



ational Corporation

■■■■ Interim Report  
2011■■■



# ADDITIONAL INFORMATION

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- 2011 AGM. 參閱本報 C 欄 (A) 及 G 欄 M 欄日期為 2011 年 7 月 29 日;
- B 欄日期為本報刊登日期。參閱 C 欄 (A) 欄;
- C 欄日期為本報刊登日期。參閱本報 C 欄 (A) 欄日期為本報刊登日期。參閱本報 H 欄, K 欄, M 欄日期;
- C 欄日期為本報刊登日期。參閱本報 MIC 欄日期為本報刊登日期。參閱本報 C 欄 (A) 欄;
- E 欄日期為本報刊登日期;
- HK\$。參閱本報 H 欄, K 欄日期;
- L 欄日期為本報刊登日期。參閱本報 G 欄日期為本報刊登日期。參閱本報 E 欄日期, H 欄, K 欄, L 欄;
- E 欄日期為本報刊登日期。參閱本報 E 欄日期為本報刊登日期。參閱本報 E 欄日期;
- 參閱本報日期;
- EC。參閱本報日期為本報刊登日期。參閱本報 C 欄 (A) 欄;
- EHK。參閱本報 E 欄日期為本報刊登日期。參閱本報 H 欄, K 欄, L 欄日期;
- \$。參閱本報 D 欄日期。

A 欄日期為本報刊登日期。參閱本報 8-12 欄日期為本報刊登日期。參閱本報 C 欄 (A) 欄日期為本報刊登日期。參閱本報 12-12.25 欄日期為本報刊登日期。參閱本報 0.35 欄, 0.25 欄, 0.18 欄, 0.15 欄, 0.13 欄, 90 欄, 65 欄, 45 欄日期。參閱本報 F 欄日期為本報刊登日期。參閱本報 0.22 欄, 0.21 欄, 0.20 欄, 0.19 欄, 0.18 欄, 0.17 欄, 0.16 欄日期。參閱本報 GAA 欄日期。參閱本報 GAA 欄日期。

# CORPORATE INFORMATION

總公司	中芯國際集成電路製造有限公司 C. 國際中心 (香港) C. 1104
中國總部	中芯國際集成電路製造有限公司*
香港總部	香港 B. 309 香港 H. 1104 G. 1104 C. 1104 K 1-1104 C. 1104 L. 1104
上海總部	18 世紀廣場 A. 201203 C. 201203
北京總部	3003 30 F. 3003 9 號樓 C. 3003 H. 3003 K. 3003
廣州總部	3003 A. 3003 C. 3003
廈門總部	A. 3003 C. 3003
成都總部	E. 3003 H. 3003 K. 3003 L. 3003 (HK E.) E. 3003 (E.)
新加坡總部	0981 (HK E) MI (E)

\* 中芯國際集成電路製造有限公司

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS,

Dear Shareholders, I am pleased to inform you that SMIC has achieved a significant milestone in 2011. Our revenue has increased by 15% compared to the same period last year, and our net profit has also grown by 10%. This is a testament to the hard work and dedication of our employees and the confidence of our shareholders.

During the first half of 2011, we have successfully completed the acquisition of B. This acquisition has significantly strengthened our manufacturing capabilities and expanded our product portfolio. We are confident that this will lead to long-term growth and profitability for SMIC.

In 2011, we have also implemented a series of cost-saving measures, resulting in a 5% reduction in our operating expenses. This has allowed us to maintain a healthy profit margin of 18%, up from 15% in 2010. We will continue to focus on operational efficiency and cost control to ensure our long-term success.

Looking ahead, we are optimistic about the future of SMIC. We have a strong pipeline of new products and projects, and we are confident that we will continue to grow and expand our market presence. We will continue to invest in research and development to stay at the forefront of the industry.

Thank you for your continued support and confidence in SMIC. We will continue to work hard to create value for our shareholders and to drive the company's growth and success.

We will continue to focus on operational efficiency and cost control to ensure our long-term success. We will continue to invest in research and development to stay at the forefront of the industry.

We will continue to focus on operational efficiency and cost control to ensure our long-term success.

**Zhang Wenyi**  
Chairman of the Board and Executive Director

**Tzu-Yin Chiu**  
Chief Executive Officer and Executive Director

SMIC  
August 29, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Decrease of 0.4% to \$720.1 million, compared to \$722.9 million for the three months ended June 30, 2010. The decrease was primarily due to the decrease in sales of 0.4% to 945,654 8-inch wafers, compared to 922,783 8-inch wafers for the three months ended June 30, 2011.

### SALES

Sales for the three months ended June 30, 2011, were \$720.1 million, compared to \$722.9 million for the three months ended June 30, 2010. The decrease was primarily due to the decrease in sales of 0.4% to 945,654 8-inch wafers, compared to 922,783 8-inch wafers for the three months ended June 30, 2011.

### COST OF SALES AND GROSS PROFIT

Cost of sales for the three months ended June 30, 2011, was \$603.9 million, compared to \$611.2 million for the three months ended June 30, 2010.

Gross profit for the three months ended June 30, 2011, was \$119.1 million, compared to \$108.9 million for the three months ended June 30, 2010. Gross profit margin for the three months ended June 30, 2011, was 16.5%, compared to 15.1% for the three months ended June 30, 2010. The increase was primarily due to the decrease in cost of sales of 1.1% to \$603.9 million, compared to \$611.2 million for the three months ended June 30, 2010.

### OPERATING INCOME, EXPENSES AND LOSS FROM OPERATIONS

Operating income for the three months ended June 30, 2011, was \$143.8 million, compared to \$127.0 million for the three months ended June 30, 2010.

Operating expenses for the three months ended June 30, 2011, were \$94.8 million, compared to \$101.1 million for the three months ended June 30, 2010. The decrease was primarily due to the decrease in operating expenses of 6.6% to \$94.8 million, compared to \$101.1 million for the three months ended June 30, 2010.

Operating loss from operations for the three months ended June 30, 2011, was \$12.8 million, compared to \$15.9 million for the three months ended June 30, 2010. The decrease was primarily due to the decrease in operating loss from operations of 24.2% to \$12.8 million, compared to \$15.9 million for the three months ended June 30, 2010.

Goodwill impairment expense for the three months ended June 30, 2011, was \$31.3 million, compared to \$10.5 million for the three months ended June 30, 2010. The increase was primarily due to the increase in goodwill impairment expense of 66.4% to \$31.3 million, compared to \$10.5 million for the three months ended June 30, 2010.

Amortization expense for the three months ended June 30, 2011, was \$5.1 million, compared to \$5.1 million for the three months ended June 30, 2010.

Interest expense for the three months ended June 30, 2011, was \$0.3 million, compared to \$0.3 million for the three months ended June 30, 2010.

Change in fair value of financial instruments for the three months ended June 30, 2011, was \$8.0 million, compared to \$34.9 million for the three months ended June 30, 2010.

Change in fair value of derivatives for the three months ended June 30, 2011, was -1.1%, compared to -4.8% for the three months ended June 30, 2010.

### OTHER INCOME (EXPENSES)

Other income (expenses) for the period ended June 30, 2011 is as follows:

**2006 Loan Facility (SMIC Shanghai).** In June 2006, SMIC secured a \$600.0 million loan facility (MIC B) from the DRC. The loan facility is scheduled to mature in June 2011. The loan facility is secured by a MIC C. The interest rate is 4.86% per annum. As of June 30, 2010, the amount of principal drawn is \$393.0 million. The interest rate is 1.55% as of June 30, 2010. The amount of principal repaid is \$1.4 million as of June 30, 2010. The amount of interest repaid is \$0.3 million as of June 30, 2010.

**2009 USD & RMB Loan Facility (SMIC Shanghai).** In July 2009, SMIC secured a \$80 million USD and MB200 million RMB loan facility (MIC E) from the DRC. The loan facility is scheduled to mature in July 2011. The loan facility is secured by a MIC B. The interest rate is 4.86% per annum. As of June 30, 2011, the amount of principal drawn is \$92 million and MB200 million RMB (MIC A). The interest rate is 2.40% as of June 30, 2011. The amount of principal repaid is \$29.4 million as of June 30, 2011. The amount of interest repaid is \$1.7 million and MB200 million RMB as of June 30, 2011.

**2011 USD Loan Facility (SMIC Shanghai).** In August 2011, SMIC secured a \$69 million USD loan facility (MIC E) from the DRC. The loan facility is scheduled to mature in August 2013. The loan facility is secured by a MIC B. The interest rate is 4.40% per annum. As of June 30, 2011, the amount of principal drawn is \$12 million. The interest rate is 4.40% as of June 30, 2011. The amount of interest repaid is \$0.01 million as of June 30, 2011. The amount of interest repaid is \$0.03 million as of June 30, 2011.

**2005 Loan Facility (SMIC Beijing).** In March 2005, SMIC secured a \$600.0 million loan facility (MIC B) from the DRC. The loan facility is scheduled to mature in March 2011. The loan facility is secured by a MIC B. The interest rate is 4.86% per annum. As of June 30, 2011, the amount of principal drawn is \$600.0 million. The interest rate is 4.86% as of June 30, 2011. The amount of interest repaid is \$0.01 million as of June 30, 2011. The amount of interest repaid is \$0.03 million as of June 30, 2011.



A.  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} < 1$ ;  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} > 60\%$  (MIC B  $\geq 20,000$  12-);  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} > 50\%$  (MIC B  $\geq 20,000$  12-).

1.  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} < 1$ ;

2.  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} > 60\%$  (MIC B  $\geq 20,000$  12-);  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} > 50\%$  (MIC B  $\geq 20,000$  12-).

I. J 2011,  $\frac{MIC B_{t-1} + MIC B_t}{MIC B_t} > 70\%$

J (1, 2011, J 30, 2012).

MIC B J 30, 2011.

2005 EUR Loan Facility. D 15, 2005, C, E 85 AB A, B, B ( ) E MIC 2006 MIC 2007 2008.

A, J 30, 2010, M ( ) C, ( MIC ) E 15.1 2010, MIC E 15.1 0.97%, 1.85%, J 30, 2010. \$0.02 \$229 J 30, 2010. I 2010, MIC

A, J 30, 2011, MIC E 56.9 E 44.1 E 12.8 ( \$18.4 ). 2.52%, 4.56%, J 30, 2011. \$0.4 \$0.2 \$0.1 \$0.05 J 30, 2011 2010,

2006 Loan Facility (SMIC Tianjin). I, M 2006, MIC \$300.0 C E C, MIC A, J 30, 2011, MIC \$259.0 F ( 2010 ) A, J 30, 2011, MIC \$215.9 1.65%, 1.71%,

... J 30, 2011. ... J 30, 2011 vs 2010 ... \$0.5 ... \$1.3 ... \$0.07 ... \$0.02 ... J 30, 2011 vs 2010, ...

A. ... MIC ...

1. ... + ... + ... + ... ( ... ) / ... < 1;
2. ... 60% ... MIC ... 40%

MIC ... J 30, 2011.

Short-term Credit Agreements. A. ... J 30, 2011, ... C. ... \$926.5 ... A. ... J 30, 2011, ... C. ... \$712.4 ... \$214.1 ... \$50.6

... J 30, 2011 vs 2010 ... \$9.7 ... \$5.7 ... 1.75% , 5.84%, ... J 30, 2011.

**CAPITALIZED INTEREST**

... C ... \$8.7 ... \$3.1 ... J 30, 2011 vs J 30, 2010, ... F. ... J 30, 2011 vs J 30, 2010, ... C. ... \$3.4 ... \$3.6

**COMMITMENTS**

A. ... J 30, 2011, ... C. ... \$83 ... B. ... Li ... \$537 ... B. ... 18

**DEBT TO EQUITY RATIO**

A. ... J 30, 2011, ... C. ... 47.1% ...

## CONTINGENT LIABILITIES

As at December 31, 2011, the Company has no contingent liabilities. As at December 31, 2010, the Company had no contingent liabilities. As at June 30, 2011, the Company had no contingent liabilities.

## FOREIGN EXCHANGE RATE FLUCTUATION RISK

The Company is exposed to foreign exchange rate fluctuations in the United States, Canada, Hong Kong, the United Kingdom, the Netherlands, the People's Republic of China, the Republic of Korea, and Japan. The Company's primary foreign exchange risk is the impact of fluctuations in the exchange rate of the U.S. dollar, the Canadian dollar, and the Japanese yen on the Company's revenue and operating expenses.

The Company's revenue is primarily denominated in U.S. dollars. The Company's operating expenses are primarily denominated in U.S. dollars, Canadian dollars, and Japanese yen. The Company's revenue and operating expenses are affected by fluctuations in the exchange rate of the U.S. dollar, the Canadian dollar, and the Japanese yen. The Company's revenue and operating expenses are affected by fluctuations in the exchange rate of the U.S. dollar, the Canadian dollar, and the Japanese yen. As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million. As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million. As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million.

As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million. As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million. As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million.

## CROSS CURRENCY SWAP FLUCTUATION RISK

As at June 30, 2011, the Company has no cross currency swap contracts. As at June 30, 2011, the Company has no cross currency swap contracts. As at June 30, 2011, the Company has no cross currency swap contracts.

The Company's revenue is primarily denominated in U.S. dollars. The Company's operating expenses are primarily denominated in U.S. dollars, Canadian dollars, and Japanese yen. The Company's revenue and operating expenses are affected by fluctuations in the exchange rate of the U.S. dollar, the Canadian dollar, and the Japanese yen. The Company's revenue and operating expenses are affected by fluctuations in the exchange rate of the U.S. dollar, the Canadian dollar, and the Japanese yen. As at June 30, 2011, the Company's revenue was \$274 million and its operating expenses were \$274 million.

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# CORPORATE GOVERNANCE REPORT

The Company's board of directors and management are committed to the highest standards of corporate governance and to the long-term success of the Company and its shareholders.

## CORPORATE GOVERNANCE PRACTICES

The HK Ex' Change's Corporate Governance Code (the CG Code) contains 14 principles. Listing Rules require the Company to state how it has applied the CG Code and to explain any deviations from the CG Code (if any). The Company's G.I. Board has adopted the CG Code as a guide for its operations. The Company's G.I. Board has adopted the CG Code as a guide for its operations. The Company's G.I. Board has adopted the CG Code as a guide for its operations. The Company's G.I. Board has adopted the CG Code as a guide for its operations. The Company's G.I. Board has adopted the CG Code as a guide for its operations.

The Company's G.I. Board has adopted the CG Code as a guide for its operations. The Company's G.I. Board has adopted the CG Code as a guide for its operations. The Company's G.I. Board has adopted the CG Code as a guide for its operations.

**THE BOARD**

The Board of Directors (the "Board") is composed of seven members, including three independent non-executive directors. The Board is responsible for the overall strategy and performance of the Company. The members of the Board are Mr. Wang Xing (Chairman), Mr. Chen Jianhua (Vice Chairman), Mr. Li Qiang (Vice Chairman), Mr. Zhang Junde (Independent Director), Mr. Qian Hong (Independent Director), Mr. Sun Qian (Independent Director), and Mr. Wang Jie (Executive Director). The Board meets regularly to discuss and approve the Company's business strategy, financial performance, and other important matters.

The Board is committed to the Company's long-term development and the interests of its shareholders. It will continue to work hard to improve the Company's management and performance, and to create value for its shareholders.

The Board will hold an Annual General Meeting (AGM) in 2011 (the "2011 AGM") on December 30, 2011 in Hangzhou, China. The agenda of the 2011 AGM includes the review and approval of the Company's 2011 financial statements, the election of directors and supervisors, and the review and approval of the Company's 2011 operating results.

- E. ~~(4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)~~
- E. ~~(4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)~~
- E. ~~(4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)~~

Name of Director	Category of Director	Class of Director
	C	C .. I
	C	C .. I
G	D	C .. I
C	D	C .. II
L -B	D	C .. II
F	D	C .. II
K	D	C .. III
J	D	C .. III
L	D	C .. III

C, C, L, B, C, B, C, E

B, C, B, C, A, C, B, B, CG, C, D, B, D, B, D, D

A, D, C, B, E, B, B, C, F, B, D, C, D, D, C, D, L, C, E, D, L, C

C, D, D, I, D

## BOARD COMMITTEE

B. 於 2011 年 6 月 27 日，本委員會向董事會提交報告，建議董事會批准 2011 年第一季的未經審核綜合財務報表（經核數師審核）及 2011 年第一季的未經審核綜合經營數據。董事會已於 2011 年 6 月 27 日通過上述報告。

### Audit Committee

A. 於 2011 年 6 月 30 日，本委員會（由 A.C. 擔任主席（A.C. 擔任主席）及 M.L.-B. 擔任副主席（M.G. 擔任副主席）組成）向董事會提交報告，建議董事會批准 2011 年第一季的未經審核綜合財務報表及 2011 年第一季的未經審核綜合經營數據。董事會已於 2011 年 6 月 30 日通過上述報告。

B. 於 2011 年 6 月 27 日，本委員會向董事會提交報告，建議董事會批准 2011 年第一季的未經審核綜合財務報表及 2011 年第一季的未經審核綜合經營數據。董事會已於 2011 年 6 月 27 日通過上述報告。

C. 於 2011 年 6 月 30 日，本委員會向董事會提交報告，建議董事會批准 2011 年第一季的未經審核綜合財務報表及 2011 年第一季的未經審核綜合經營數據。董事會已於 2011 年 6 月 30 日通過上述報告。





... B, ... D

... B, ... C

... C

... C, ... B

... C, ... A, ... CG, ... M

**Internal Audit Department**

... A, ... D, ... C, ... A

**CODE OF BUSINESS CONDUCT AND ETHICS**

... B, ... C, ... A, ... C

**U.S. Corporate Governance Practices**

... E, ... 303A, ... E, ... L, ... C, ... M, ... B, ... C, ... A, ... D, ... E, ... C, ... E, ... C

... A, 2002. H, ...  
 ... C, ... E L, ...  
 ... C, ... M, ... E, ... C, ... C, ...  
 ... C, ... I, ... H, ... K, ... E, ...  
 ... L, ... E, ...

... C, ... E, ...

... E, ... C, ... C, ...

... E, ... H, ... K, ... E, ... L, ...  
 ... 10A-3, ... E, ... A, 1934, ...

... C, ... B, ... E, ... H, ...  
 ... E, ... F, ... E, ... F, ... 10-K, ... C, ...  
 ... H, ... K, ... E, ... L, ...

... E, ...

## OTHER INFORMATION

### 1. DIVIDENDS

On June 27, 2011, the Board of Directors of the Company has approved a cash dividend of RMB 0.10 per share for the period from January 1, 2011 to June 30, 2011.

### 2. SHARE CAPITAL

As of June 30, 2011, the Company has 62,640,812 shares of common stock outstanding. The Company has 2004 EOP (Employee Ownership Plan) shares of 58,607,164 shares. The Company has 2004 EOP shares of 360,589,053 shares.

	Number of Shares Outstanding
As of June 30, 2011:	
Common Shares	27,454,995,323
2004 EOP Shares	360,589,053

The Company has no preferred shares. The Board of Directors (the Board) has approved the Company's 2004 EOP shares.

The Company's 2004 EOP shares are divided into three classes: Class A, Class B, and Class C. Class A shares are held by the Company, Class B shares are held by the Company's employees, and Class C shares are held by the Company's employees. The Company's 2004 EOP shares are divided into three classes: Class A, Class B, and Class C. Class A shares are held by the Company, Class B shares are held by the Company's employees, and Class C shares are held by the Company's employees. The Company's 2004 EOP shares are divided into three classes: Class A, Class B, and Class C. Class A shares are held by the Company, Class B shares are held by the Company's employees, and Class C shares are held by the Company's employees.

F. 207,315,992  
 D. 31, 2010, C.  
 A. J. 30, 2011, C.  
 C. 21,349,030

**Approximate no. of Restricted Share Units (the actual number of shares eventually to be issued may change due to departure of eligible participants prior to vesting)**

Vesting Dates	
<b>2011</b>	
1-J	16,111,692
21-J	200,600
22-J	12,600
29-J	75,000
1-F	2,162,791
4-F	1,679,398
13-F	75,000
16-F	75,000
23-F	1,679,398
1-M	39,034,371
5-M	50,000
12-M	125,000
16-M	50,000
31-M	125,000
1-A	1,734,992
1-M	75,000
15-M	62,500
22-M	8,750
16-J	125,000
21-J	75,000
1-J	140,000
13-A	252,754
1-	187,500
16-	150,000
27-	50,000
1-	250,000
10-	6,717,595
12-D	75,000
18-D	1,679,399
<b>2012</b>	
1-J	14,520,961
29-J	75,000
1-F	2,162,792
4-F	1,679,399
13-F	75,000
16-F	75,000
23-F	1,679,399
5-M	50,000
12-M	125,000
16-M	50,000
31-M	125,000
1-A	1,684,992
21-M	8,750
13-A	252,754
1-	187,500
27-	50,000
10-	6,717,595
18-D	1,679,398

Vesting Dates	Approximate no. of Restricted Share Units (the actual number of shares eventually to be issued may change due to departure of eligible participants prior to vesting)
<b>2013</b>	
1-J	9,652,200
1-F	2,162,791
4-F	1,679,398
23-F	1,679,398
5-M	50,000
12-M	125,000
16-M	50,000
31-M	125,000
1-A	1,684,992
13-A	252,754
1-	187,500
10-	6,717,595
18-D	1,679,398
<b>2014</b>	
1-J	9,652,229
1-F	2,162,792
4-F	1,679,399
23-F	1,679,399
5-M	50,000
12-M	125,000
16-M	50,000
31-M	125,000
1-A	1,684,993
13-A	252,755
1-	187,500
<b>2015</b>	
1-J	4,944,984

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of June 30, 2011, the following individuals are known to own or beneficially own 1% or more of the outstanding shares of common stock of the Company (C. 571, L. H., K., ) (SFO.).

**A. Ordinary Shares**

Name of Shareholder	Number of Shares/ Underlying Shares Held <sup>(1)</sup>	Percentage of Issued Share Capital
Datang International (Group) & Finance Holdings Company Limited (Datang.)	5,227,132,761 (long position) <sup>(2)</sup>	19.04%
Shanghai International Investment Company Limited (SIIC)	310,008,000 (long position) <sup>(3)</sup>	1.13%
	1,833,269,340 (long position) <sup>(4)</sup>	6.68%
<b>Total</b>	<b>2,143,277,340</b> <b>(long position)</b>	<b>7.81%</b>
TSMC Microelectronics Manufacturing Company Limited (TSMC)	1,789,493,218 (long position) <sup>(5)</sup>	6.52%
	707,899,976 (long position) <sup>(5)</sup>	2.58%
<b>Total</b>	<b>2,497,393,194</b> <b>(long position)</b>	<b>9.10%</b>

(1) The total number of shares held by SMIC is 27,454,995,323 as at the end of June 30, 2011.

(2) A subsidiary of Datang International (Group) Finance Holdings Company Limited (Datang Finance) has acquired the shares of SMIC from Datang International (Group) & Finance Holdings Company Limited.

(3) A subsidiary of SIIC (B.V.) Limited has acquired the shares of SMIC.

(4) A subsidiary of Shanghai International Investment Company Limited (SIIC) has acquired the shares of SMIC from IFHL, a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.). B.V. has acquired the shares of SMIC from IFHCL (H.K.) and IFHL (H.K.) for a total of 1,833,269,340 shares as at June 30, 2011. Datang Finance has also acquired the shares of SMIC from CE (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.), a subsidiary of IFHCL (H.K.).

(5) On June 9, 2009, SMIC issued 1,789,493,218 shares to TSMC for a total consideration of 1,789,493,218 shares. On June 5, 2010, SMIC issued 707,899,976 shares to TSMC for a total consideration of 707,899,976 shares. On June 30, 2011, SMIC issued 817,077,531 shares to TSMC for a total consideration of 817,077,531 shares. A subsidiary of TSMC has also acquired the shares of SMIC from TSMC.

**B. Preferred Shares (Convertible Preferred Shares)<sup>(1)</sup>**

Name of Shareholder	Number of Shares/ Underlying Shares Held
Citic Holdings Company Limited (CIC)	360,589,053
	(Less: ...) <sup>(2)</sup>
	72,117,810
	(Less: ...) <sup>(2)</sup>
<b>Total</b>	<b>432,706,863</b> <b>(Long position)</b>

(1) As of June 30, 2011, the convertible preferred shares held by the CIC ... 360,589,053. ... A ... III ... CIC ... May 11, 2011.

(2) On April 18, 2011, the CIC ... C ... H ... L ... CIC ... HK\$5.39 ... 72,117,810 ... 360,589,053 ... HK\$5.39 ... 360,589,053 ... June 3, 2011. A ... CIC ...

... 70,000,000 ... 70,000,000 ... CIC ...



1. 根據本集團之會計政策，本集團之附屬公司之會計政策與本集團之會計政策一致。如有不同，則本集團之會計政策將與本集團之會計政策一致。

(1) 本集團之附屬公司之會計政策與本集團之會計政策一致，HK\$0.5390 (本集團之會計政策一致)；

(2) 本集團之附屬公司之會計政策與本集團之會計政策一致；

本集團之附屬公司之會計政策與本集團之會計政策一致，C. 90% (本集團之會計政策一致)；

本集團之附屬公司之會計政策與本集團之會計政策一致，(1) (本集團之會計政策一致)；

(1) 本集團之附屬公司之會計政策與本集團之會計政策一致，本集團之附屬公司之會計政策與本集團之會計政策一致；

(2) 本集團之附屬公司之會計政策與本集團之會計政策一致，本集團之附屬公司之會計政策與本集團之會計政策一致；

(3) 本集團之附屬公司之會計政策與本集團之會計政策一致，本集團之附屬公司之會計政策與本集團之會計政策一致；

本集團之附屬公司之會計政策與本集團之會計政策一致，C. 90% (本集團之會計政策一致)；

( ) 本集團之附屬公司之會計政策與本集團之會計政策一致，10% (本集團之會計政策一致)；

本集團之附屬公司之會計政策與本集團之會計政策一致，A, B (本集團之會計政策一致)；

本集團之附屬公司之會計政策與本集團之會計政策一致，本集團之附屬公司之會計政策與本集團之會計政策一致；

本集團之附屬公司之會計政策與本集團之會計政策一致，本集團之附屬公司之會計政策與本集團之會計政策一致；

本集團之附屬公司之會計政策與本集團之會計政策一致，本集團之附屬公司之會計政策與本集團之會計政策一致；

本集團之附屬公司之會計政策與本集團之會計政策一致，( ) (本集團之會計政策一致)；

#### 4. SHAREHOLDING INTERESTS OF THE DIRECTORS OF THE COMPANY

As at June 30, 2011, the shareholding interests of the Directors of the Company are as follows:

Board Member	Nature of Interest	Number of Shares/ Underlying Shares held	Percentage of Aggregate Interests to Total Issued Share Capital
C	(1)	3,145,319	*
G	(1)	3,145,319	*
K	(2)	3,134,877	
	(3)	1,000,000	
	(4)	500,000	
	(5)	1,500,000	
	<b>Total</b>		<b>6,134,877</b>
L -B	(2)	3,134,877	
	(3)	1,000,000	
	(4)	500,000	
<b>Total</b>		<b>4,634,877</b>	*

\* Represents less than 1%.

(1)

(1) On March 24, 2010, Director C (M. G.) held 3,145,319 shares of the Company at HK\$0.59. As at June 30, 2011, Director C (M. G.) held 3,145,319 shares of the Company at HK\$0.59. As at June 30, 2011, Director C (M. G.) held 3,145,319 shares of the Company at HK\$0.59.

(2) On February 23, 2010, Director K (M. K.) held 3,134,877 shares of the Company at HK\$0.77. As at June 30, 2011, Director K (M. K.) held 3,134,877 shares of the Company at HK\$0.77. As at June 30, 2011, Director K (M. K.) held 3,134,877 shares of the Company at HK\$0.77.

(3) On February 17, 2009, Director K (M. K.) held 1,000,000 shares of the Company at HK\$0.27. As at June 30, 2011, Director K (M. K.) held 1,000,000 shares of the Company at HK\$0.27. As at June 30, 2011, Director K (M. K.) held 1,000,000 shares of the Company at HK\$0.27.

(4) On September 29, 2006, Director K (M. K.) held 500,000 shares of the Company at \$0.132. As at June 30, 2011, Director K (M. K.) held 500,000 shares of the Company at \$0.132. As at June 30, 2011, Director K (M. K.) held 500,000 shares of the Company at \$0.132.

(5) Director K (M. K.) held 1,500,000 shares of the Company from July 12, 2012 to July 14, 2014. As at June 30, 2011, Director K (M. K.) held 1,500,000 shares of the Company.

As at June 30, 2011, the shareholding interests of the Directors of the Company are as follows: 4,006,666 shares of the Company at HK\$0.59.

## 2001 STOCK OPTION PLANS

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share ( D)	Options Outstanding as of 12/31/10	Options Lapsed During Period	Options Lapsed to Repurchase of Ordinary Shares During Period*	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 6/30/11	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted
											( D)	( D)
E	3/28/2001	3/28/2001-3/27/2011	89,385,000	\$0.01	2,400,000	30,000		2,370,000,000			\$0.07	\$0.03
E	4/2/2001	4/02/2001-4/01/2011	2,216,000	\$0.01	210,000	20,000		190,000			\$	\$0.03
E	4/16/2001	4/16/2001-4/15/2011	575,000	\$0.01	35,000			35,000			\$	\$0.03
E	4/28/2001	4/28/2001-4/27/2011	60,000	\$0.01	42,000			42,000			\$	\$0.03
E	5/14/2001	5/14/2001-5/13/2011	1,597,000	\$0.01	10,000	10,000					\$	\$0.03
E	5/15/2001	5/15/2001-5/14/2011	95,000	\$0.01	35,000					35,000	\$	\$0.03
E	7/1/2001	7/1/2001-6/30/2011	745,000	\$0.01	49,000					49,000	\$	\$0.03
E	7/15/2001	7/15/2001-7/14/2011	1,045,000	\$0.01	160,000			60,000		100,000	\$	\$0.03
E	7/16/2001	7/16/2001-7/15/2011	2,220,000	\$0.01	38,500			24,500		14,000	\$	\$0.03
E	7/27/2001	7/27/2001-7/26/2011	50,000	\$0.01	50,000			50,000			\$	\$0.03
E	7/30/2001	7/30/2001-7/29/2011	140,000	\$0.01	100,000			100,000			\$	\$0.03
E	8/7/2001	8/07/2001-8/06/2011	20,000	\$0.01	20,000			20,000			\$	\$0.03
E	8/15/2001	8/20/2001-8/19/2011	20,000	\$0.01	20,000			20,000			\$	\$0.03
E	8/20/2001	9/24/2001-9/23/2011	98,708,500	\$0.01	8,366,700			3,785,600		4,581,100	\$0.05	\$0.03
E	9/24/2001	9/28/2001-9/27/2011	50,000	\$0.01	50,000			50,000			\$	\$0.03
E	1/24/2002	1/24/2002-1/23/2012	47,653,000	\$0.01	6,735,500			2,190,000		4,545,500	\$0.04	\$0.03
E	1/24/2002	1/24/2002-1/23/2012	7,684,500	\$0.02	624,100	2,500		155,100		466,500	\$0.06	\$0.03
E	4/10/2002	4/10/2002-4/09/2012	48,699,000	\$0.02	6,575,900			2,107,000		4,468,900	\$0.06	\$0.05
E	4/11/2002	6/28/2002-6/27/2012	39,740,000	\$0.02	4,166,000			982,000		3,184,000	\$0.07	\$0.06
E	6/28/2002	6/28/2002-6/27/2012	18,944,000	\$0.05	4,564,000			1,195,000		3,369,000	\$0.06	\$0.06
K	6/28/2002	7/11/2002-7/10/2012	500,000	\$0.05	500,000					500,000	\$	\$0.07
E	7/11/2002	7/11/2002-7/10/2012	2,780,000	\$0.05	30,000					30,000	\$	\$0.07
E	7/11/2002	9/26/2002-9/25/2012	50,000	\$0.05	50,000					50,000	\$	\$0.03
E	9/26/2002	9/26/2005-9/25/2012	5,770,000	\$0.02	1,485,000			280,000		1,205,000	\$0.07	\$0.08
E	9/26/2002	9/26/2005-9/25/2012	65,948,300	\$0.05	12,478,210	28,900		2,304,460		10,144,850	\$0.08	\$0.08
E	1/9/2003	1/09/2003-1/08/2013	53,831,000	\$0.05	8,813,400	400,000		3,850,000		4,563,400	\$0.08	\$0.10
E	1/9/2003	4/01/2003-3/31/2013	18,804,900	\$0.05	4,558,214	81,260		1,182,200		3,294,754	\$0.08	\$0.14
E	4/24/2003	4/24/2003-4/23/2013	58,488,000	\$0.05	12,304,400	8,000		5,175,400		7,121,000	\$0.08	\$0.14
E	7/15/2003	7/15/2003-7/14/2013	59,699,900	\$0.05	12,026,110	109,000		3,529,100		8,388,010	\$0.08	\$0.17
E	10/10/2003	10/10/2003-10/09/2013	49,535,400	\$0.10	13,911,500	1,942,000		792,000		11,177,500	\$	\$0.29
E	1/05/2004	1/05/2004-1/04/2014	130,901,110	\$0.10	43,654,722	4,379,764		1,900,086		37,374,872	\$0.10	\$0.33
K	1/15/2004	1/15/2004-1/14/2014	1,000,000	\$0.10	1,000,000					1,000,000	\$	\$0.33
E	1/15/2004	1/15/2004-3/01/2005	4,100,000	\$0.10	100,000					100,000	\$	\$0.14
E	1/15/2004	1/15/2004-1/14/2014	2,700,000	\$0.10	1,755,000					1,750,000	\$	\$0.14
E	1/15/2004	1/15/2004-1/14/2014	4,600,000	\$0.10	2,100,000	600,000				1,500,000	\$	\$0.35
E	1/15/2004	1/15/2004-1/14/2014	20,885,000	\$0.10	4,074,000	350,000				3,724,000	\$	\$0.33
E	2/16/2004	2/16/2004-2/15/2014	900,000	\$0.25	300,000					300,000	\$	\$0.33
E	2/16/2004	2/16/2004-2/15/2014	12,300,000	\$0.25	700,000					700,000	\$	\$0.35
E	2/16/2004	2/16/2004-2/15/2014	14,948,600	\$0.10	3,713,500	59,300				3,654,200	\$	\$0.33
E	2/16/2004	2/16/2004-2/15/2014	76,454,880	\$0.25	27,600,300	2,613,410				24,986,890	\$	\$0.33
			<b>943,844,090</b>		<b>185,406,056</b>	<b>10,634,134</b>	<b>—</b>	<b>32,473,446</b>	<b>—</b>	<b>142,298,476</b>		

## REFERENCE SHARE PLANS

Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share ( D)	Options Outstanding as of 12/31/10	Options Lapsed During Period	Options of Ordinary Shares Repurchased During Period*	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 6/30/11	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted
										( D)	( D)
9/24/2001	9/24/2001-9/23/2011	246,698,700	\$0.11	13,139,700	691,000		102,000		12,346,700	\$	\$0.11
9/28/2001	9/28/2001-9/27/2011	50,000	\$0.11	50,000	50,000					\$	\$0.11
11/3/2001	11/03/2001-11/02/2011	780,000	\$0.35	375,000	5,000				370,000	\$	\$0.11
1/24/2002	1/24/2002-1/23/2012	58,357,500	\$0.11	3,284,500	514,400		10,000		2,760,100	\$	\$0.12
4/10/2002	4/10/2002-4/09/2012	52,734,000	\$0.11	1,945,900	88,000				1,857,900	\$	\$0.13
6/28/2002	6/28/2002-6/27/2012	63,332,000	\$0.11	6,209,000	741,000				5,468,000	\$	\$0.14
7/11/2002	7/11/2002-7/10/2012	462,000	\$0.11	202,000					202,000	\$	\$0.14
7/11/2002	7/11/2002-7/10/2012	4,530,000	\$0.11	55,000					55,000	\$	\$0.14
9/26/2002	9/26/2002-9/25/2012	50,000	\$0.11	50,000					50,000	\$	\$0.15
9/26/2002	9/26/2002-9/25/2012	73,804,800	\$0.11	9,241,700	400,500				8,841,200	\$	\$0.15
1/9/2003	1/09/2003-1/08/2013	12,686,000	\$0.11	1,117,000	450,000				667,000	\$	\$0.17
		<b>513,485,000</b>		<b>35,669,800</b>	<b>2,939,900</b>	<b>—</b>	<b>112,000</b>	<b>—</b>	<b>32,617,900</b>		

## 04 STOCK OPTION PLAN

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Option Granted	Exercise Price Per Share ( D)	Options Outstanding as of 12/31/10	Additional Options Granted During Period	Options Lapsed During Period	Options Repurchased to Ordinary Shares During Period*	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 6/30/11	Weighted Average Closing Price of Shares Immediately before Dates on which Options were Exercised ( D)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted ( D)
E . . . . .	11/10/2006	11/10/2006-11/09/2016	33,271,000	\$0.11	14,239,000		2,342,000				11,897,000	\$	\$0.11
E . . . . .	5/16/2007	5/16/2007-5/15/2017	122,828,000	\$0.15	59,634,150		6,812,150				52,822,000	\$	\$0.15
. . . M . . . . .	5/16/2007	5/16/2007-5/15/2017	2,000,000	\$0.15	600,000						600,000	\$	\$0.15
. . . . .	5/16/2007	5/16/2007-5/15/2017	5,421,000	\$0.15	500,000						500,000	\$	\$0.15
E . . . . .	12/28/2007	12/28/2007-12/27/2017	89,839,000	\$0.10	42,717,000		3,574,400		497,400		38,645,200	\$	\$0.10
E . . . . .	2/12/2008	2/12/2008-2/11/2018	126,941,000	\$0.08	73,480,200		8,129,300		6,697,475		58,653,425	\$	\$0.08
. . . M . . . . .	2/12/2008	2/12/2008-2/11/2018	2,300,000	\$0.08	500,000						500,000	\$	\$0.08
. . . . .	2/12/2008	2/12/2008-2/11/2018	600,000	\$0.08	600,000						600,000	\$	\$0.08
E . . . . .	11/18/2008	11/18/2008-11/17/2018	117,224,090	\$0.02	65,362,740		7,583,050		1,572,000		56,207,690	\$	\$0.02

2004 EQUITY INCENTIVE PLAN

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share	Options Outstanding as of 12/31/10	Additional Options Granted During Period	Options Lapsed During Period	Options Repurchased of Ordinary Shares During Period*	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 6/30/11	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Vested	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Vested
												( D)	( D)
E	8/11/2005	8/11/2005-8/10/2015	69,430,022	\$0.00	12,600				12,600			\$0.09	\$0.22
E	5/16/2007	5/16/2007-5/15/2017	33,649,720	\$0.00	4,351,250			22,000	4,320,500		8,750	\$0.11	\$0.14
E	12/28/2007	12/28/2007-12/27/2017	4,910,000	\$0.00	1,027,500			25,000	387,500		615,000	\$	\$0.10
E	2/12/2008	2/12/2008-2/11/2018	38,597,100	\$0.00	10,962,624			796,600	5,420,312		4,745,713	\$	\$0.08
E	2/12/2008	2/12/2008-2/11/2018	270,000	\$0.00	135,000				67,500		67,500	\$	\$0.08
E	2/12/2008	2/12/2008-2/11/2018	960,000	\$0.00	110,000				55,000		55,000	\$	\$0.08
E	11/18/2008	11/18/2008-11/17/2018	2,080,000	\$0.00	450,000				225,000		225,000	\$	\$0.02
E	5/11/2009	5/11/2009-5/10/2019	787,797	\$0.00	100,000						100,000	\$	\$0.04
E	2/23/2010	2/23/2010-2/22/2020	21,459,142	\$0.00	20,452,532				1,979,148		18,473,384	\$	\$0.10
E	2/23/2010	2/23/2010-2/22/2020	139,933,819	\$0.00	61,108,274			2,811,650	43,426,563		14,870,061	\$	\$0.10
E	2/23/2010	2/23/2010-2/22/2020	500,500	\$0.00	250,250				250,250		250,250	\$	\$0.10
E	2/23/2010	2/23/2010-2/22/2020	6,717,594	\$0.00	6,717,594				1,679,398		5,038,196	\$	\$0.10
E	2/23/2010	2/23/2010-2/22/2020	26,870,379	\$0.00	26,870,379						26,870,379	\$	\$0.10
E	5/24/2010	5/24/2010-5/23/2020	6,739,969	\$0.00	6,739,969						6,739,969	\$	\$0.08
E	5/24/2010	5/24/2010-5/23/2020	1,400,000	\$0.00	1,400,000				300,000		1,100,000	\$	\$0.08
E	9/08/2010	9/08/2010-9/07/2020	2,944,589	\$0.00	2,944,589				483,393		2,461,196	\$	\$0.07
E	11/12/2010	11/12/2010-11/11/2020	750,000	\$0.00	750,000						750,000	\$	\$0.08
E	5/31/2011	5/31/2011-5/30/2021	21,212,530	\$0.00		21,212,530		1,569,100			19,643,430	\$	\$0.08
E	5/31/2011	5/31/2011-5/30/2021	81,900	\$0.00		81,900					81,900	\$	\$0.08
E	5/31/2011	5/31/2011-5/30/2021	54,600	\$0.00		54,600					54,600	\$	\$0.08
			<b>379,349,661</b>		<b>144,382,562</b>	<b>21,349,030</b>	<b>5,224,350</b>	<b>—</b>	<b>58,607,164</b>	<b>—</b>	<b>101,900,078</b>		

5. REPURCHASE SALE OR REDEMPTION OF SECURITIES

C. On June 30, 2011, the Company repurchased 1,569,100 shares of its common stock at a price of \$37.70 per share, for a total of \$58,607,164.

6. MATERIAL LITIGATION AND ARBITRATION

Settlement Agreement with TSMC

On October 10, 2009, the Company entered into a settlement agreement with TSMC. Pursuant to the settlement agreement, the Company agreed to pay TSMC a sum of \$1,789,493,218 (the "Settlement Amount") in exchange for TSMC's release of the Company from all claims, demands, damages, losses, costs, expenses, and attorney's fees that TSMC has or may have against the Company, its subsidiaries, officers, directors, employees, agents, and representatives, arising out of or in connection with the Company's operations from January 1, 2004 to the date of the settlement agreement.

A. On September 9, 2009, the Company entered into a settlement agreement with MIC. Pursuant to the settlement agreement, the Company agreed to pay MIC a sum of \$695,914,030 (the "Settlement Amount") in exchange for MIC's release of the Company from all claims, demands, damages, losses, costs, expenses, and attorney's fees that MIC has or may have against the Company, its subsidiaries, officers, directors, employees, agents, and representatives, arising out of or in connection with the Company's operations from January 1, 2004 to the date of the settlement agreement. The Settlement Amount is payable in three installments: (i) \$100,000,000 on September 9, 2009; (ii) \$200,000,000 on September 9, 2010; and (iii) \$395,914,030 on September 9, 2011. The Settlement Amount is payable in US dollars, and the exchange rate for US dollars to Hong Kong dollars is HK\$1.30. The Settlement Amount is payable to MIC's designated bank account. The Settlement Amount is subject to a 10% interest rate. The Settlement Amount is payable to MIC's designated bank account. The Settlement Amount is subject to a 10% interest rate. The Settlement Amount is payable to MIC's designated bank account. The Settlement Amount is subject to a 10% interest rate.

## 7. CHANGES IN DIRECTORATE AND UPDATE OF DIRECTORS' INFORMATION

### Changes in the Members of the Board

A. Directorship of Mr. C. ... B. ... 2010 ... :

M. J. ... C. ... B. ... -E. ... D. ... J. 27, 2011.

D. D. ... K. ... E. ... D. ... C. ... E. ... (CE ...) ... 2011 AGM, ... J. 29, 2011.

L. ... J. ... L. ... D. ... C. ... C. ... H. ... A. 18, 2011 ... C. ... C. ... H. ... L. ... C. ... L. ... -E. ... D. ... J. 30, 2011.

M. ... -E. ... D. ... J. 30, 2011, ... E. ... D. ... J. 2, 2011.

J. 15, 2011, M. ... C. ... B. ... A. ... CE ... C. ... D. D. ... K. ... CE ... J. 13, 2011.

A, 5, 2011, D. ... C. ... CE ... E. ... D. ... C. ... M. ... A. ... CE ...

A, 23, 2011, M. F. ... M. ... D. ...

### Changes in, and updates to, previously disclosed information relating to the Directors

A. ... L. ... D. ...

M. ... J. ... F. ... B. ... C. ... L. ... A. ... M. ... M. 27, 2011.

M. G. ... D. ... G. ... F. ... C. ... L. ... J. 2011.

M. ... D. ... C. ... D. ... M. J. ... D. D. ... K. ... A, 2011.

E. ... D. ...

## 8. WAIVER FROM COMPLIANCE WITH THE LISTING RULES

On August 8, 2004, the Board of Directors of the Company adopted the Listing Rules of the Exchange and the Listing Rules of the Exchange.

## 9. REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the financial statements of the Company for the period from January 1, 2011 to June 30, 2011.

B  
B  
D  
**Semiconductor Manufacturing International Corporation**  
**Dr. Tzu-Yin Chiu**  
*Chief Executive Officer and Executive Director*

C  
A, 29, 2011



# CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended June 30, 2011 and 2010

(in US\$ thousands, except share data)  
(unaudited)

	Six months ended June 30,	
	2011	2010
Revenue	\$722,948	\$720,063
Cost of sales	603,898	611,170
Gross profit	119,050	108,893
Operating expenses (in thousands):		
Research and development	101,074	94,783
General and administrative	10,494	31,275
Depreciation and amortization	15,878	12,813
Impairment of intangible assets	(441)	(231)
Interest expense - bank borrowings	—	5,138
Other income	127,005	143,778
Loss on disposal of property, plant and equipment	(7,955)	(34,885)
Operating income (loss)		
Cost of sales (in thousands):		
Cost of sales - bank borrowings	—	(40,609)
Cost of sales - other	3,233	(14,709)
Cost of sales	3,233	(55,318)
Loss on disposal of property, plant and equipment	(4,722)	(90,203)
Interest expense (in thousands)	(4,993)	8,841
Gain (loss) on disposal of property, plant and equipment	2,094	(314)
Loss on disposal of intangible assets	(7,621)	(81,676)
Interest income (in thousands)	14,741	(3,715)
Other income (in thousands)	\$7,120	\$(85,391)
Amortization of intangible assets	(658)	(521)
Interest income (in thousands) - M&A		
Interest income - C, Ltd.	\$6,462	\$(85,912)
Interest income (in thousands)	\$(8,279)	\$(82,197)
Other income	\$14,457	\$(3,715)
Interest income - C, Ltd. (in thousands)		
Interest income	\$284	
Exchange (loss) gain		
Exchange (loss) gain	\$0.00	\$(0.00)
Exchange (loss) gain	\$0.00	\$(0.00)
Exchange (loss) gain	\$0.00	\$(0.00)
Exchange (loss) gain - C, Ltd.		
Exchange (loss) gain	\$0.00	
Exchange (loss) gain	\$0.00	
Income tax expense		
Income tax expense (in thousands)	27,401,260,769	22,438,779,149
Income tax expense - C, Ltd.	537,895,272	

# CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2011 and December 31, 2010

(in US\$ thousands, except share data)  
(unaudited)

	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	410,912	515,808
Accounts receivable	184,808	161,350
Accounts payable		
Accounts receivable from related parties, net of allowance of \$43,194 at June 30, 2011 and December 31, 2010	236,738	206,623
Prepaid expenses	196,876	213,404
Other receivables	212,447	81,917
Total current assets	<b>1,241,781</b>	<b>1,179,102</b>
Non-current assets:		
Property, plant and equipment	78,002	78,798
Intangible assets	2,665,092	2,351,863
Accounts payable from related parties	187,826	173,821
Accounts payable from related companies	132,093	119,109
Total non-current assets	<b>4,304,794</b>	<b>3,902,693</b>
<b>TOTAL ASSETS</b>	<b>4,304,794</b>	<b>3,902,693</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	448,321	515,577
Accounts payable from related parties	139,440	148,880
Accounts payable from related companies	712,423	372,055
Contract liabilities	29,375	29,374
Contract liabilities from related parties	251,486	333,459
Total current liabilities	<b>1,581,045</b>	<b>1,399,345</b>
Long-term liabilities:		
Long-term debt	42,541	56,327
Long-term debt from related parties	182,122	178,596
Long-term debt from related companies	61,940	59,883
Total long-term liabilities	<b>286,603</b>	<b>294,806</b>
Total liabilities	<b>1,867,648</b>	<b>1,694,151</b>
Equity:		
Shareholders' equity	3,602	39,004
Minority interest	10,982	10,934
Contract liabilities	144	144
Accounts payable from related parties	4,115,597	3,858,643
Accounts payable from related companies	(694)	(1,092)
Accounts payable from related parties	<b>(1,692,485)</b>	<b>(1,698,947)</b>
Total equity	<b>2,437,146</b>	<b>2,208,542</b>
Total liabilities and equity	<b>4,304,794</b>	<b>3,902,693</b>

## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS)

For the period from January 1, 2011 to June 30, 2011 and 2010

(in US\$ thousands, except share data)  
(unaudited)

	Common Stock		Convertible Preferred Shares		Additional Paid-in capital	Accumulated Other comprehensive loss	Accumulated deficit	Total stockholders equity	Total comprehensive income (loss)
	Share	Amount	Shares	Amount					
	Balances January 1, 2011	27,334,063,747	\$10,934	—					
Exchange of convertible preferred shares for common shares	120,931,576	48	—	—	3,184	—	—	3,232	—
Issuance of convertible preferred shares to CIC	—	—	360,589,053	144	249,252	—	—	249,396	—
Issuance of common shares	—	—	—	—	364	—	—	364	—
Share-based compensation	—	—	—	—	4,154	—	—	4,154	—
Share repurchase	—	—	—	—	—	—	6,462	6,462	6,462
Foreign exchange translation	—	—	—	—	—	398	—	398	398
Balances June 30, 2011	27,454,995,323	\$10,982	360,589,053	\$144	\$4,115,597	\$(694)	\$(1,692,485)	\$2,433,544	\$6,860
Balances January 1, 2010	22,375,886,604	\$8,950	—	\$	\$3,499,723	\$(386)	\$(1,712,047)	\$1,796,240	\$
Exchange of convertible preferred shares for common shares	104,372,868	42	—	—	1,031	—	—	1,073	—
Issuance of convertible preferred shares	—	—	—	—	6,386	—	—	6,386	—
Share-based compensation	—	—	—	—	—	—	(85,912)	(85,912)	(85,912)
Foreign exchange translation	—	—	—	—	—	(776)	—	(776)	(776)
Balances June 30, 2010	22,480,259,472	\$8,992	—	\$	\$3,507,140	\$(1,162)	\$(1,797,959)	\$1,717,011	\$(86,688)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2011 and 2010

(in US\$ thousands)  
(unaudited)

	Six months ended June 30,	
	2011	2010
<b>Cash flow from operating activities</b>		
Revenue (..)	\$7,120	\$(85,391)
Depreciation and amortization	264,429	333,190
(Gain) Loss on disposal of property, plant and equipment	(2,094)	314
Gain on disposal of investment	(20,617)	
Change in non-current assets and liabilities	(96,028)	72,697
<b>Net cash provided by operating activities</b>	<b>152,810</b>	<b>320,810</b>
<b>Cash flow from Investing activities:</b>		
Acquisition of property, plant and equipment	(677,501)	(160,667)
Intangible assets	(17,853)	(29,973)
Investment in equity instruments	(28,991)	(5,669)
Change in non-current assets and liabilities	(40,735)	(16,739)
	7,426	40,618
<b>Net cash used in investing activities</b>	<b>(757,654)</b>	<b>(172,430)</b>
<b>Financing activities:</b>		
Issuance of long-term debt	340,368	70,523
Dividend paid	(78,447)	(116,116)
Change in current liabilities	(15,000)	(40,000)
Change in non-current liabilities	249,396	
Change in equity	3,232	1,073
<b>Net cash provided by (used in) financing activities</b>	<b>499,549</b>	<b>(84,520)</b>
Effect of exchange rate change	399	(776)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(104,896)</b>	<b>63,084</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>515,808</b>	<b>443,463</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$410,912</b>	<b>\$506,547</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$1,678	\$2,731
Interest received	\$16,501	\$13,645
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING OR FINANCING ACTIVITIES</b>		
Acquisition of property, plant and equipment through capital lease	\$(249,521)	\$(104,154)
Leasehold improvements	\$(5,138)	\$(16,410)
Leasehold improvements	\$—	\$6,731

The accompanying notes are an integral part of this financial statement.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Interim Period Ended June 30, 2011 (vs. 2010)  
(Currency in US\$ unless otherwise stated)

### 1. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared on the basis of the accounting principles and practices generally accepted in the United States of America ("GAAP").

The Condensed Consolidated Balance Sheet as of June 30, 2011, and the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Cash Flows, and Condensed Consolidated Statement of Equity for the Interim Period Ended June 30, 2011, and for the Interim Period Ended June 30, 2010, are derived from the Condensed Consolidated Financial Statements as of and for the periods ended June 30, 2011 and June 30, 2010, and the Condensed Consolidated Balance Sheet as of and for the periods ended June 30, 2010 and December 31, 2010, and the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Cash Flows, and Condensed Consolidated Statement of Equity for the Interim Period Ended June 30, 2011, and for the Interim Period Ended June 30, 2010, and for the Interim Period Ended December 31, 2010, and for the Interim Period Ended December 31, 2009, which are included in the SMIC Interim Report 2011.

The Condensed Consolidated Financial Statements are unaudited. The Condensed Consolidated Financial Statements as of and for the periods ended June 30, 2011 and June 30, 2010, and the Condensed Consolidated Balance Sheet as of and for the periods ended June 30, 2010 and December 31, 2010, and the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Cash Flows, and Condensed Consolidated Statement of Equity for the Interim Period Ended June 30, 2011, and for the Interim Period Ended June 30, 2010, and for the Interim Period Ended December 31, 2010, and for the Interim Period Ended December 31, 2009, are derived from the audited financial statements as of and for the periods ended June 30, 2011 and June 30, 2010, and the Condensed Consolidated Balance Sheet as of and for the periods ended June 30, 2010 and December 31, 2010, and the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Cash Flows, and Condensed Consolidated Statement of Equity for the Interim Period Ended June 30, 2011, and for the Interim Period Ended June 30, 2010, and for the Interim Period Ended December 31, 2010, and for the Interim Period Ended December 31, 2009, which are included in the SMIC Interim Report 2011.

### 2. FAIR VALUE

The Condensed Consolidated Balance Sheet as of June 30, 2011, and the Condensed Consolidated Balance Sheet as of June 30, 2010, are presented at fair value.

2. FAIR VALUE (CONTINUED)

The Company's financial instruments are measured at fair value using the following hierarchy:

- Level 1: Quoted prices in active markets for identical instruments.
- Level 2: Significant other observable inputs.
- Level 3: Significant unobservable inputs.

- Level 1: Includes exchange-traded securities and derivatives.
- Level 2: Includes over-the-counter derivatives, structured securities, and other financial instruments.
- Level 3: Includes private equity investments, structured securities, and other financial instruments.

**Fair Value Measurements at June 30, 2011 Using**

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
<b>Assets:</b>				
Fair value of equity securities	\$—	\$808	\$—	\$2,668
Derivative instruments	\$—	\$808	\$—	\$2,668
<b>Liabilities:</b>				
Fair value of equity securities	\$—	\$577	\$—	\$(152)
Interest rate derivatives	—	1,028	—	(603)
Contingent liabilities	—	121	—	(121)
Derivative instruments	\$—	\$1,726	\$—	\$(876)

2. FAIR VALUE (CONTINUED)

Assets/Liabilities measured at fair value on a recurring basis (Continued)

	Fair Value at March 31, 2010	Fair Value at December 31, 2010	Fair Value at June 30, 2011
A	(M)	(M)	(M)
	(L)	(L)	(L)
<b>Assets:</b>			
Fair value of equity securities classified as available-for-sale	\$ 695	\$ 695	\$ 2,204
Current and non-current receivables			292
<b>Total Assets</b>	<b>\$ 695</b>	<b>\$ 695</b>	<b>\$ 2,496</b>
<b>Liabilities:</b>			
Fair value of equity securities classified as available-for-sale	\$ 480	\$ 480	\$(4,170)
Liabilities related to equity securities	1,380	1,380	(958)
Current and non-current payables		1,292	(949)
Current and non-current liabilities related to equity securities			(40,609)
<b>Total Liabilities</b>	<b>\$ 3,152</b>	<b>\$ 3,152</b>	<b>\$(46,686)</b>

The fair value of the equity securities classified as available-for-sale is determined based on the closing bid price of the securities on the reporting date. The fair value of the equity securities classified as available-for-sale is determined based on the closing bid price of the securities on the reporting date. The fair value of the equity securities classified as available-for-sale is determined based on the closing bid price of the securities on the reporting date.

The Company's fair value of equity securities classified as available-for-sale is determined based on the closing bid price of the securities on the reporting date. The fair value of the equity securities classified as available-for-sale is determined based on the closing bid price of the securities on the reporting date. The fair value of the equity securities classified as available-for-sale is determined based on the closing bid price of the securities on the reporting date.

### 3. DISCONTINUED OPERATIONS

On March 1, 2011, the Company discontinued its operations in the United States. Management has determined that the operations are discontinued operations. The operations are reported as discontinued operations in the accompanying consolidated financial statements. The operations are reported as discontinued operations in the accompanying consolidated financial statements. The operations are reported as discontinued operations in the accompanying consolidated financial statements.

The Company's discontinued operations had a net loss of \$17,103 for the period ended June 30, 2011. The Company's discontinued operations had a net loss of \$14,741 for the period ended June 30, 2010. The Company's discontinued operations had a net loss of \$14,741 for the period ended June 30, 2010.

### 4. REVENUE RECOGNITION

The Company's revenue is derived from the sale of its products. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product.

The Company's revenue is derived from the sale of its products. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product.

The Company's revenue is derived from the sale of its products. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product. Revenue is recognized when the product is delivered to the customer and the customer has accepted the product.



## 5. SHARE-BASED COMPENSATION

C. The share-based compensation expense for the six months ended June 30, 2011 and 2010 is \$4,154,000 and \$6,386,000, respectively.

B. The following table summarizes the key terms of the share-based compensation plans for the six months ended June 30, 2011 and 2010:

	Six months ended June 30,	
	2011	2010
A. Weighted average cost of equity	1.27%	1.63%
E. Vesting period	4 years	1, 4 years
E. Forfeiture rate	70.32%	61.09%
E. Early exercise rate	0%	0%

### Share-based compensation plans

C. The share-based compensation plans (collectively, "Plans") are administered by the Compensation Committee.

I. 2004, the Compensation Committee (2004 Plan) was established by the Compensation Committee. As of June 30, 2011, there were 1,111,910,598 shares of common stock reserved for the 2004 Plan. As of June 30, 2011, there were 159,001,753 shares of common stock reserved for the 2004 Plan.

I. 2001, the Compensation Committee (2001 Plan) was established by the Compensation Committee. As of June 30, 2011, there were 174,916,376 shares of common stock reserved for the 2001 Plan. As of June 30, 2011, there were 478,913,959 shares of common stock reserved for the 2001 Plan. H. The Compensation Committee has the authority to amend, suspend, terminate or otherwise modify the 2001 Plan.

A. The following table summarizes the key terms of the share-based compensation plans for the six months ended June 30, 2011:

	Number of options	Weighted average exercise price	Weighted average contractual life	Aggregate intrinsic value
As of June 30, 2011	1,317,679,526	\$0.11		
G. Granted	149,132,801	\$0.08		
E. Exercised	(62,640,812)	\$0.05		
C. Cancelled	(117,344,541)	\$0.11		
As of June 30, 2011	1,286,826,974	\$0.10	6.75 years	\$10,157
As of June 30, 2011	1,077,424,873	\$0.11	6.30 years	\$8,830
E. Exercised	515,884,156	\$0.12	4.70 years	\$3,957

D. The share-based compensation expense for the six months ended June 30, 2011 and 2010, is \$2,987,000 and \$1,336,000, respectively.

The share-based compensation expense for the six months ended June 30, 2011 and 2010 is \$0.05 and \$0.05, respectively.

## 5. SHARE-BASED COMPENSATION (CONTINUED)

### Restricted share units

In June 2004, the Company granted 2004 EOP Restricted Share Units (2004 EOP RSUs) to certain employees. The Company also granted 2004 EOP RSUs to certain directors. The Company also granted 2004 EOP RSUs to certain employees and directors in 2005, 2006, 2007, 2008, 2009, 2010 and 2011. As of June 30, 2011, 101,900,078 RSUs were outstanding and 14,313,744 RSUs were vested. The RSUs have a contractual life of 10 years.

A summary of the RSU activity is as follows:

	Number of share units	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value
Balance, June 1, 2011	144,382,562	\$0.10		
Granted	21,349,030	\$0.08		
Expired	(58,607,164)	\$0.10		
Canceled	(5,224,350)	\$0.09		
Balance, June 30, 2011	101,900,078	\$0.09	8.82 years	\$9,401
Weighted average contractual life, June 30, 2011	78,085,089	\$0.09	8.74 years	\$7,181

The 2004 EOP RSUs granted 21,349,030 RSUs to employees and directors in June 2011 had a weighted average exercise price of \$0.08. The 2004 EOP RSUs granted to employees and directors in 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 had a weighted average exercise price of \$1.344.

### Unrecognized compensation cost related to non-vested share-based compensation

As of June 30, 2011, the unrecognized compensation cost related to non-vested share-based compensation was \$16,354, which will be recognized over the remaining contractual life of the RSUs. The unrecognized compensation cost related to non-vested share-based compensation was \$13,654 as of June 30, 2010. The unrecognized compensation cost related to non-vested share-based compensation was \$128,818 as of December 31, 2010, and \$32,532 as of June 30, 2011.

## 6. RESTRICTED CASH

As of June 30, 2011, the restricted cash balance was \$171,154, which includes restricted cash of \$13,654 related to the 2004 EOP RSUs. The restricted cash balance was \$128,818 as of December 31, 2010, and \$32,532 as of June 30, 2011. The restricted cash balance is primarily related to the 2004 EOP RSUs. The restricted cash balance is primarily related to the 2004 EOP RSUs. The restricted cash balance is primarily related to the 2004 EOP RSUs.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments are summarized as follows:

	June 30, 2011	December 31, 2010
Foreign exchange derivatives	\$273,683	\$92,860
Interest rate derivatives	72,000	76,000
Commodity derivatives	8,162	11,280
	<b>\$353,845</b>	<b>\$180,140</b>

The Company's derivative financial instruments are primarily used to hedge the exchange rate risk of the foreign currency denominated sales and purchases. The Company also uses derivatives to hedge the interest rate risk of the foreign currency denominated debt. The Company also uses derivatives to hedge the commodity price risk of the foreign currency denominated purchases. The Company's derivative financial instruments are primarily used to hedge the exchange rate risk of the foreign currency denominated sales and purchases. The Company also uses derivatives to hedge the interest rate risk of the foreign currency denominated debt. The Company also uses derivatives to hedge the commodity price risk of the foreign currency denominated purchases.

Settlement currency	Notional amount	US dollar equivalents
American, June 30, 2011		
European	15,200	\$21,848
Japanese	1,627,610	251,835
		<b>\$273,683</b>
American, December 31, 2010		
European	7,683	\$10,175
Japanese	546,298	82,685
		<b>\$92,860</b>

The Company's derivative financial instruments are primarily used to hedge the exchange rate risk of the foreign currency denominated sales and purchases. The Company also uses derivatives to hedge the interest rate risk of the foreign currency denominated debt. The Company also uses derivatives to hedge the commodity price risk of the foreign currency denominated purchases. The Company's derivative financial instruments are primarily used to hedge the exchange rate risk of the foreign currency denominated sales and purchases. The Company also uses derivatives to hedge the interest rate risk of the foreign currency denominated debt. The Company also uses derivatives to hedge the commodity price risk of the foreign currency denominated purchases.

Settlement currency	Notional amount	US dollar equivalents
American, June 30, 2011		
European	28,390	\$41,563
		<b>\$41,563</b>
American, December 31, 2010		
European	8,517	\$11,280
		<b>\$11,280</b>

## 7. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Company entered into derivative contracts to hedge its foreign exchange risk. The contracts are classified as derivative financial instruments.

As at June 30, 2011 and December 31, 2010, the Company's derivative financial instruments are as follows:

	June 30, 2011	December 31, 2010
Foreign exchange contracts	\$231	\$215
Interest rate contracts	(1,028)	(1,380)
Commodity contracts	(121)	(1,292)
	<b>\$(918)</b>	<b>\$(2,457)</b>

## 8. ACCOUNTS RECEIVABLES, NET OF ALLOWANCES

The Company's accounts receivable are due within 30 to 60 days. The Company's accounts receivable are classified as current assets.

As at June 30, 2011 and December 31, 2010, the Company's accounts receivable are as follows:

	June 30, 2011	December 31, 2010
Accounts receivable	\$195,510	\$174,379
Allowances for doubtful accounts	29,195	25,395
Accounts receivable, net	8,738	3,033
Accounts receivable, net of allowances	3,295	3,816
	<b>\$236,738</b>	<b>\$206,623</b>

The Company's accounts receivable are classified as current assets.

	June 30, 2011	December 31, 2010
Accounts receivable	\$49,373	\$96,145
Allowances for doubtful accounts	544	1,077
Accounts receivable, net	(320)	(19,349)
Accounts receivable, net of allowances	(6,403)	(28,500)
Accounts receivable, net	<b>\$43,194</b>	<b>\$49,373</b>

## 9. INVENTORIES

	June 30, 2011	December 31, 2010
Raw materials	\$70,263	\$79,038
Work in progress	95,385	86,235
Finished goods	31,228	48,131
	<b>\$196,876</b>	<b>\$213,404</b>

10. ACCOUNTS PAYABLE

Accounts payable are due to various suppliers.

	June 30, 2011	December 31, 2010
Current liabilities	\$356,978	\$429,831
Due within 30 days	40,703	42,087
Due 31 to 60 days	13,485	8,541
Due 60 days or more	37,155	35,118
	\$448,321	\$515,577

11. INDEBTEDNESS

Liabilities are due to various lenders.

	Maturity	Interest rate	June 30, 2011	December 31, 2010
Due	2009, 2012	2.40%, 4.86%	\$80,000	\$110,271
Due	2011, 2013	4.4%		



### 13. CONVERTIBLE PREFERRED SHARES

#### Convertible Preferred Shares and Warrants

On June 3, 2011, the Company issued (1) 360,589,053 convertible preferred shares (the "Preferred Shares") with a par value of \$0.0004 and a conversion price of HK\$5.39; and (2) 72,117,810 convertible preferred shares (the "Convertible Preferred Shares") with a par value of \$0.0004 and a conversion price of HK\$5.39. The Convertible Preferred Shares are convertible into common shares of the Company (the "Common Shares") at the option of the holder of the Convertible Preferred Shares at a conversion price of HK\$5.39 per Common Share. The Convertible Preferred Shares have a face value of \$249,396,000 and a total value of \$603,000,000.

#### Voting

The Convertible Preferred Shares have no voting rights. The Convertible Preferred Shares are not entitled to any dividends or other distributions of the Company's assets.

#### Dividend entitlements

The Convertible Preferred Shares are not entitled to any dividends or other distributions of the Company's assets.

#### Ranking

The Convertible Preferred Shares rank pari passu with the Company's common shares in all respects. The Convertible Preferred Shares are not entitled to any dividends or other distributions of the Company's assets.

#### Liquidation preference

The Convertible Preferred Shares have no liquidation preference. The Convertible Preferred Shares are not entitled to any dividends or other distributions of the Company's assets.

#### Conversion Rights

The Convertible Preferred Shares are convertible into common shares of the Company at the option of the holder of the Convertible Preferred Shares at a conversion price of HK\$5.39 per Common Share. The Convertible Preferred Shares have a face value of \$249,396,000 and a total value of \$603,000,000.

### 14. INCOME TAXES

The Company is a corporation organized in the Cayman Islands. The Company is not subject to income tax in the Cayman Islands. The Company is subject to income tax in the United States. The Company's income tax expense is determined based on the Company's taxable income in the United States. The Company's income tax expense is determined based on the Company's taxable income in the United States.

## 15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's operations are divided into three segments: Semiconductor Manufacturing, Semiconductor Design and Semiconductor Packaging. Semiconductor Manufacturing includes the design, development, manufacturing and sales of integrated circuits, microprocessors, microcontrollers, memory devices, and other semiconductor products. Semiconductor Design includes the design and development of integrated circuits, microprocessors, microcontrollers, memory devices, and other semiconductor products. Semiconductor Packaging includes the design, development, manufacturing and sales of semiconductor packaging products.

	Six months ended June 30,	
	2011	2010
Sales	\$393,081	\$404,147
Expenses	21,098	21,130
Administrative expenses*	17,487	22,647
Interest	60,957	89,967
Other	305	2,776
Minority interest	230,020	179,396
<b>Total</b>	<b>\$722,948</b>	<b>\$720,063</b>

\* Includes depreciation, amortization, J-1, M-1, and C-1.

## 17. TRANSACTIONS WITH MANAGED GOVERNMENT OWNED FOUNDRIES

(CONTINUED)

The Company's total revenue from managed government owned foundries was \$15,575 million for the six months ended June 30, 2011, compared to \$6,914 million for the six months ended June 30, 2010. In 2009, the Company's total revenue from managed government owned foundries was \$1,000 million for the six months ended June 30, 2009. The Company's total revenue from managed government owned foundries was \$27,232 million for the six months ended June 30, 2011, compared to \$27,232 million for the six months ended June 30, 2010. The Company's total revenue from managed government owned foundries was \$27,232 million for the six months ended June 30, 2011, compared to \$27,232 million for the six months ended June 30, 2010.

The Company's total revenue from managed government owned foundries was \$27,232 million for the six months ended June 30, 2011, compared to \$27,232 million for the six months ended June 30, 2010. The Company's total revenue from managed government owned foundries was \$27,232 million for the six months ended June 30, 2011, compared to \$27,232 million for the six months ended June 30, 2010.

## 18. RECONCILIATION OF EARNINGS (LOSS) PER SHARE

	Six months ended June 30,	
	2011	2010
(In \$ million)		
Income (loss) attributable to Management		
Income (loss) attributable to the Company	<b>\$6,462</b>	\$(85,912)
Losses from operations	<b>(7,621)</b>	(81,676)
Amortization of intangible assets	<b>(658)</b>	(521)
Losses from operations	<b>(8,279)</b>	(82,197)
Income (loss) from operations	<b>14,457</b>	(3,715)
Income (loss) from operations	<b>284</b>	
Income (loss) from operations	<b>27,401,260,769</b>	22,438,779,149
Income (loss) from operations	<b>537,895,272</b>	
Earnings (loss) per share		
Earnings (loss) per share	<b>\$0.00</b>	\$(0.00)
Earnings (loss) per share	<b>\$0.00</b>	\$(0.00)
Earnings (loss) per share	<b>\$0.00</b>	\$(0.00)
Earnings (loss) per share	<b>\$0.00</b>	
Earnings (loss) per share	<b>\$0.00</b>	

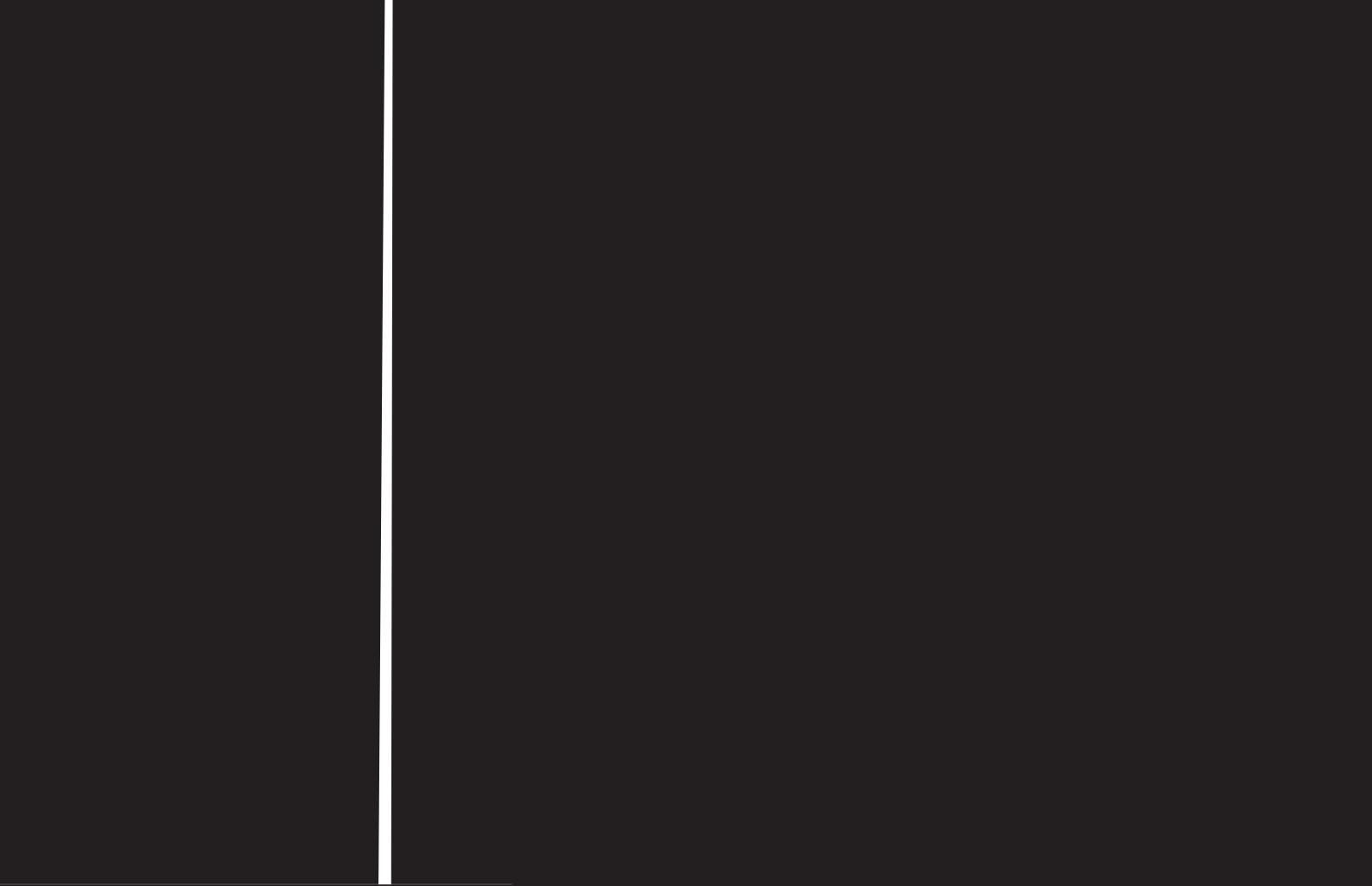
The Company's total revenue from managed government owned foundries was \$27,232 million for the six months ended June 30, 2011, compared to \$27,232 million for the six months ended June 30, 2010. The Company's total revenue from managed government owned foundries was \$27,232 million for the six months ended June 30, 2011, compared to \$27,232 million for the six months ended June 30, 2010.

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## 19. COMMITMENTS

As at June 30, 2011, the Company has entered into various contracts, including purchase orders, sales orders, and other contracts, which are subject to change or cancellation. The Company's management has reviewed these contracts and determined that they do not have a material impact on the Company's financial position.



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