

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

April 11, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of April 2005

Commission File Number 1-31994

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

(Translation of Registrant's Name Into English)

18 Zhangjiang Road

Pudong New Area, Shanghai 201203

People's Republic of China

(Address of Principal Executive Offices)

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(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F):

Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)):

Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)):

Yes No

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934):

Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____)

Semiconductor Manufacturing International Corporation (the Registrant) is furnishing under the cover of Form 6-K:

Exhibit 99.1: Circular mailed to holders of the Registrant's Ordinary Shares on April 6, 2005, relating to the notice of the Registrant's annual general meeting, proposed general mandates to issue and repurchase shares, proposed continuing connected transactions and proposed amendments to the Registrant's articles of association.

Exhibit 99.2: Form of proxy mailed to holders of the Registrant's Ordinary Shares on April 6, 2005.

Exhibit 99.3: Hong Kong annual report of the Registrant for the year ended December 31, 2004.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Semiconductor Manufacturing

International Corporation

By: /s/ Richard R. Chang

Name: Richard R. Chang

Title: Chairman of the Board, President and

Chief Executive Officer

Date: April 11, 2005

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
Exhibit 99.1:	Circular mailed to holders of the Registrant's Ordinary Shares on April 6, 2005, relating to the notice of the Registrant's annual general meeting, proposed general mandates to issue and repurchase shares, proposed continuing connected transactions and proposed amendments to the Registrant's articles of association.
Exhibit 99.2:	Form of proxy mailed to holders of the Registrant's Ordinary Shares on April 6, 2005.
Exhibit 99.3:	Hong Kong annual report of the Registrant for the year ended December 31, 2004.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Semiconductor Manufacturing International Corporation (the Company), you should at once hand this circular and the accompanying form of proxy and the Annual Report and Accounts of the Company to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited (the Stock Exchange) takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Semiconductor Manufacturing International Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 981)

NOTICE OF ANNUAL GENERAL MEETING

PROPOSED GENERAL MANDATES TO ISSUE AND

REPURCHASE SHARES

PROPOSED CONTINUING CONNECTED TRANSACTIONS

AND

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

Independent financial adviser to the Independent Shareholders

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A subsidiary of ICBC

The notice convening the annual general meeting of the Company to be held at 18 Zhangjiang Road, PuDong New Area, Shanghai, People's Republic of China on Friday, 6th May, 2005 at 3:00 p.m. is contained in this circular. Shareholders are advised to read the notice and to complete and return the enclosed form of proxy for use at the annual general meeting in accordance with the instructions printed thereon.

Whether you are able to attend the annual general meeting or not, please complete and return the enclosed form of proxy to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the annual general meeting in person. Only shareholders of record on 6th May, 2005 are entitled to attend and vote at the annual general meeting.

* *for identification purpose only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

2004 Annual Report	means the annual report of the Company for the year ended 31st December, 2004
AGM	means the annual general meeting of the Company to be convened and held at 18 Zhangjiang Road, PuDong New Area, Shanghai, People's Republic of China on Friday, 6th May, 2005 at 3:00 p.m.
Articles of Association	means the Ninth Amended and Restated Articles of Association of the Company adopted by special resolution passed at the Extraordinary General Meeting of the members of the Company held on 28th January, 2004
Associates	has the same meaning given to it by the Listing Rules
Company	means Semiconductor Manufacturing International Corporation, a company incorporated in the Cayman Islands with limited liability
Director(s)	means the board of directors of the Company
Group	means the Company and its subsidiaries
HK\$	means Hong Kong Dollars, the lawful currency of Hong Kong Special Administrative Region of the People's Republic of China
Independent Shareholders	means shareholders of the Company other than the Directors, chief executive officers of the Company and their respective Associates
Latest Practicable Date	means 29th March, 2005, being the latest practicable date prior to the printing of this circular
Listing Rules	means the Rules Governing the Listing of Securities on the Stock Exchange
New Issue Mandate	means a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to allot and issue Shares set out as resolution no. 4 in the Notice
Notice	means the notice convening the AGM
Repurchase Mandate	means a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Shares of the Company set out as resolution no. 5 in the Notice
SFO	the Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong
Share(s)	means ordinary share(s) of par value of US\$0.0004 each in the capital of the Company

Stock Exchange	means The Stock Exchange of Hong Kong Limited
Takeover Code	means the Hong Kong Code on Takeovers and Mergers
United States or U.S.	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
US\$	means US Dollars, the lawful currency of the United States of America
%	per cent.

LETTER FROM THE CHAIRMAN

Semiconductor Manufacturing International Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 981)

Executive Director:

Richard R. Chang (*Chairman*)

Non-Executive Director:

Cai Lai Xing

Fang Yao (alternate to Cai Lai Xing)

Independent Non-Executive Directors:

Ta-Lin Hsu

Yen-Pong Jou

Tsuyoshi Kawanishi

Henry Shaw

Lip-Bu Tan

Yang Yuan Wang

Registered Office:

P. O. Box 309GT

Ugland House

George Town

Grand Cayman

Cayman Islands

Principal Place of Business:

18 Zhangjiang Road

Pudong New Area

Shanghai 201203

People's Republic of China

6th April, 2005

To shareholders of the Company

Dear Sir or Madam,

NOTICE OF ANNUAL GENERAL MEETING

PROPOSED GENERAL MANDATES TO ISSUE AND

REPURCHASE SHARES

PROPOSED CONTINUING CONNECTED TRANSACTIONS

AND

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The AGM will be held on Friday, 6th May, 2005 at 3:00 p.m.. The Notice is set out in this document, and a proxy form and the 2004 Annual Report and Accounts of the Company for the year ended 31st December, 2004, accompany this circular. Details of the resolutions to be

proposed at the AGM are set out in the Notice.

* *for identification purpose only*

RE-ELECTION OF DIRECTORS

Two Directors, Richard R. Chang and Henry Shaw, whose appointments as Directors took effect on 3rd April, 2000 and 25th September, 2001 respectively and who were designated as Class I Directors, will retire from office at the AGM pursuant to Article 90 of the Articles of Association, and will both offer themselves for re-election. The details of these Directors are as follows:

Richard R. Chang, aged 57, founded the Company in April 2000 and was appointed President and Chief Executive Officer of the Company with effect from 3rd April, 2000 and was appointed as Chairman with effect from 18th March, 2004. Dr. Chang may be re-elected for a term of three years at the AGM in accordance with Article 90 of the Articles of Association.

Dr. Chang is a director of each of Semiconductor Manufacturing International (Beijing) Corporation, Semiconductor Manufacturing International (Shanghai) Corporation, Semiconductor Manufacturing International (AT) Corporation and Semiconductor Manufacturing International (Tianjin) Corporation. Dr. Chang has over 26 years of semiconductor experience in foundry operations, wafer fabrication and research and development. From 1998 to 1999, Dr. Chang was President of Worldwide Semiconductor Manufacturing Corp., or WSMC, after joining the company in 1997. Prior to joining WSMC, Dr. Chang worked for 20 years at Texas Instruments Incorporated, where he helped build and manage the technology development and operations of ten semiconductor fabs and integrated circuit operations in the United States, Japan, Singapore, Italy and Taiwan.

Dr. Chang received a PhD in Electrical Engineering from Southern Methodist University and a master's degree in Engineering Science from the State University of New York.

In December 2003, Dr. Chang was selected by the China Center of Information Development as one of the ten China IT Economic People of 2003 for his role in influencing and contributing to the development of China's information technology industry. In February 2004, Dr. Chang received The Magnolia Silver Award, which is generally recognized as the highest award an individual may receive from the Shanghai Municipal Foreign Affairs Office. The award recognizes Dr. Chang's contributions to Shanghai's economy, social development and interchange and cooperation with foreign companies.

As at the Latest Practicable Date, Dr. Chang was interested in 70,880,000 Shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance (the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the Model Code).

Dr. Chang is not related to any Director, senior management or substantial or controlling shareholder of the Company.

Information about Dr. Chang's emoluments is set out in the Annual Report and Accounts of the Company for the year ended 31st December, 2004.

Henry Shaw, aged 51, was appointed non-executive director of the Company with effect from 25 September, 2001 and was appointed as independent non-executive director of the Company with effect from 18th March, 2004. Mr. Shaw may be re-elected for a term of three years at the AGM in accordance with Article 90 of the Articles of Association.

Mr. Shaw is the Senior Partner of AsiaVest Partners TCW/YKY Ltd. Prior to joining AsiaVest Partners, Mr. Shaw was a Vice President at Transpac Capital Pte. Ltd. and founded and served as Chief Financial Officer of Mosel Vitelic Inc. Mr. Shaw serves on the board of directors of InterVideo, Inc.

Mr. Shaw received a master's degree in Business Administration from National Cheng-Chi University in Taiwan.

As at the Latest Practicable Date, Mr. Shaw was interested in 500,000 Shares in the Company within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Shaw is not related to any Director, senior management or substantial or controlling shareholder of the Company.

As an independent non-executive Director, Mr. Shaw has not entered into any service contract with the Company.

GENERAL MANDATES TO ISSUE AND PURCHASE SHARES

Prior to the global share offer of the Company last year, the shareholders in the Company passed resolutions granting general mandates to the Directors to issue and purchase Shares in the Company. These general mandates will lapse at the conclusion of the AGM. Resolutions will therefore be proposed at the AGM to renew the grant of these general mandates. The relevant resolutions, in summary, are:

an ordinary resolution to give the Directors a general and unconditional mandate to allot, issue, grant, distribute and otherwise deal with additional Shares, not exceeding 20% of the Company's issued share capital as at the date of the resolution (as adjusted in accordance with the resolution), for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution);

an ordinary resolution to give the Directors a general and unconditional mandate to exercise all the powers of the Company to purchase an amount of Shares in the Company not exceeding 10% of the Company's issued share capital as at the date of the resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution); and

conditional on the passing of the resolutions to grant the New Issue Mandate and the Repurchase Mandate, an ordinary resolution to authorize the Directors to exercise the powers to allot, issue, grant, distribute and otherwise deal with additional Shares in the Company under the New Issue Mandate in respect of the aggregate nominal amount of share capital in the Company purchased by the Company.

As at the Latest Practicable Date, the Company had in issue an aggregate of 18,234,949,173 Shares. Subject to the passing of resolution no. 4 in relation to the New Issue Mandate and in accordance with the terms therein, the Company would be allowed to issue additional Shares of up to the aggregate amount of a maximum of 3,646,989,834 Shares on the basis that no further Shares will be issued or repurchased prior to the AGM.

The full text of these (and other) resolutions is set out in the Notice in this circular. In addition, and as required under the Listing Rules, an explanatory statement providing the requisite information regarding the Repurchase Mandate is set out in Appendix I to this circular.

PROPOSED CONTINUING CONNECTED TRANSACTIONS

Article 156 of the Company's Articles of Association provides (amongst others) that the Company may indemnify any person who is made a party to any action, suit or proceeding by reason of the fact that the person is or was a director, officer, employee or agent of the Company, or is or was serving at the Company's request as a director, officer, employee or agent of the Company at another entity, subject to certain limitations and applicable conditions.

The Company recognizes the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks.

The Company desires to attract and retain the services of highly qualified individuals to serve the Company and, in part, in order to induce such individuals to continue to provide services to the Company, the Company wishes to provide for the indemnification and advancing of expenses to its directors as permitted by law and the Listing Rules.

On 18th March, 2004, the date of the initial public offering (IPO) of the Company, the Company has entered into an indemnification agreement (the Indemnification Agreement) with each director whose appointment as director took effect immediately upon the IPO (the IPO Directors), whereby the Company has agreed to (amongst others) indemnify the IPO Directors in respect of liability arising from their capacity as directors of the Company. Details on the nature and scope of the indemnity given by the Company pursuant to the Indemnification Agreement were disclosed in the Company's prospectus issued on 8th March, 2004 for the purpose of the IPO.

Pursuant to the Indemnification Agreement, the Company will be obliged to indemnify each of its directors and chief executive officers, to the fullest extent permitted by law, against all costs, charges, expenses, liabilities, losses and obligations incurred in connection with any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation which might lead to any of the foregoing (an Applicable Claim) by reason of or arising out of any event or occurrence relating to the fact that he is or was a director or chief executive officer of the Company, or any of the Company's subsidiaries, or is or was serving at the Company's request at another corporation or enterprise, or by reason of any activity or inactivity while serving in such capacity (an Indemnifiable Event). The Company's obligation to indemnify its directors or chief executive officers pursuant to the Indemnification Agreement is subject to certain exceptions and limitations set out therein. In particular, there is a provision which provides that the Indemnification Agreement will be in force to the extent permitted by certain applicable laws, including Cayman Islands law. The Company understands that as a matter of public policy in the Cayman Islands, an indemnity from the Company in favour of its directors is not likely to be enforceable to the extent it is in respect of criminality, breach of fiduciary duties and, possibly, recklessness.

Under the Indemnification Agreement, payments of each claim will be reviewed by any competent person or body consisting of a member or members of the board of Directors (Board) or any other person or body appointed by the Directors who is not a party to the particular claim for which the indemnitee is seeking indemnification or Independent Legal Counsel (as defined below) appointed or approved by the Directors in accordance with the Indemnification Agreement (an Independent Reviewing Party) to ensure such claim is permitted under applicable laws, including

Cayman Islands law. The Directors will ensure the appointed Independent Reviewing Party will have the necessary professional knowledge to review each claim. Independent Legal Counsel shall mean an attorney or firm of attorneys, selected in accordance with the provisions of the Indemnification Agreement, who shall not have otherwise performed services for the Company or party seeking indemnification within the last three years (other than with respect to matters concerning the rights of the party seeking indemnification under the Indemnification Agreement, or of other indemnities under similar indemnity agreements). Under the terms of the Indemnification Agreement, a party will not be selected as the Independent Reviewing Party with respect to a claim if there exist any conflict of interests between the Company and such party with respect to such claim. If the indemnitee is a Director, such Director shall abstain from voting on the resolution in respect of the appointment of the Independent Reviewing Party. After reviewing the claim, the appointed Independent Reviewing Party will make a determination (in the form of a written opinion, in any case in which Independent Legal Counsel is involved) to the Company as to whether and to what extent the Applicable Claims would be permitted under applicable law.

For the year ended 31st December 2004, no payment was made to any of the Company's directors under the Indemnification Agreement.

In order to reflect the new requirements under Rules 14A.35 of the Listing Rules to set a term of no longer than 3 years and a maximum aggregate annual value for each connected transaction (as defined under the Listing Rules) (the Requirements), the Company proposes to amend the form of Indemnification Agreement (the New Agreement) so as to comply with the Requirements and to enter into the New Agreement with each of its existing and future directors and chief executive officers. The New Agreement will supersede any Indemnification Agreement which the Company has previously entered into with any existing directors.

The Articles of Association permit the appointment of directors so that the total number of directors (exclusive of alternate directors) shall not at any time exceed the number fixed in accordance with the Articles of Association. Under the Articles of Association, the number of directors shall be nine or such other number as shall be fixed by the board of directors from time to time.

The terms of the New Agreement are the same as the Indemnification Agreement, except that the New Agreement will be subject to a term of three years and an Annual Cap (as defined and described below).

The Company has obtained directors and officers liability insurance (the D&O Insurance). The current limit of liability under the D&O Insurance is US\$20,000,000 per annum for claims against the Company's directors and officers.

Under Rule 14A.11(1) of the Listing Rules, a director or chief executive officer of the Company is considered a connected person of the Company. The entering into of the New Agreement by the Company with any of its existing and future directors and chief executive officers would constitute connected transaction (the Continuing Connected Transactions) under the Listing Rules. Accordingly, under Chapter 14A of the Listing Rules the Company would normally be required to:

1. seek Independent Shareholders' approval of the New Agreement;
2. disclose specified information relating to the New Agreement by way of shareholders' circular and announcement;

3. obtain and disclose in the shareholders' circular an independent expert's opinion as to whether the terms of the New Agreement are fair and reasonable so far as the Company's shareholders are concerned;
4. publish specified information relating to the New Agreement in the Company's subsequent published annual report and accounts for the financial years which the Company enters into the New Agreement with the directors and chief executive officers or makes any payment thereunder;
5. fix a period for the New Agreement, which except in special circumstances, must not exceed three years; and
6. set a maximum aggregate annual value on a specified basis in respect of the New Agreement.

Subject to obtaining Independent Shareholders' approval of the Continuing Connected Transactions, the Company will comply with the requirements under Chapter 14A of the Listing Rules. In relation to requirement no. 2 above, this circular serves as the disclosure required, and the disclosures regarding all New Agreements entered into between the Company and its existing and future directors and chief executive officers (if shareholders' approval is received) will be made pursuant to requirement no. 4 above for three years from the date of the Independent Shareholders' approval. In relation to requirement no. 5 above, the New Agreement is expected to take effect upon execution and will continue in effect with respect to Applicable Claims relating to Indemnifiable Events for a term of three years commencing on the date of the Independent Shareholders' approval of the Continuing Connected Transaction. With regards to requirement no. 6 above, the Company proposes to set for the New Agreement a maximum aggregate annual value of US\$20,000,000, provided that the Company's liability to indemnify a particular director or chief executive officer shall not exceed the amount payable in respect of such director or officer under the D&O Insurance ("Annual Cap"). The Annual Cap was determined by reference to the limit of liability under the D&O Insurance which the Company has obtained for its directors and officers. The current limit of liability under the D&O Insurance is US\$20,000,000 per annum for claims against the Company's directors in offices. It is intended that any payment made by the Company to a particular director or chief executive officer under the New Agreement for an Applicable Claim in respect of an Indemnifiable Event will be covered by the D&O Insurance. If the D&O Insurance does not cover any amount for any particular Applicable Claim in respect of any Indemnifiable Event, the Company will not be liable to make up for that amount which is not covered by the D&O Insurance. In the event that the limit of liability under the D&O Insurance exceeds US\$20,000,000 per annum for claims against the Company's directors in offices, the Company will re-comply with the Listing Rules, in particular, it will make a further announcement and seek independent shareholders' approval of the new maximum aggregate annual value of the New Agreement.

The Company will seek the approval of the Independent Shareholders of the New Agreement and the Annual Cap in relation to the Continuing Connected Transactions on the following conditions:

- (a) The Annual Cap will not exceed US\$20,000,000 (approximately HK\$156,000,000) provided that the Company's liability to indemnify a particular director or chief executive officer shall not exceed the amount payable to such director or chief executive officer under the D&O Insurance.

- (b) (i) The Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Company and either (A) on normal commercial terms or (B) if there is no available comparison, on terms no less favourable to the Company than terms available to independent third parties; and
- (ii) The Continuing Connected Transactions will be entered into in accordance with the New Agreement and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.
- (c) Brief details of the Continuing Connected Transactions will be disclosed in each of the Company's successive annual report (except for the next annual report to be issued on 6 April 2005 as it will be issued before the Company obtains Independent Shareholders approval for the Continuing Connected Transactions), each accompanied with a statement of opinion of the independent non-executive Directors in such manner as referred to in paragraph (d) below.
- (d) The independent non-executive Directors will review annually the Continuing Connected Transactions, and they will confirm in the Company's annual report for the financial year in question that such Continuing Connected Transactions under their review were conducted in the manner as stated in paragraphs (a) and (b) above.
- (e) The auditors of the Company will review annually the Continuing Connected Transactions, and confirm in a letter to the Company's board of directors (the Board) (a copy of which letter will be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) in respect of each relevant period, during which the Continuing Connected Transactions were conducted, stating that:
 - (i) the Continuing Connected Transactions have been approved by the Board;
 - (ii) the Continuing Connected Transactions have been entered into in accordance with the terms of the New Agreement; and
 - (iii) the Continuing Connected Transactions have not exceeded the Annual Cap,

and where for whatever reasons, if the auditors of the Company decline to accept the engagement or are unable to provide the auditors' letter, the Board will contact the Listing Division of the Stock Exchange immediately.

- (f) The Company will provide auditors of the Company with full access to the relevant records of the Continuing Connected Transactions for the purpose of auditors' review as referred to in paragraph (e) above.
- (g) The Company will comply with the applicable provisions of the Listing Rules governing connected transactions (including prompt notification of the Stock Exchange and publication of an announcement in newspapers) or will apply for waiver from strict compliance with the relevant requirements in the event that the Annual Cap of the Continuing Connected Transactions is exceeded, or there is any material amendment to the terms of the Continuing Connected Transactions.

At the AGM, it will be proposed, by way of ordinary resolution (resolution no. 7, the full text of which is set out in the Notice in this circular), that the New Agreement, the Continuing Connected Transactions contemplated thereunder and the Annual Cap in respect of the New Agreement be approved. Each of the Directors and chief executive officer (and their Associates) who holds voting shares in the Company, shall have to abstain from voting on resolution no. 7 at the AGM pursuant to the Listing Rules.

As all of the Directors have an interest in the proposed Continuing Connected Transactions, no independent board committee can be formed to advise the Independent Shareholders in relation to the proposed Continuing Connected Transactions. An independent financial adviser has been appointed to advise the Independent Shareholders in relation to the proposed Continuing Connected Transactions.

ICEA Capital Limited, the independent financial adviser, has been appointed to advise the Independent Shareholders. Your attention is drawn to the letter from ICEA Capital Limited set out in Appendix II to this circular.

Your attention is also drawn to the additional information set out in Appendix III to this circular.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the AGM, it will also be proposed, by way of special resolution (resolution no. 8, the full text of which is set out in the Notice in this circular), that the Articles of Association be amended to reflect the amendments to Appendix 3 to the Listing Rules which came into effect on 31st March, 2004 (which Appendix stipulates certain provisions as being required to be included in the articles of association of listed companies) and certain other matters.

The aforementioned special resolution to amend the Articles of Association also proposes that the tenth amended and restated articles of association of the Company (the New Articles), which consolidates all the proposed amendments to the Articles of Association, be adopted in substitution for the Articles of Association. A copy of the New Articles (with another marked-up copy to show the changes) is available for inspection during normal business hours at Computershare Hong Kong Investor Services Limited, at Hopewell Centre, 46th Floor, 183 Queen s Road East, Wanchai, Hong Kong from the date of this circular up to and including the date of the AGM and at the AGM.

PROCEDURE BY WHICH A POLL MAY BE DEMANDED

Under the Articles of Association, at any general meeting, on a show of hands every shareholder present in person shall have one vote and on a poll every shareholder present in person or by proxy shall have one vote for every Share he holds. Subject to the Listing Rules, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is demanded when, or before, the chairman of the meeting declares the result of the show of hands. A poll may be demanded by:

the chairman of the meeting;

at least five shareholders present at the meeting in person or by proxy who are entitled to vote; or

one or more shareholders present at the meeting (including proxies) who are (or represent members who are) entitled to vote and who have between them at least 10% of the total votes of all shareholders who have the right to attend and vote at the meeting.

The vote to be taken to approve the proposed resolution relating to the Continuing Connected Transactions (resolution no. 7, the full text of which is set out in the Notice in this circular) is required by the Listing Rules to be taken on a poll.

A form of proxy for the AGM is enclosed with this circular. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

RECOMMENDATION

The Directors are of the opinion that the proposed resolutions nos. 1 to 6 (inclusive), and 8 set out in the Notice are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend shareholders to vote in favour of the proposed resolutions nos. 1 to 6 (inclusive), and 8.

In relation to the proposed resolution no. 7, the Directors will draw the Independent Shareholders' attention to the recommendation of the Company's independent financial adviser, ICEA Capital Limited, set out in Appendix II to this circular.

Yours faithfully,
On behalf of the Board of Directors
Richard R. Chang
Chairman

APPENDIX I

EXPLANATORY STATEMENT

This is an explanatory statement given to all shareholders of the Company relating to a resolution (the Resolution) to be considered, and if thought fit, passed by shareholders of the Company at the AGM authorizing the Repurchase Mandate.

LISTING RULES

This explanatory statement contains the information required by the Listing Rules, which provide that all repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate to the directors of the Company to make such repurchases or by specific approval in relation to specific transactions.

Any repurchase would be made out of funds which are legally available for the purpose in accordance with the Company's constitutive documents and the applicable laws and regulations of the Cayman Islands.

It is proposed that the Repurchase Mandate will authorize the repurchase by the Company of up to 10% of the Shares in issue as at the date of passing the Resolution. As at the Latest Practicable Date, being the latest practicable date for determining such figure before the printing of this document, the authorized share capital of the Company is US\$22,000,000 consisting of 50,000,000,000 Shares with a par value of US\$0.0004 each and 5,000,000,000 undesignated preference shares with a par value of US\$0.0004 per share and the number of Shares in issue was 18,234,949,173, representing a paid-up share capital of US\$7,293,979.66. On the basis of the 18,234,949,173 Shares in issue (and assuming no Shares will be issued or repurchased after the Latest Practicable Date and up to the date of passing the Resolution), the Company would be authorized under the Repurchase Mandate to repurchase a maximum of 1,823,494,917 Shares (being 10% of the Shares in issue) during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings (in each case on a per Share basis) and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's 2004 Annual Report and Accounts for the year ended 31st December, 2004) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors, to the best of their knowledge having made all reasonable enquiries, any of their Associates has any present intention, in the event that the Repurchase Mandate is approved by shareholders of the Company, to sell Shares to the Company.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to sell any of the Shares held by him to the Company, in the event that the Repurchase Mandate is authorized.

UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

SHARE PRICES

During each of the twelve months preceding the Latest Practicable Date, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

	Highest	Lowest
	<u>(HK\$)</u>	<u>(HK\$)</u>
2004		
March 18* March 31	2.47	2.12
April	2.50	1.82
May	1.99	1.58
June	1.92	1.60
July	1.69	1.48
August	1.68	1.47
September	1.67	1.51
October	1.87	1.57
November	1.95	1.64
December	1.97	1.63
2005		
January	1.50	1.47
February	1.77	1.53
March**	1.64	1.48

* The date of the initial public offering of the Company.

** Up to and including the Latest Practicable Date.

No purchase of Shares has been made by the Company on the Stock Exchange in the six months immediately preceding the Latest Practicable Date. In the six months preceding the Latest Practicable Date, the Company has repurchased Shares from its employees pursuant to the Company's 2001 Stock Plan, 2001 Regulation S Stock Plan, 2001 Preference Shares Stock Plan and 2001 Regulation S Preference Shares Stock Plan, particulars of which are provided as follows:

<u>Repurchase date</u>	<u>Number of Shares purchased</u>	<u>Price per share or highest price paid per Share</u>	<u>Lowest price paid per Share</u>	<u>Purchase price</u>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
07/10/2004	100,000	0.8657		86,570.00
20/10/2004	315,000	0.8657		272,695.50
22/10/2004	400,000	0.8657		346,280.00
31/10/2004	725,000	0.8657		627,632.50
18/11/2004	365,000	0.8657		315,980.50
16/12/2004	4,275,000	0.8657	0.0390	187,392.50
6/1/2005	780,000	0.8657	0.0857	293,046.00
8/2/2005	460,000	0.0857	0.0390	19,574.50
28/2/2005	398,000	0.8657	0.0857	263,740.60
Total number of shares repurchased between 29th September, 2004 and 29th March, 2005	7,818,000			2,412,912.10

EFFECT OF THE TAKEOVER CODE

If as a result of a repurchase of securities of the Company, the proportionate interest in the voting rights of the Company of a shareholder increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, Shanghai Industrial Investment (Holdings) Company Limited (Shanghai Industrial) was directly and/or indirectly interested in an aggregate of 1,841,417,477 Shares in long position and 4,794,491 Shares in short position, representing approximately 10.10% and 0.026% of the issued share capital of the Company respectively. Based on such interest and assuming that no further Shares are issued or repurchased prior to the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed Repurchase Mandate, the interest of Shanghai Industrial will be increased to 11.22% (in long position) and 0.029% (in short position) of the issued share capital of the Company. In this regard, as at the Latest Practicable Date, the Directors are not aware of the consequences of such increase or as a result of the repurchase of Shares that will result in Shanghai Industrial becoming obliged to make a mandatory offer under Rule 26 of the Takeover Code. As at the Latest Practicable Date, 83.64% of the issued share capital of the Company was held in public hands. Based on such percentage of shareholding and assuming that no further Shares are issued or repurchased prior to the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed Repurchase Mandate, 81.82% of the issued share capital of the Company will be held in public hands. The Directors have no present intention to exercise the proposed Repurchase Mandate to such extent as will trigger the obligations under the Takeover Code to make a mandatory offer or if the repurchase will result in less than 25% of the issued share capital of the Company being held in public hands.

APPENDIX II

LETTER FROM ICEA CAPITAL LIMITED

The following is the text of the letter of advice to the Independent Shareholders from ICEA Capital Limited regarding the New Agreement and the Continuing Connected Transactions for the purpose of incorporation in this circular.

6th April, 2005

To the independent shareholders of

Semiconductor Manufacturing International Corporation

Dear Sirs,

PROPOSED CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Shareholders with respect to the New Agreement and the continuing connected transactions contemplated thereunder (the Continuing Connected Transactions). This letter has been prepared for inclusion in the circular dated 6th April, 2005 (the **Circular**) issued to the shareholders of the Company and capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company proposes to enter into the New Agreement with each of its existing and future directors and chief executive officers of the Company. Under Rule 14A.11(1) of the Listing Rules, a director or chief executive officer of the Company is considered a connected person of the Company, therefore, the entering into of the New Agreement by the Company with each of its existing and future directors and chief executive officers would constitute non-exempt continuing connected transactions under the Listing Rules and is subject to the reporting and announcement requirements and approval by independent shareholders under the Listing Rules.

As the independent non-executive Directors will be parties to the New Agreement, none of the independent non-executive Directors are considered to be independent for the purpose of giving advice or recommendation to the Independent Shareholders in relation to the New Agreement and the Continuing Connected Transactions contemplated thereunder. In this regard, the Company is not able to form an independent board committee to advise the Independent Shareholders on the terms and conditions of the New Agreement and the Continuing Connected Transactions contemplated thereunder.

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We, ICEA Capital Limited, have been retained as the independent financial adviser to advise the Independent Shareholders as to whether or not the terms of the New Agreement and the Continuing Connected Transactions contemplated thereunder, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

In formulating our opinion with regard to the New Agreement and the Continuing Connected Transactions, we have reviewed, amongst other things, the Circular, the New Agreement, and the liabilities insurance policy for the Company's directors and officers. We considered information, given in writing and orally, by the Directors, the Company's legal advisors, and the management of the Company. We also reviewed such research studies and publicly available information as we deemed necessary. We have relied, without assuming any responsibility for independent verification, on the information and facts about the New Agreement and the Continuing Connected Transactions supplied to us by the Company and have assumed that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations and opinions contained or referred to in the Circular are true, accurate, and complete in all material respects as of the date hereof and have relied upon them.

We have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and the representations