
Derivative financial instruments		
Cross currency swap contracts – cash flow hedges	–	1,306
Interest rate swap contracts – cash flow hedges	8,928	10,781
Current portion		
Financial assets at fair value through profit or loss		
Structural deposits	14,037	108,926
Monetary funds	87,072	105,703
Financial assets at amortised cost		
Bank deposits maturing more than 3 months and within 1 year	2,963,006	2,948,991
Other financial assets at amortised cost		
Cash and cash equivalents	3,694,277	6,215,058
Restricted cash (Note 16)	280,228	179,536
Financial assets included in trade and other receivables ⁽¹⁾ (Note 18)	638,330	605,236
Derivative financial instruments		
Cross currency swap contracts – cash flow hedges	84,004	38,897
Interest rate swap contracts – cash flow hedges	1,200	3,939
	14,455,528	17,847,646

⁽¹⁾ Financial assets included in trade and other receivables excluded the value-added tax to be deducted and tax recoverables.

Financial liabilities	06/30/24 USD'000	12/31/23 USD'000
Non-current portion		
Financial liabilities at amortised cost		
Borrowings (Note 22)	8,424,725	8,334,648
Lease liabilities	14,689	26,280
Bonds payable (Note 23)	–	599,115
Derivative financial instruments		
Cross currency swap contracts – cash flow hedges	55,961	34,547
Current portion		
Financial liabilities at amortised cost		
Financial liabilities included in trade and other payables and accrued liabilities	3,940,029	3,550,863
Borrowings (Note 22)	1,361,165	1,216,283
Lease liabilities	27,794	32,340
Bonds payable (Note 23)	604,877	–
Derivative financial instruments		
Cross currency swap contracts – cash flow hedges	53,236	90,180
Foreign currency forward contracts	10,636	–
	14,493,112	13,884,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

16. RESTRICTED CASH

	06/30/24 USD'000	12/31/23 USD'000
Non-current portion	370,445	256,071
Current portion	280,228	179,536
	650,673	435,607

As of June 30, 2024, the restricted cash consisted of bank time deposits pledged against secured borrowings of US\$370.4 million (December 31, 2023: US\$411.4 million), and the security deposit received for the transfer of equity of US\$280.2 million (December 31, 2023: nil).

17. INVENTORIES

	06/30/24 USD'000	12/31/23 USD'000
Raw materials	1,353,823	1,265,914
Work in progress	1,093,361	1,068,664
Finished goods	292,984	401,343
	2,740,168	2,735,921

18. TRADE AND OTHER RECEIVABLES

	06/30/24 USD'000	12/31/23 USD'000
Trade receivables	514,032	495,102
Allowance on doubtful trade receivables	(661)	(758)
	513,371	494,344
Other receivables	7,207	10,427
Allowance on doubtful other receivables	(413)	(413)
	6,794	10,014
Notes receivables	61,653	62,470
Value-added tax to be deducted	573,730	558,807
Tax recoverables	23,320	5,965
Investment receivables	47,137	3,884
Dividend and interest receivables	2,819	25,820
Refundable deposits and surety	6,556	8,704
	1,235,380	1,170,008

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	06/30/24 USD'000	12/31/23 USD'000
Within 1 year	513,673	495,003
1-2 years	268	6
Over 3 years	91	93
	514,032	495,102

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

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 Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

Age of other receivables	06/30/24 USD'000	12/31/23 USD'000
Within 1 year	5,767	8,920
1-2 years	1,067	1,297
2-3 years	214	29
Over 3 years	159	181
	7,207	10,427

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. CASH AND CASH EQUIVALENTS

CURRENCIES IN WHICH CASH AND CASH EQUIVALENTS ARE HELD

Denominated in	06/30/24 USD'000	12/31/23 USD'000
RMB	2,260,508	5,365,279
JPY	1,088,312	179,422
USD	203,155	394,086
EUR	136,705	269,998
HKD	4,437	6,273
TWD	1,160	–
	3,694,277	6,215,058

20. SHARES AND ISSUED CAPITAL

	Six months ended 06/30/24		Six months ended 06/30/23	
	Number of shares	USD'000	Number of shares	USD'000
As at January 1	7,946,555,760	31,786	7,912,664,696	31,651
Issue of shares under share incentive plans	9,651,268	39	13,271,854	53
As at June 30	7,956,207,028	31,825	7,925,936,550	31,704

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

21. 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, interest rate swap contracts and foreign currency forward 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	
	06/30/24 USD'000	06/30/23 USD'000
Other comprehensive income on cash flow hedges recognised		
Fair value (loss)/gain	(21,330)	7,865
Offset foreign exchange (loss)/gain	(87,205)	8,121
Deducted finance cost	(27,055)	(51,182)
	(135,590)	(35,196)
As at January 1	14,300	94,933
As at June 30	(121,290)	59,737

22. BORROWINGS

	Six months ended	
	06/30/24 USD'000	12/31/23 USD'000
At amortised cost		
Short-term bank borrowings – unsecured	112,273	479,337
Long-term bank borrowings – secured		
– Guaranteed loans	2,928,823	2,827,484
– Pledged loans	238,549	276,200
Long-term bank borrowings – unsecured	6,506,245	5,967,910
	9,785,890	9,550,931
Current portion		
Short-term bank borrowings	112,273	479,337
Current maturities of long-term bank borrowings	1,248,892	736,946
	1,361,165	1,216,283
Non-current portion		
Non-current maturities of long-term bank borrowings	8,424,725	8,334,648
	9,785,890	9,550,931
Borrowing by repayment schedule		
Within 1 year	1,361,166	1,216,283
1-2 years	2,101,939	2,802,153
2-5 years	3,377,043	2,707,835
Over 5 years	2,945,742	2,824,660
	9,785,890	9,550,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

22. BORROWINGS (continued)

As of June 30, 2024, the pledged loans of US\$238.5 million (December 31, 2023: US\$276.2 million) were secured by the pledge of bank deposits (Note 16).

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

	06/30/24 USD'000	12/31/23 USD'000
RMB	8,900,451	8,614,664
USD	885,439	936,267
	9,785,890	9,550,931

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

	06/30/24 USD'000	12/31/23 USD'000
RMB	1.98%	2.10%
USD	3.56%	3.54%

Interest rates above do not include effect by hedging Instruments.

23. 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	(3,232)
Transaction cost	(368)
	596,400

The movement of the corporate bonds is set out below:

	USD'000
As at January 1, 2023	598,379
Interest charged	8,445
Interest payable recognised	(8,080)
As at June 30, 2023	598,744
As at January 1, 2024	599,115
Interest charged (Note 6)	8,455
Interest payable recognised	(2,693)
As at June 30, 2024	604,877

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

24. TRADE AND OTHER PAYABLES

	06/30/24 USD'000	12/31/23 USD'000
Payables for property, plant and equipment	2,389,146	2,123,363
Trade payables	646,699	700,642
Deposits received	702,786	544,564
Others	239,810	359,353
	3,978,441	3,727,922

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:

	06/30/24 USD'000	12/31/23 USD'000
Within 30 days	2,967,876	2,717,453
31-60 days	51,529	79,238
Over 60 days	16,440	27,314
	3,035,845	2,824,005

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

25. SHARE-BASED PAYMENTS

SHARE INCENTIVE PLANS

The Company's share incentive plans allow the Company to offer a variety of incentive awards, including stock 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, 2024 was US\$34.0 million (six months ended June 30, 2023: US\$50.4 million).

MOVEMENTS DURING THIS PERIOD

Stock Option Plan

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

	Six months ended 06/30/24		Six months ended 06/30/23	
	Number	WAEP	Number	WAEP
Outstanding at January 1	21,124,955	HKD17.75	31,802,132	HKD15.54
Lapsed during this period	(535,446)	HKD21.42	(819,180)	HKD20.22
Exercised during this period	(273,146)	HKD10.01	(7,364,252)	HKD9.44
Outstanding at June 30	20,316,363	HKD17.76	23,618,700	HKD17.28

The weighted average closing price of the Company's shares immediately before the dates while the stock options were exercised was HKD16.70 (six months ended June 30, 2023: HKD19.77).

The range of exercise prices for options outstanding for the six months ended June 30, 2024 was from HKD6.42 to HKD24.50 (six months ended June 30, 2023: from HKD5.62 to HKD24.50).

No stock options was granted for the six months ended June 30, 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

25. SHARE-BASED PAYMENTS (continued)

MOVEMENTS DURING THIS PERIOD (continued)

2014 Equity Incentive Plan

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

	Six months ended 06/30/24		Six months ended 06/30/23	
	Number	Purchase price	Number	Purchase price
Unvested at January 1	9,982,902	HKD0.031	12,016,129	HKD0.031
Granted during this period	–	HKD0.031	6,486,093	HKD0.031
Lapsed during this period	(139,322)	HKD0.031	(422,880)	HKD0.031
Vested during this period	(4,589,239)	HKD0.031	(6,519,931)	HKD0.031
Unvested at June 30	5,254,341	HKD0.031	11,559,411	HKD0.031

The weighted average closing price of the Company's shares immediately before the dates on which the 2014RSUs were vested was HKD16.29 (six months ended June 30, 2023: HKD17.60).

No 2014RSUs was granted for the six months ended June 30, 2024.

2024 Equity Incentive Plan

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

	Six months ended 06/30/24		Six months ended 06/30/23	
	Number	Consideration for the grant	Number	Purchase price
Granted during this period	8,737,798	HKD0.031	–	–
Lapsed during this period	(38,314)	HKD0.031	–	–
Vested during this period	(4,372,532)	HKD0.031	–	–
Unvested at June 30	4,326,952	HKD0.031	–	–

The weighted average closing price of the Company's shares immediately before the dates on which the 2024RSUs were vested was HKD15.20.

2024RSUs was granted on April 1, 2024 with the fair value of HKD15.13.

The valuation of the 2024RSUs is based on ordinary stock price on grant date.

2021 STAR Market Restricted Share Incentive Scheme

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

	Six months ended 06/30/24		Six months ended 06/30/23	
	Number	Grant price	Number	Grant price
Unvested at January 1	29,640,860	RMB20.00	49,923,896	RMB20.00
Lapsed during this period	(852,340)	RMB20.00	(2,229,200)	RMB20.00
Unvested at June 30	28,788,520	RMB20.00	47,694,696	RMB20.00

No restricted shares was granted for the six months ended June 30, 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

26. 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, 2024 and the year ended December 31, 2023:

- 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).

June 30, 2024	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Listed equity securities	Quoted market prices	34	-	-	34
Restricted listed equity securities	Asian option pricing model	-	-	27,022	27,022
Unlisted equity securities	Valuation multiples or the latest price method of financing	-	-	148,632	148,632
Structural deposits	Monte Carlo simulation	-	-	300,729	300,729
Monetary funds	Observable prices	87,072	-	-	87,072
Cross currency swap contracts — cash flow hedges	The present value of the estimated future cash flows based on observable yield curves	-	84,004	-	84,004
Interest rate swap contracts — cash flow hedges	The present value of the estimated future cash flows based on observable yield curves	-	8,928	-	8,928
Foreign currency forward contracts	Forward exchange rates at the balance sheet date	-	1,200	-	1,200
		87,106	94,132	476,383	657,621
Financial liabilities					
Cross currency swap contracts — cash flow hedges	The present value of the estimated future cash flows based on observable yield curves	-	109,197	-	109,197
Foreign currency forward contracts	Forward exchange rates at the balance sheet date	-	10,636	-	10,636
		-	119,833	-	119,833

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

December 31, 2023	Valuation techniques	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets					
Restricted listed equity securities	Asian option pricing model	-	-	30,009	30,009
Unlisted equity securities	Valuation multiples or the latest price method of financing	-	-	167,821	167,821
Structural deposits	Monte Carlo simulation	-	-	393,065	393,065
Monetary funds	Observable prices	105,703	-	-	105,703
Cross currency swap contracts — cash flow hedges	The present value of the estimated future cash flows based on observable yield curves	-	40,203	-	40,203
Interest rate swap contracts — cash flow hedges	The present value of the estimated future cash flows based on observable yield curves	-	14,720	-	14,720
		105,703	54,923	590,895	751,521
Financial liabilities					
Cross currency swap contracts — cash flow hedges	The present value of the estimated future cash flows based on observable yield curves	-	124,727	-	124,727

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, 2023	37,172	170,486	290,523	498,181
Additions	-	8,742	876,023	884,765
Disposals	(207)	(12,240)	(884,290)	(896,737)
Gain recognised	22,591	23,115	9,619	55,325
Foreign exchange loss	(1,723)	(6,659)	(10,316)	(18,698)
As at June 30, 2023	57,833	183,444	281,559	522,836
As at January 1, 2024	30,009	167,821	393,065	590,895
Additions	-	634	260,384	261,018
Disposals	-	(13,109)	(354,734)	(367,843)
(Loss)/gain recognised	(2,821)	(5,709)	2,779	(5,751)
Foreign exchange loss	(166)	(1,005)	(765)	(1,936)
As at June 30, 2024	27,022	148,632	300,729	476,383

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

27. RELATED PARTY TRANSACTIONS

The names of the related parties which had transactions with the Group for the six months ended June 30, 2024 and the relationships with the Group are disclosed below:

Related party name	Relationship
Subsidiaries of Datang Holdings (“Datang”)	Datang Holdings through Datang HK 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
UNTC	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

TRADING TRANSACTIONS

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

		Six months ended	
		06/30/24 USD'000	06/30/23 USD'000
Sale of goods and services			
Beijing Innovation Center	Sale of goods and services	59,262	27,878
Brite and its subsidiaries	Sale of goods	36,719	52,154
NSI	Sale of goods and services	11,661	6,730
Datang	Sale of goods	4,562	10,227
Purchase of goods and services			
Toppan	Purchase of goods	5,377	1,501
Beijing Innovation Center	Purchase of services	735	1,268
SGS	Purchase of goods and services	403	40
JCET and its subsidiaries	Purchase of services	292	459
China Fortune-Tech	Purchase of services	215	304
Transfer of assets			
SGS	Purchase of equipment	866	7,407
Group as a lessor			
Toppan	Rent income	2,674	2,217
China Fortune-Tech	Rent income	255	433
SGS	Rent income	246	384
Beijing Innovation Center	Rent income	57	218
NSI	Rent income	3	20
UNTC	Rent income	–	103
Group as a lessee			
Sino IC Leasing and its subsidiaries	Payment of lease liabilities	16,444	30,368

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, 2024

27. 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	
	06/30/24 USD'000	12/31/23 USD'000	06/30/24 USD'000	12/31/23 USD'000
Brite and its subsidiaries	5,649	8,216	1,405	5,916
SGS	2,736	3,700	1,824	2,281
Toppan	1,017	1,002	1,948	689
Beijing Innovation Center	37,674	38,923	1,908	19,172
China Fortune-Tech	–	223	189	55
Sino IC Leasing and its subsidiaries	–	–	40,277	56,097
Datang	142	–	1,355	2,414
NSI	4,354	4,415	6,812	5,625
JCET and its subsidiaries	–	–	–	51

The balances are unsecured and interest-free.

EMOLUMENTS 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	
	06/30/24 USD'000	06/30/23 USD'000
Salaries, bonus and benefits	1,215	1,181
State-managed pension	20	20
Equity-settled share-based payments expense	1,565	1,529
	2,800	2,730

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, 2024

28. COMMITMENTS

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

	06/30/24 USD'000	12/31/23 USD'000
Commitments for building and facility construction	363,262	503,805
Commitments for acquisition of machinery and equipment	7,353,950	10,701,636
Commitments for acquisition of intangible assets	15,659	20,071
Commitments for capital contributions	122,364	171,384
	7,855,235	11,396,896

29. 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, 2024, the Group did not make provision for the contingent liabilities from the contract dispute.

30. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after June 30, 2024.



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