SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP
Form 6-K
May 11, 2010

Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2010

Commission File Number: 001-31994

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 office)

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

þ Form 20-F o 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): o

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): o

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:

o Yes þ No

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

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CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This annual report may contain, in addition to historical information, “forward-looking statements” within the meaning of the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” a similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of SMIC’s senior management and involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC’s actual performance, financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, among others, risks associated with cyclicality and market conditions in the semiconductor industry, intense competition, timely wafer acceptance by SMIC’s customers, timely introduction of new technologies, SMIC’s ability to ramp new products into volume, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, components and raw materials, availability of manufacturing capacity and financial stability in end markets.

Except as required by law, SMIC undertakes no obligation and does not intend to update any forward-looking statement, whether as a result of new information, future events or otherwise.

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ADDITIONAL INFORMATION

References in this annual report to:

- "2010 AGM" are to the Company's Annual General Meeting scheduled to be held on June 3, 2010;
- "China" or the "PRC" are to the People's Republic of China, excluding for the purpose of this annual report, Hong Kong, Macau and Taiwan;
- "Company" or "SMIC" are to Semiconductor Manufacturing International Corporation;
- "EUR" are to Euros;
- "global offering" are to the initial public offering of our ADSs and our ordinary shares, which offering was completed on March 18, 2004;
- "HK$" are to Hong Kong dollars;
- "Jpy" are to Japanese Yen;
- "NYSE" or "New York Stock Exchange" are to the New York Stock Exchange, Inc.;
- "Rmb" are to Renminbi;
- "SEC" are to the U.S. Securities and Exchange Commission;
- "SEHK", "HKSE" or "Hong Kong Stock Exchange" are to The Stock Exchange of Hong Kong Limited;
- "US$" or "USD" are to U.S. dollars.

All references in this annual report to silicon wafer quantities are to 8-inch wafer equivalents, unless otherwise specified. Conversion of quantities of 12-inch wafers to 8-inch wafer equivalents is achieved by multiplying the number of 12-inch wafers by 2.25. When we refer to the capacity of wafer fabrication facilities, we are referring to the installed capacity based on specifications established by the manufacturers of the equipment used in those facilities. References to key process technology nodes, such as 0.35 micron, 0.25 micron, 0.18 micron, 0.15 micron, 0.13 micron, 90 nanometer, 65 nanometer and 45 nanometer include the stated resolution of the process technology, as well as intermediate resolutions down to but not including the next key process technology node of finer resolution. For example, when we state "0.25 micron process technology," that also includes 0.22 micron, 0.21 micron, 0.20 micron and 0.19 micron technologies and "0.18 micron process technology" also includes 0.17 micron and 0.16 micron technologies. References to "U.S. GAAP" mean the generally accepted accounting principles in the United States. Unless otherwise indicated, our financial information presented in this annual report has been prepared in accordance with U.S. GAAP.

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CORPORATE INFORMATION

Registered name	Semiconductor Manufacturing International Corporation (the "Company")
Chinese name (for identification purposes only)	
Registered office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head office and place of business in PRC	18 Zhangjiang Road Pudong New Area Shanghai 201203 PRC
Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Suite 3003 30th Floor 9 Queen's Road Central Hong Kong
Website address	http://www.smics.com
Company secretary	Anne Wai Yui Chen
Authorized representatives	Jiang Shang Zhou Anne Wai Yui Chen
Places of listing	The Stock Exchange of Hong Kong Limited ("HKSE") New York Stock Exchange ("NYSE")
Stock code	0981 (HKSE) SMI (NYSE)

FINANCIAL CALENDAR

Announcement of 2009 results	April 26, 2010
Book closure period	May 31, 2010 to June 3, 2010, both days inclusive
Annual general meeting	June 3, 2010
Financial year end	December 31

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

As time passes another year has arrived, and in this past year the Company has undergone dramatic changes. In June of 2009, I was honored to be elected the new Chairman of SMIC. Then, in November 2009, our six-year lawsuit with Taiwan Semiconductor Manufacturing Company Limited finally came to a conclusion and was settled by both parties. Following this event, the Board accepted the resignation of Dr. Richard Chang, and appointed Dr. David NK Wang as the new Executive Director, President and CEO of the Company. Now, with a new team of executive members on board, SMIC is beginning a new chapter in its history. Thanks to the concerted efforts of all our employees, SMIC has grown into the largest and most advanced foundry in Mainland China. I would like to take this opportunity to express my sincere gratitude to Dr. Chang for his great contribution in the past years of founding and growing SMIC.

In 2009, thanks to the gradual recovery of the global economic situation and the dedicated hard work of our fellow employees, the Company continued to make overall progress under the challenging market environment, and in the past few quarters, the Company's revenue showed sustainable and stable growth. At this moment, we see that the toughest part of the global financial crisis is over. Furthermore, the performance of the Chinese economy during the economic downturn greatly impressed the world, and now, opportunities lie ahead of us. According to forecasts by major research organizations, the global semiconductor industry in 2010 will undergo double-digit growth, while China will outpace this growth. Being situated in China, SMIC will take advantage of this opportunity to further develop and strengthen itself.

In this new year, apart from focusing on the Company's strategy development, as the Chairman I will also ensure that the Board will continue to monitor the performance of the senior management and all other employees on upholding and strengthening the Company's governance. I will also ensure that employees adopt the responsibility of focusing on the long-term benefits of shareholders. We are well aware of the challenges in 2010 and beyond, but we will continue to focus on our core manufacturing business, while striving to maintain and strengthen our world-class foundry position. We will strengthen our technology innovation and accumulation and our partnerships with our major customers. 2009 was a year filled with challenges and opportunities, difficulties and hopes. In 2010, we will meet new challenges, stir up zeal and seize opportunities to build our future. This year is a historical turning point for the company. Let us work together for a successful future.

In concluding, I would like to thank our shareholders, customers, suppliers, partners and fellow employees for their continued support of the Company.

Jiang Shang Zhou
Chairman of the Board

Shanghai, China
April 26, 2010

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CHIEF EXECUTIVE OFFICER'S STATEMENT

DEAR SHAREHOLDERS,

2009 was a significant year for SMIC. We experienced numerous major events, including the global economic crisis, a litigation settlement, and a change of management. On November 9th I was offered the position to lead SMIC and tasked with helping it realize its potential in order to maximize shareholder value in 2010.

2009 Overview
Total revenue for 2009 was $1.1 billion. This was down 20.9% from 2008 total revenue of $1.4 billion, and was impacted largely by the global financial crisis. Utilization recovered to 92% in the fourth quarter of 2009 from 35% in the first quarter. Gross margin dipped to –88% in the first quarter of 2009 and recovered to positive double digits in the fourth quarter. Operating expenses more than doubled in 2009 compared to 2008, largely due to charges from the litigation settlement and the impairment of long-lived assets. Consequently, net loss more than doubled in 2009.

A New Team
As SMIC steps into a new chapter, our new team has moved into place with more than 100 years of combined experience in the semiconductor industry. I am proud to welcome Chief Operating Officer (COO) Simon Yang, Chief Business Officer (CBO) Chris Chi, Chief Financial Officer (CFO) Gary Tseng, and Chief Administrative Officer (CAO) Barry Quan onboard. Simon Yang was former CTO and Senior Vice President of Operations at Chartered Semiconductor, Chris Chi was former President of United Microelectronics Corporation International (UMCI), Gary Tseng was previously CFO of Taiwan Semiconductor Manufacturing Corporation (TSMC) and United Microelectronics Corporation (UMC), and Barry Quan was formerly President of Applied Materials China. Together this team will build a strong foundation for SMIC's future.

A New Culture
Within SMIC, we are working ultimately for sustained profit. First, customers are our number one priority; we are adding customer value through faster advancements in technology development, improved cycle-time, higher yield, and better customer service. Second, we are cutting costs and implementing reductions across the board — through evaluation, restructuring, and trimming. Third, we are creating a more cost-conscious, competitive, and aggressive culture.

Working Globally and Cultivating Locally
We have set up a new market-oriented business team to strengthen alliances with our current global key customers. We are selectively pursuing new customers to maximize profitability. Each representative office in all locations will be treated as an individual profit-loss business unit in order to increase accountability and ensure effectiveness. Domestically, we are enhancing our already strong market position in mainland China. Mainland China sales grew to 20% of revenue in 2009, compared to 17% of revenue in 2008. In the past year, SMIC has reached significant technology and production milestones with its mainland Chinese customers.

Product Mix Improving
In 2009, 65-nanometer technology entered mass production and accounted for 2.5% of fourth-quarter sales, and we target continued improvement and expansion of our 65-nanometer business in 2010 and beyond. Our product mix showed improvement as revenue from advanced technology logic nodes of 0.13-micron and below grew from 39% of total sales in 2008 to 48% of total sales in 2009. As we increase revenue from advanced nodes, we are continuing to improve our legacy product offerings and enhance our derivative products — working with customers on Bi-polar CMOS DMOS (BCD), CMOS Image Sensor (CIS), embedded Non-volatile Memory (NVM), and Micro-electronic Mechanical Systems (MEMS) and others.

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Looking Forward
Looking ahead, 2010 seems to be a good year for the semiconductor industry, and we believe that it will also be an important step on our journey toward sustained profitability. The future holds prospects of an improving economy and positive changes to be executed within SMIC. We are optimistic about the future of SMIC, and highly value your continued support.

David NK Wang
President, Chief Executive Officer and Executive Director

Shanghai, China
April 26, 2010

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BUSINESS REVIEW

In 2009, SMIC continued to expand its product portfolio and customer base despite the unprecedented challenging business environment due to a downturn in the global economy, which began in the fourth quarter of 2008. Still, the Company continued to benefit from its strategic position in China — the largest and fastest growing integrated circuits market, and saw a steady growth in the region, in particular, through the implementation of the stimulus package that stirred strong domestic demand. As our business began to improve and recover in 2009, with our utilization rate rebounding to 91.5% in the fourth quarter, we also saw a significant growth in the revenue generated from the more advanced technology nodes of 0.13-micron and below.

FINANCIAL OVERVIEW

During 2009, we generated US$283.6 million in cash from operations. Capital expenditures in 2009 totaled US$189.9 million, which was mainly allocated to 45-nanometer research and development, capacity expansion of 200 millimeter wafer fabs in Shanghai and Tianjin, DRAM to logic capacity conversion in our Beijing fab, and Shenzhen land-use rights and equipment acquired for the Shenzhen project. Looking ahead, we believe that the worst is behind us, but we will continue to exercise tight controls over capital expenditures, improve efficiency, foster innovation, and enhance our financial position as we strive for sustained profitability.

CUSTOMERS AND MARKETS

SMIC serves a global customer base, comprised of leading integrated device manufacturers (IDMs), fabless semiconductor companies, and system companies. Leveraging on our strategic position in China, we have seen our Greater China business grow strongly during the year, contributing 36% to the overall revenue for 2009, an increase from 31% in 2008.

Geographically, North American customers, which contributed 59% of the overall revenue, remained as the largest customer base for SMIC in 2009, displaying a strong growth in the advanced nodes. In other regions, Mainland China customers contributed 20% of the total revenue in 2009, followed by Taiwan customers at 15%.

Communication applications, which contributed 50% of our overall revenue, continued to be our strongest sector. Similarly, contribution from consumer applications also grew from 32% of revenue in 2008 to 38% in 2009. Our North American customers, which include leading IDM and fabless semiconductor companies, showed strong demand in communications products, mainly in mobile, networking and WLAN (Wireless Local Area Network) applications. Our Chinese customers, on the other hand, showed strong demand for both consumer and communications products, including digital television (DTV), set-top box (STB), mobile, portable media player (PMP), and personal digital assistant (PDA) applications.

In terms of revenue breakdown by technology node, revenue contribution from business at the 0.13-micron node and below has grown to 48% in 2009 as compared to 39% in 2008, while revenue from 65-nanometer technology revenue contributed 1% of wafer revenue in 2009. Advanced logic revenue from the 0.13-micron node and below grew by more than 135% in the first quarter of 2009 and continued throughout the year. In addition, our 45-nanometer low-power technology development is on schedule, while we have extended our technology offering down to 40-nanometer, plus an extension to include 55-nanometer.

In 2009, we engaged 74 new customers, and the majority of which were Chinese fabless companies, where we experienced the fastest growth. Notably, our China business has been growing steadily not only from a revenue perspective, but also based on the number of new designs using more advanced technology nodes — some pursuing 65-nanometer. This trend also signifies that China is quickly catching up to the rest of the world in terms of its innovation and design capabilities. Promising new players with innovative designs and applications continue to emerge among the Chinese fabless companies, and we are producing a broad range of applications for them, including CMOS image sensor (CIS), Mobile CMMB, HDTV, RFID, wireless and other products. To this end, SMIC remains committed to collaborating with our existing and new customers in China, and further solidifying our position as the leading foundry in the market. At the same time, we will also continue to expand our presence in the global arena.

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RESEARCH AND DEVELOPMENT

In 2009, our research and development expenses were $160.8 million, which represented 15.0% of our sales.

The research and development efforts were focused primarily on our logic platform and system-on-chip (SOC) applications. SMIC in 2009 has achieved many significant milestones. Early on in the year, Synopsis and SMIC released an enhanced 90-nanometer hierarchical, multi-voltage RTL-to-GDSII reference design flow that will provide advanced synthesis with built-in capability of design-for-test (DFT) and design-for-manufacturing (DFM). In April 2009, working with a leading Chinese domestic fabless company, we developed a 90-nanometer digital photo frame chip, which is the most integrated multimedia SOC in the market. For advanced CMOS logic, SMIC demonstrated a silicon success in our 45-nanometer process ahead of schedule, and also added new IP libraries in 65-nanometer and 90-nanometer technology nodes. In addition, the Company successfully developed the 0.11 micron CMOS image sensor (CIS) process technology, one of the advanced process technologies for CIS currently available in the industry. In Non-Volatile Memory (NVM) technology, the 0.13-micron ETox products went into production in early 2009 and 90-nanometer ETox products are currently in risk production. Our research and development in the Micro-Electromechanical System (MEMS) areas also advanced to risk production for the first customer in 2009. Other areas of phase-change memory, HV, mix-signal-signal, and radio frequency (RF) technologies were also successfully developed for smaller size, less power, and lower cost to meet customer demands.

We employ approximately 700 research and development engineers, with experience in the semiconductor industry and with advanced degrees from leading universities around the world and in China.

LITIGATION

The Company settled all pending litigation with TSMC on November 9, 2009, with a Settlement Agreement (the “2009 Settlement Agreement”). The 2009 Settlement Agreement resolved all pending lawsuits between the parties and the parties have since dismissed all pending litigation between them, including the counterclaims the Company filed against TSMC in the California case, which had not yet been decided. The terms of the 2009 Settlement Agreement include the following:

1) Entry of judgement and mutual release of all claims that were or could have been brought in the pending lawsuits;

2) Termination of SMIC’s obligation to make remaining payments under prior settlement agreement between the parties (approximately US$40 million);

3) Payment to TSMC of an aggregate of US$200 million (with US$15 million paid upon execution, funded from SMIC’s existing cash balances, and the remainder to be paid in installments over a period of four years — US$15 million payable by 31 December, 2009, US$80 million payable by 31 December, 2010, US$30 million payable by 31 December, 2011, US$30 million payable by 31 December, 2012 and US$30 million payable by 31 December, 2013);

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4) Commitment to grant to TSMC of 1,789,493,218 shares of SMIC (representing approximately 8% of SMIC's issued share capital as of October 31, 2009) and a warrant exercisable within three years of issuance to subscribe for 695,914,030 shares of SMIC, subject to adjustment, at a purchase price of HK$1.30 per share. Both the shares and the warrant would allow TSMC to obtain total ownership of approximately 10% of SMIC's issued share capital after giving effect to the share issuances and are subject to receipt of required government and regulatory approvals; and

5) Certain remedies in the event of breach of this settlement.

OUTLOOK FOR 2010

Our overall outlook for 2010 is positive as we see an improved economy supporting an overall strengthening of the Company's foundation. With legal settlement behind us, we start afresh. A new management team is ready to take on the approaching challenges.

Gross margin recovered to 10.5% by the last quarter of 2009 and is aimed to continue in the double-digits throughout 2010. In addition, our product mix continues to improve, as customers migrate to technology nodes with higher ASP, and our 65-nanometer continues to ramp up. Capital expenditure spending is being controlled and is focused on products with higher ASP.

The overall semiconductor market is better, and furthermore the China market looks even stronger. We are optimistic about SMIC's performance in 2010 and look forward to seizing opportunities to improve our business in this year of change.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data presented below as of and for the years ended December 31, 2007, 2008 and 2009 are derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, the audited consolidated financial statements, including the related notes, included elsewhere in this Annual Report. The selected consolidated financial data as of December 31, 2005 and 2006 and for the two years then ended is derived from audited consolidated financial statements not included in this Annual Report. The summary consolidated financial data presented below has been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

	For the year ended December 31,				
	2005	2006	2007	2008	2009
	(in US$ thousands, except for per share and per ADS data)				
Income Statement Data:					
Sales	$1,171,319	$1,465,323	$1,549,765	$1,353,711	$1,070,387
Cost of sales(1)	1,105,134	1,338,155	1,397,038	1,412,851	1,184,589
Gross profit (loss)	66,185	127,168	152,727	(59,140)	(114,202)
Operating expenses (income):					
Research and development	78,865	94,171	97,034	102,240	160,754
General and administrative	35,701	47,365	74,490	58,841	215,566
Selling and marketing	17,713	18,231	18,716	20,661	26,566
Litigation settlement	—	—	—	—	269,637
Amortization of acquired intangible assets	20,946	24,393	27,071	32,191	35,064
Impairment loss of long-lived assets	—	—	—	106,741	138,295
Income from sale of equipment and other fixed assets	—	(43,122)	(28,651)	(2,877)	3,832
Total operating expenses, net	153,225	141,038	188,659	317,797	849,714
Income (loss) from operations	(87,040)	(13,870)	(35,932)	(376,937)	(963,917)
Other income (expenses):					
Interest income	11,356	14,916	12,349	11,542	2,591
Interest expense	(38,784)	(50,926)	(37,936)	(50,767)	(24,699)
Change in the fair value of commitment to issue shares and warrants	—	—	—	—	(30,101)
Foreign currency exchange gain (loss)	(3,355)	(21,912)	11,250	3,230	4,180
Others, net	4,462	1,821	2,238	7,429	4,626
Total other income (expense), net	(26,322)	(56,101)	(12,100)	(28,566)	(43,403)
Income(Loss) before income tax	(113,362)	(69,971)	(48,032)	(405,503)	(1,007,319)
Income tax benefit (expense)	(285)	24,928	29,720	(26,433)	46,624

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	For the year ended December 31,				
	2005	2006	2007	2008	2009
	(in US$ thousands, except for per share and per ADS data)				
Loss from equity investment	(1,379)	(4,201)	(4,013)	(444)	(1,782)
Net income (loss) before cumulative effect of a change in accounting principle	(115,026)	(49,244)	(22,324)	(432,380)	(962,478)
Cumulative effect of a change in accounting principle	—	5,154	—	—	—
Net income(loss)	(115,026)	(44,090)	(22,324)	(432,380)	(962,478)
Accretion of interest to non-controlling interest	251	(19)	2,856	(7,851)	(1,060)
Income (loss) attributable to holders of ordinary shares	(114,775)	(44,109)	(19,468)	(440,231)	(963,537)
Income (loss) per share, basic	$(0.00)	$(0.00)	$(0.00)	$(0.02)	$(0.04)
Income (loss) per share, diluted	$(0.00)	$(0.00)	$(0.00)	$(0.02)	$(0.04)
Shares used in calculating basic income (loss) per share(2)(3)	18,184,429,255	18,334,498,923	18,501,940,489	18,682,544,866	22,359,237,084
Shares used in calculating diluted income (loss) per share(2)(3)	18,184,429,255	18,334,498,923	18,501,940,489	18,682,544,866	22,359,237,084

(1) Including amortization of deferred stock compensation for employees directly involved in manufacturing activities.

(2) Anti-dilutive preference shares, options and warrants were excluded from the weighted average ordinary shares outstanding for the diluted per share calculation. For 2005, 2006, 2007, 2008 and 2009 basic income (loss) per share did not differ from diluted loss per share.

(3) All share information has been adjusted retroactively to reflect the 10-for-1 share split effected upon completion of the global offering of ordinary shares in March 2004 (the “Global Offering”).

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	As of December 31,				
	2005	2006	2007	2008	2009
	(in US$ thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$585,797	$363,620	$469,284	$450,230	$443,463
Restricted Cash	—	—	—	6,255	20,360
Short-term investments	13,796	57,951	7,638	19,928	—
Accounts receivable, net of allowances	241,334	252,185	298,388	199,372	204,290
Inventories	191,238	275,179	248,310	171,637	193,705
Total current assets	1,047,465	1,049,666	1,075,302	926,858	907,058
Land use rights, net	34,768	38,323	57,552	74,293	78,112
Plant and equipment, net	3,285,631	3,244,401	3,202,958	2,963,386	2,251,614
Total assets	4,586,633	4,541,292	4,708,444	4,270,622	3,524,077
Total current liabilities	896,038	677,362	930,190	899,773	1,031,523
Total long-term liabilities	622,497	817,710	730,790	578,689	661,472
Total liabilities	1,518,535	1,495,072	1,660,980	1,478,462	1,692,995
Non-controlling interest	38,782	38,800	34,944	42,795	34,842
Total stockholders' equity	$3,029,316	$3,007,420	$3,012,519	$2,749,365	$1,796,240

	For the year ended December 31,				
	2005	2006	2007	2008	2009
	(in US$ thousands, except percentages and operating data)				
Cash Flow Data:					
Net income (loss)	$(111,026)	$(49,244)	$(22,324)	$(432,380)	$(962,478)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	769,472	919,616	706,277	761,809	748,185
Net cash provided by (used in) operating activities	648,105	769,649	672,465	569,782	283,566
Purchases of plant and equipment	(872,519)	(882,580)	(717,171)	(669,055)	(217,269)
Net cash used in investing activities	(859,652)	(917,369)	(643,344)	(761,713)	(211,498)
Net cash provided by (used in) financing activities	190,364	(74,440)	76,637	173,314	(78,902)
Net increase (decrease) in cash and cash equivalents	(21,376)	(222,177)	105,664	(19,054)	(6,767)
Other Financial Data:					
Gross margin	5.7%	8.7%	9.9%	–4.4%	–10.7%
Operating margin	–7.4%	–0.9%	–2.3%	–27.8%	–90.1%
Net margin	–9.8%	–3.0%	–1.3%	–32.5%	–90.0%
Operating Data:					
Wafers shipped (in units):					
Total(1)	1,347,302	1,614,888	1,849,957	1,611,208	1,376,663

(1) Including logic, DRAM, copper interconnects and all other wafers.

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YEAR ENDED DECEMBER 31, 2009 COMPARED TO YEAR ENDED DECEMBER 31, 2008

Sales

Sales decreased by 20.9% from US$1,353.7 million for 2008 to US$1,070.4 million for 2009, primarily due to a decrease in overall wafer shipments. For the full year 2009, the overall wafer shipments were 1,376,663 units of 8-inch equivalent wafers, down 14.6% year-on-year.

The average selling price[1] of the wafers the Company shipped decreased by 7.5% from US$840 per wafer to US$778. Excluding DRAM revenue, the percentage of wafer revenues that used 0.13 micron and below process technology increased from 38.2% to 47.5% between these two periods.

Cost of sales and gross profit (loss)

Cost of sales decreased by 16.2% from US$1,412.9 million for 2008 to US$1,184.6 million for 2009. Out of the total cost of sales for 2009, US$575.1 million was attributable to depreciation of plant and equipment and another $23.5 million was attributable to amortization of deferred costs and share-based compensation costs. Out of the total cost of sales for 2008, US$663.1 million was attributable to depreciation of plant and equipment and another $28.4 million was attributable to amortization of deferred costs and share-based compensation costs.

The Company had a gross loss of US$114.2 million for 2009 compared to a gross loss of US$59.1 million in 2008. Gross margins were –10.7% in 2009 compared to –4.4% in 2008. The decrease in gross margins was due to market downturn experienced in the first quarter of 2009.

Operating income, expenses and loss from operations

Operating expenses increased by 167.4% from US$317.8 million for 2008 to US$849.7 million for 2009 primarily due to charges related to settlement of litigation.

Research and development expenses increased by 57.2% from US$102.2 million for 2008 to US$160.8 million for 2009. The Company received fewer government subsidies for research & development expenses in 2009 compared to 2008; however, expenses associated with 45-nanometer technology development in the Shanghai 12-inch project also increased in 2009.

General and administrative expenses increased by 266.4% to US$215.6 million for 2009 from US$58.8 million for 2008, primarily due to an increase in legal fees.

Selling and marketing expenses increased by 28.6% from US$20.7 million for 2008 to US$26.6 million for 2009, due to an increase in sales and marketing activities.

As described in "Note 11. — Acquired intangible assets, net", the amortization of acquired intangible assets increased from US$32.2 million for 2008 to US$35.1 million for 2009.

Additional charges were recognized under operating expense in the fourth quarter of 2009, of which $269.6 million was related to the settlement of litigation and $138.3 million was related to long-lived asset impairment. The total amount of the settlement litigation charge including the portion classified under non-operating expense was $299.7 million.

1 Based on simplified average selling price which is calculated as total revenue divided by total shipments.

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Other income (expenses)
As a result, the Company's loss from operations was US$963.9 million in 2009 compared to loss from operations of US$376.9 million in 2008. Operating margin was (90.1)% and (27.8)%, for 2009 and 2008 respectively.

Other expenses increased from US$28.6 million in 2008 to US$43.4 million in 2009 primarily due to an increase in interest expense. This increase in interest expense is primarily due to a change in the fair value of the commitment to grant shares and warrants in the amount of $30.1 million related to the litigation settlement. Foreign exchange gain from non-operating activities increased from US$3.2 million in 2008 to US$4.2 million in 2009. Total foreign exchange gain, combining the operating and non-operating activities, was US$7.3 million in 2009 as compared to US$11.4 million in 2008.

Net income (loss)
Due to the factors described above, the Company recorded a net loss of US$963.5 million in 2009 compared to a net loss of US$440.2 million in 2008.

Bad debt provision
The Company determines its bad debt provision based on the Company's historical experience and the relative aging of receivables. The Company's bad debt provision excludes receivables from a limited number of customers due to a high level of collection confidence. The Company provides bad debt provision based on the age category of the remaining receivables. A fixed percentage of the total amount receivable is applicable to receivables in each past due age category, ranging from 1% for the shortest past due age category to 100% for the longest past due age category. Any receivables deemed non-collectible will be written off against the relevant amount of provision. The Company's bad debt provision made in 2009, 2008 and 2007 amounted to US$115.8 million, US$1.3 million, and US$0.5 million, respectively. The Company reviews, analyzes and adjusts bad debt provisions on a monthly basis.

The Company ceased its recognition of management revenue in the second quarter of 2009 due to issues of collectability. Furthermore, the Company recorded a $115.8 million bad debt provision in 2009, of which $93.5 million and $21.1 million are due to long outstanding overdue debt relating primarily to management revenue for services rendered and related equipment sold, respectively.

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Debt Arrangements

Set forth in the table below are the aggregate amounts, as of December 31, 2009, of the Company's future cash payment obligations under the Company's existing contractual arrangements on a consolidated basis:

	Payments due by period Less than				
Contractual obligations	Total	1 year	1–2 years	3–5 years	After 5 years
	(consolidated, in US$ thousands)				
Short-term borrowings	$286,864	$286,864	$—	$—	$—
Long-term debt secured long-term loans	756,437	205,784	334,995	215,658	—
Operating lease obligations(1)	5,439	743	453	361	3,882
Purchase obligations(2)	146,506	146,506	—	—	—
Other long-term obligations(3)	189,946	101,842	33,339	54,765	—
Total contractual obligations	$1,385,192	$741,739	$368,787	$270,784	$3,882

(1) Represents our obligations to make lease payments to use the land on which our fabs and other office equipment we have leased.

(2) Represents commitments for construction or purchase of semiconductor equipment, and other property or services.

(3) Includes the settlement with TSMC for an aggregate of $200 million payable in installments over five years and the other long-term liabilities relating to certain license agreements.

As of December 31, 2009, the Company's outstanding long-term liabilities primarily consisted of US$756.4 million in secured bank loans, which are repayable in installments which commenced in June 2006, with the last payment in December 2012.

2006 Loan Facility (SMIC Shanghai). In June 2006, Semiconductor Manufacturing International (Shanghai) Corporation ("SMIC Shanghai") entered into a USD denominated long-term facility arrangement for US$600.0 million with a consortium of international and PRC banks. Of this principal amount, US$393.0 million was used to repay the principal amount outstanding under SMIC Shanghai's bank facilities from December 2001 and January 2004. The remaining principal amount will be used to finance future expansion and general corporate requirements for SMIC Shanghai. This facility is secured by the manufacturing equipment located in the SMIC Shanghai 8-inch fabs. The Company has guaranteed SMIC Shanghai's obligations under this facility. As of December 31, 2007, SMIC Shanghai had fully drawn down on this loan facility. The principal amount is repayable starting from December 2006 in ten semi-annual installments. As of December 31, 2009, SMIC Shanghai had repaid US$472 million according to the repayment schedule. In 2009, the interest rate on the loan ranged from 1.18% to 3.18%. The interest expense incurred in 2009, 2008 and 2007 were US$5.5 million, US$17.0 million and US$17.3 million, respectively, of which US$0.2 million, US$5.4 million and US$3.3 million were capitalized as additions to assets under construction in 2009, 2008 and 2007, respectively.

The total outstanding balance of the long-term facility is collateralized by certain equipment at the original cost of US$1,815 million as of December 31, 2009.

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The long-term loan agreement entered into in June 2006 contains the following covenants:

Any of the following in respect of SMIC Shanghai would constitute an event of default during the term of the loan agreement.

Financial covenants for SMIC Shanghai including:

1. Consolidated tangible net worth of no less than US$1,200 million;

2. Consolidated total borrowings to consolidated tangible net worth of:

   (a) no more than 60% for periods up to and including 31 December 2008; and

   (b) no more than 45% thereafter;

3. Consolidated total borrowings to trailing preceding four quarters EBITDA not to exceed 1.50x; and

4. Debt Service Coverage Ratio of no less than 1.5x. Debt Service Coverage Ratio means trailing four quarters EBITDA divided by scheduled principal repayments and interest expense for all bank borrowings (including hire purchases, leases and other borrowed monies) for the same period.

Financial covenants for the Company, as the guarantor, including:

1. Consolidated tangible net worth of no less than US$2,300 million;

2. Consolidated net borrowings to consolidated tangible net worth of:

   (a) no more than 50% for period up to and including 30 June 2009;

   (b) no more than 40% thereafter; and

3. Consolidated net borrowings to trailing four quarters EBITDA of:

   (a) no more than 1.50x for periods up to and including 30 June 2009; and no more than 1.30x thereafter.

   SMIC Shanghai is exempted from the covenants by the lenders. Furthermore, the Company is currently working with the lenders to refinance the remainder of the USD loan and expects the completion of this restructuring in the near future from the date of this report.

2009 USD & RMB Loan Facility. In June 2009, SMIC Shanghai entered into the Shanghai USD & RMB loan, a new two-year loan facility in the principal amount of US$80 million and RMB200 million respectively with The Export-Import Bank of China. This facility is secured by the manufacturing equipment located in SMIC Shanghai's 12-inch fab. This two-year bank facility will be used to finance future expansion and general corporate needs for SMIC Shanghai's 12-inch fab. As of December 31, 2009, SMIC Shanghai had drawn down US$70 million and RMB200 million (US$29.3 million) respectively, on this loan facility. The principal amount is repayable on June 2011. In 2009, the interest rate on the loan ranged from 3.10% to 4.86%. The interest expense incurred in 2009 was US$1.3 million, of which US$0.1 million was capitalized as additions to assets under construction in 2009.

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The total outstanding balance of the facilities is collateralized by certain equipment with an original cost of US$362 million as of December 31, 2009.

2005 Loan Facility (SMIC Beijing). In May 2005, Semiconductor Manufacturing International (Beijing) Corporation (“SMIC Beijing”) entered into a five year USD denominated loan facility in the aggregate principal amount of US$600.0 million, with a syndicate of financial institutions based in the PRC. This five-year bank loan will be used to expand the capacity of SMIC Beijing’s fabs. The drawdown period of this facility was twelve months from the sign off date of the agreement. This facility is secured by the manufacturing equipment located in the SMIC Beijing 12-inch fabs. The Company has guaranteed SMIC Beijing’s obligations under this facility. As of December 31, 2006, SMIC Beijing had fully drawn down US$600.0 million on this loan facility. The principal amount is repayable starting in December 2007 in six semi-annual installments. In 2008 and 2007, SMIC Beijing had repaid US$200.0 million and US$100.0 million respectively, according to the repayment schedule. On June 26, 2009, SMIC Beijing entered into an amendment to the syndicated loan agreement to extend the repayment date of the outstanding balance commencing from June 28, 2009 to December 28, 2011 and onwards. The amendment includes a provision for mandatory early repayment of a portion of the outstanding balance if SMIC Beijing’s financial performance exceeds certain pre-determined benchmarks. The interest rate on this loan facility in 2009 ranged from 2.64% to 3.46%. The amendment has been accounted for as a modification as the terms of the amended instrument are not substantially different from the original terms. The interest expense incurred in 2009, 2008 and 2007 were US$10.2 million, US$25.6 million and US$42.2 million, of which US$0.5 million, US$1.6 million and US$2.3 million were capitalized as additions to assets under construction in 2009, 2008 and 2007, respectively.

The total outstanding balance of the SMIC Beijing USD syndicate loan is collateralized by certain plant and equipment at the original cost of US$1,314 million as of December 31, 2009.

Any of the following in respect of SMIC Beijing would constitute an event of default during the term of the loan agreement:

1. [Net profit + depreciation + amortization + financial expenses – (increase of accounts receivable and advanced payments + increase of inventory – increase in accounts payable and advanced receipts)]/ financial expenses 60% (when SMIC Beijing’s capacity is less than 20,000 12-inch wafers per month); and

2. (Total liability – borrowings from shareholders, including principal and interest)/Total assets > 50% (when SMIC Beijing’s capacity exceeds 20,000 12-inch wafers per month).

SMIC Beijing has complied with these covenants as of December 31, 2009.

2005 EUR Loan Facility. On December 15, 2005, the Company entered into a EUR denominated long-term loan facility agreement in the aggregate principal amount of EUR85 million (equivalent to approximately US$105 million) with ABN Amro Bank N.V. Commerz Bank N.V., Shanghai Branch. The draw down period of the facility ends on the earlier of (i) thirty six months after the execution of the agreement or (ii) the date which the loans have been fully drawn down. Each draw down made under the facility shall be repaid in full by the Company in ten equal semi-annual installments. SMIC Tianjin had drawn down in 2006 and SMIC Shanghai had drawn down in 2007 and 2008.

The total outstanding balance of the facility is collateralized by certain plant and equipment with an original cost of US$22 million for SMIT and US$115 million for SMIS as of December 31, 2009.

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As of December 31, 2009, SMIC Tianjin had drawn down EUR15.1 million and repaid an aggregated amount of EUR 12.1 million. As of December 31, 2009, the remaining balance is EUR3.0 million, the equivalent of US$4.3 million. In 2009, the interest rate on the loan ranged from 0.73% to 2.75%. The interest expenses incurred in 2009, 2008 and 2007 were US$0.2 million, US$0.6 million and US$0.7 million of which US$0.03 million, US$0.1 million and US$0.06 million were capitalized as additions to assets under construction in 2009, 2008 and 2007, respectively.

The total outstanding balance of the facility is collateralized by certain of SMIC Tianjin's plant and equipment at the original cost of US$22 million as of December 31, 2009.

As of December 31, 2009, SMIC Shanghai had drawn down EUR56.9 million and repaid an aggregated amount of EUR24.9 million. As of December 31, 2009, the remaining balance is EUR32.0 million, the equivalent of US$45.9 million. In 2009, the interest rate on the loan ranged from 0.83% to 2.28%. The interest expenses incurred in 2009, 2008 and 2007 were US$1.1 million, US$2.1 million and US$0.3 million, respectively, of which US$0.03 million, US$0.7 million and US$0.02 million were capitalized as additions to assets under construction in 2009, 2008 and 2007, respectively.

The total outstanding balance of the facility is collateralized by certain of SMIC Shanghai's equipment at the original cost of US$115 million as of December 31, 2009.

2006 Loan Facility (SMIC Tianjin). In May 2006, Semiconductor Manufacturing International (Tianjin) Corporation ("SMIC Tianjin") entered into a loan facility in the aggregate principal amount of US$300.0 million from a consortium of Chinese banks. This facility is secured by the manufacturing equipment located in our Tianjin fab, except for the manufacturing equipment purchased using the EUR denominated loan, and our land use rights and plant in proportion to the principal amount outstanding under this facility and the EUR denominated loan. The Company has guaranteed SMIC Tianjin's obligations under this facility. As of December 31, 2009 SMIC Tianjin had drawn down US$259 million from the facility. The principal amount is repayable starting from February 2010 in six semi-annual installments. As of December 31, 2009, SMIC Tianjin had early repaid US$80 million and the outstanding balance was $179 million. In 2009, the interest rate on the loan ranged from 1.69% to 3.11%. The interest expenses incurred for the years ended December 31, 2009, 2008 and 2007 were US$8.0 million, US$9.1 million and US$0.3 million, respectively, of which US$1.55 million, US$1.8 million and US$0.02 million were capitalized as additions to assets under construction in 2009, 2008 and 2007, respectively.

The total outstanding balance of the facility is collateralized by certain plant and equipment with an original cost of US$631 million as of December 31, 2009.

Any of the following in respect of SMIC Tianjin would constitute an event of default during the term of the loan agreement:

- [Net profit + depreciation + amortization + financial expenses – (increase of accounts receivable and advanced payments + increase of inventory – increase in accounts payable and advanced receipts)]/financial expenses<1; and
- The ratio of total debt to total assets is more than 60% during the ramp up period of SMIC Tianjin and more than 40% after the facility is at full capacity.

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SMIC Tianjin has complied with these covenants as of December 31, 2009.

Short-term Credit Agreements. As of December 31, 2009, the Company had nineteen short-term credit agreements that provided total credit facilities up to US$336.9 million on a revolving credit basis. As of December 31, 2009, the Company had drawn down US$286.9 million under these credit agreements and US$50.0 million is available for future borrowings. The outstanding borrowings under the credit agreements are unsecured, except for the amount of US$20.4 million, which is secured by term deposits. The interest expense incurred in 2009 was US$11.3 million. The interest rate on the loans ranged from 1.11% to 8.75% in 2009.

Capitalized Interest

Interest incurred on funds used to construct plant and equipment during the active construction period is capitalized, net of government subsidies received. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for the assets under construction during the period. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful life of the assets. Capitalized interest of US$5.1 million, US$10.7 million and US$7.7 million in 2009, 2008, and 2007, respectively, net of government subsidies, has been added to the cost of the underlying assets during the year and is amortized over the respective useful life of the assets. In 2009, 2008, and 2007, the Company recorded amortization expenses relating to the capitalized interest of US$8.4 million, US$6.9 million, and US$5.4 million, respectively.

Commitments

As of December 31, 2009, the Company had commitments of US$69 million for facilities construction obligations in Chengdu, Beijing, Tianjin, Shanghai, and Shenzhen. The Company had commitments of US$77 million to purchase machinery and equipment for the testing facility in Chengdu and for the Beijing, Tianjin, Shanghai and Shenzhen fabs.

Debt to Equity Ratio

As of December 31, 2009, the Company’s debt to equity ratio was approximately 58% calculated based on the sum of the short-term borrowings, current portion of long-term debt and long-term debt divided by total shareholders’ equity.

Foreign Exchange Rate Fluctuation Risk

The Company’s revenue, expense, and capital expenditures are primarily transacted in U.S. dollars. However, since the Company has operations consisting of manufacturing, sales and purchasing activities outside of the U.S., the Company enters into transactions in other currencies. The Company is primarily exposed to changes in exchange rate for the Euro, Japanese Yen, and Rmb.

To minimize these risks, the Company purchases foreign-currency forward exchange contracts with contract terms normally lasting less than twelve months to protect against the adverse effect that exchange rate fluctuations may have on foreign-currency denominated activities. These forward exchange contracts are principally denominated in Rmb, Japanese Yen or Euros and do not qualify for hedge accounting in accordance with FASB Accounting Standards Codification (“ASC”) 815, “Derivatives and Hedging” (formerly SFAS No.133) (“ASC 815”).

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Cross Currency Swap Fluctuation Risk

On December 15, 2005, the Company entered into a long-term loan facility agreement in the aggregate principal amount of EUR 85 million. The Company is primarily exposed to changes in the exchange rate for the Euro.

To minimize the currency risk, the Company entered into cross currency swap contracts with a contract term fully matching the repayment schedule of part of this Euro long-term loan to protect against the adverse effect of exchange rate fluctuations arising from foreign-currency denominated loans. The cross currency swap contracts do not qualify for hedge accounting in accordance with ASC 815.

For the portion of the Euro long-term loan that is not covered by cross currency swap contracts, we have separately entered into foreign exchange forward contracts to minimize the currency risk. These foreign exchange forward contracts do not qualify for hedge accounting in accordance with ASC 815.

Outstanding Foreign Exchange Contracts

As of December 31, 2009, the Company had outstanding foreign currency forward exchange contracts with notional amounts of US$9 million. As of December 31, 2009, the fair value of foreign currency forward exchange contracts was approximately a loss of US$0.4 million, which is recorded in other income and other current assets. The Company had US$9 million of foreign currency exchange contracts outstanding as of December 31, 2009, all of which will mature during 2010.

The Company had US$220.7 million of foreign currency exchange contracts outstanding as of December 31, 2008, all of which matured in 2009.

The Company had US$0.4 million of foreign currency exchange contracts outstanding as of December 31, 2007, all of which matured in 2008.

The Company does not enter into foreign currency exchange contracts for speculative purposes.

	As of December 31, 2009 (in US$ thousands)		As of December 31, 2008 (in US$ thousands)		As of December 31, 2007 (in US$ thousands)	
	2009	Fair Value	2008	Fair Value	2007	Fair Value
Forward Exchange Agreement						
(Receive Eur/Pay US$)						
Contract Amount	21,265	(390)	31,144	(440.8)	—	—
(Receive Rmb/Pay US$)						
Contract Amount	(12,236)	(39)	189,543	(3,069.5)	404	530.4
Total Contract Amount	9,029	(429)	220,687	(3,510.3)	404	530.4

Outstanding Cross Currency Swap Contracts

As of December 31, 2009, the Company had outstanding cross currency swap contracts with notional amounts of US$24.7 million. Notional amounts are stated in the U.S. dollar equivalents at spot exchange rates as of the respective dates. As of December 31, 2009, the fair value of cross currency swap contracts was approximately a gain of US$0.1 million, which is recorded in other income (expenses), net and accrued expenses and other current liabilities. We had US$24.7 million of cross currency swap contracts outstanding as of December 31, 2009, all of which will mature in 2012.

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Interest Rate Risk

The Company's exposure to interest rate risks relates primarily to the Company's long-term debt obligations, which the Company generally assumes to fund capital expenditures and working capital requirements. The table below presents annual principal amounts due and related weighted average implied forward interest rates by year of maturity for the Company's debt obligations outstanding as of December 31, 2009. The Company's long-term debt obligations are all subject to variable interest rates. The interest rates on the Company's U.S. dollar-denominated loans are linked to the LIBOR. The interest rates on the Company's EUR-denominated loan is linked to the EURIBOR. As a result, the interest rates on the Company's loans are subject to fluctuations in the underlying interest rates to which they are linked.

	As of December 31,		
	2010	2011	2012
	(Forecast)		
	(in US$ thousands, except percentages)		
US$ denominated			
Average balance	388,792	78,924	9,506
Average interest rate	1.82%	2.40%	2.92%
EUR denominated			
Average balance	29,789	16,201	3,245
Average interest rate	1.21%	1.56%	1.88%
Weighted average forward interest rate	1.82%	2.37%	2.86%

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DIRECTORS AND SENIOR MANAGEMENT

Members of the Board who served during 2009 were:

Jiang Shang Zhou (Chairman of the Board and Independent Non-executive Director);
David N.K. Wang (Executive Director, President and Chief Executive Officer);
Tsuyoshi Kawanishi (Independent Non-executive Director);
Lip-Bu Tan (Independent Non-executive Director);
Chen Shanzhi (Non-executive Director);
Gao Yonggang (Non-executive Director);
Zhou Jie (Non-executive Director);
Wang Zheng Gang (Non-executive Director, became Alternate Director to Zhou Jie on January 23, 2009);
Henry Shaw (Independent Non-executive Director who resigned on January 13, 2009);
Wang Yang Yuan (Chairman of the Board and Independent Non-executive Director who resigned on June 23, 2009);
Richard Ru Gin Chang (Executive Director, President and Chief Executive Officer who resigned on November 9, 2009);
and
Edward S Yang (Independent Non-executive Director who resigned on November 9, 2009)

RE-ELECTION OF DIRECTORS

Shareholders are invited to re-elect Class III Directors at the 2010 AGM to fill the vacancies available due to the retirements of the Directors mentioned below.

Two Class III Directors, Mr. Tsuyoshi Kawanishi and Mr. Zhou Jie, whose initial appointments as Directors took effect on September 25, 2001 and January 23, 2009, respectively, will retire from office at the 2010 AGM pursuant to Article 90 of the Company's Articles of Association. Each of Mr. Kawanishi and Mr. Zhou will offer himself for re-election as a Class III Director. If re-elected, each of Mr. Kawanishi and Mr. Zhou would hold office until the 2013 annual general meeting of the Company.

Dr. David N.K. Wang, whose initial appointment as Director took effect on November 9, 2009, will retire from office at the 2010 AGM pursuant to Article 126 of the Articles of Association of the Company. Dr. Wang will offer himself for re-election as a Class I Director. If re-elected, Dr. Wang would hold office until the 2011 annual general meeting of the Company.

Details of the proposed candidates for re-election as Directors at the 2010 AGM are set out in the circular to the shareholders sent together with this annual report.

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BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Members of the Board are re-elected or elected by the Company's shareholders. As of December 31, 2009, the Board consisted of seven (7) Directors and one (1) Alternate Director.

The Company's senior management is appointed by, and serves at the discretion of, the Board. The following table sets forth the names, age and positions of the Directors and the senior management of the Company as of the date of this annual report.

Name	Age	Position
Directors		
Jiang Shang Zhou	63	Chairman, Independent Non-Executive Director
David N.K. Wang	63	President, Chief Executive Officer and Executive Director
Chen Shanzhi	41	Non-Executive Director
Gao Yonggang	45	Non-Executive Director
Zhou Jie	42	Non-Executive Director
Tsuyoshi Kawanishi	81	Independent Non-Executive Director
Lip-Bu Tan	50	Independent Non-Executive Director
Wang Zheng Gang	59	Alternate Director to Zhou Jie
Senior Managers		
Chris Chi	59	Chief Business Officer
Simon Yang	51	Chief Operating Officer
Gary Tseng	53	Chief Financial Officer
Barry Quan	58	Chief Administrative Officer
Anne Chen	47	Company Secretary, Hong Kong Representative and Chief Compliance Officer
Samuel Tsou	53	Vice President of Corporate Human Resources
Zhou Mei Sheng	52	Vice President of Technology and Operations Office
John Peng	45	Associate Vice President and General Manager of China BU

BRIEF BIOGRAPHICAL DETAILS

Jiang Shang Zhou
Chairman of the Board, Independent Non-executive Director
Dr. Jiang Shang Zhou has been a Director since 2006 and is currently the Chairman of the Board. Dr. Jiang is also the chairman of SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMIC Chengdu, SMIC Shenzhen and SMIC Energy Technology (Shanghai) Corporation, and has been appointed as the Chairman of Siltech Semiconductor Shanghai Corporation, and a director of Admiral Investment Holdings Limited and Semiconductor Manufacturing International (AT) Corporation.

Dr. Jiang is the Chairman of China Semiconductor Industry Association, a committee member of the Shanghai Municipal Standing Committee of Chinese People's Political Consultative Conference, a committee member of the Shanghai Municipal Advisory Committee for Decision making. Dr. Jiang was also the deputy secretary general of Shanghai Government, an officer of and a director commissioner of Shanghai State Owned Assets Placing and Investment Committee officer of the Shanghai Chemical Industrial District Lender Team Office, officer of Shanghai International Automobile City Leader Team Office and officer of the Shanghai Fuel Cell Electric Vehicles (863 major project) Leader Team Office. Dr. Jiang received his bachelor's degree from Tsinghua University in telecommunications and his master's and doctorate degree in information technology from the department of electrical engineering of the Swiss Federal Institute of Technology Zurich Communication System Group.

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David N.K. Wang
President, Chief Executive Officer and Executive Director
Dr. David N.K. Wang joined the Company as President, Chief Executive Officer and Executive Director in November 2009. Dr. Wang is a well known executive with extensive experience in the global semiconductor industry. He was the CEO of Huahong (Group) Co., Ltd. and Chairman of Huahong NEC, a subsidiary of Huahong Group between September 2005 and June 2007. Prior to joining Huahong Group, Dr. Wang was the Executive Vice President of Applied Materials and President of Applied Materials Asia. Dr. Wang was responsible for Applied Materials' business strategy, planning and execution throughout Asia with a particular focus on building infrastructure worldwide. Prior to joining Applied Materials, Dr. Wang conducted research and made a number of key breakthroughs in semiconductor technology at Bell Laboratories. Dr. Wang is a well recognized and respected innovator with more than 100 patents under his name. Dr. Wang received his Ph.D. in Materials Science and Engineering from the University of California, Berkeley.

Dr. Wang has been appointed as a director of SMIC Shanghai, SMIC Beijing, SMIC Tianjin, SMIC Chengdu, SMIC Shenzhen, Semiconductor Manufacturing International (AT) Corporation, Semiconductor Manufacturing International (BVI) Corporation, Admiral Investment Holdings Limited and Magnificent Tower Limited. He has also been appointed as a director of SMIC Shanghai (Cayman) Corporation, SMIC Beijing (Cayman) Corporation, SMIC Tianjin (Cayman) Corporation, SMIC Shenzhen (Cayman) Corporation, Semiconductor Manufacturing International (Solar Cell) Corporation, SilTech Semiconductor Corporation, and each of their subsidiaries.

Chen Shanzhi
Non-executive Director
Dr. Chen Shanzhi has been a Director since 2009. Dr. Chen is currently the VP, CTO and CIO of China Academy of Telecommunications Technology (Datang Telecom Technology & Industry Group). He is also the Vice President of Datang Telecom Technology & Industry Holdings Co. Ltd., where he is responsible for technology and standard development, corporate IT, and strategic alliances and cooperation. Dr. Chen is a member of the expert group of the Information technology of the National High Technology Research and Development Program of China (863 Program). Dr. Chen received his Bachelor of Engineering from Xidian University, Master of Engineering from Research Institute of Ministry of Posts and Telecommunications and Ph. D. from Beijing University of Posts and Telecommunications. Dr. Chen has 18 years of experience in the field of information and communication technology where he has been involved in research and development, technology and strategy management. He has published a book and nearly 100 papers in the domestic and foreign academic conferences and publications, most of which were published by SCI and EI and many of his papers have received awards. At present, he has applied for 10 national invention patents.

Gao Yonggang
Non-executive Director
Mr. Gao Yonggang has been a Director since 2009, and has been appointed as a director of certain subsidiaries of the Company, namely, SMIC Beijing, SMIC Chengdu and SMIC Shenzhen. Mr. Gao is currently the Chief Financial Officer of China Academy of Telecommunications Technology (Datang Telecom Technology & Industry Group) and the chairman of Datang Capital (Beijing) Co., Ltd. He is also a director and the Senior Vice President of Datang Telecom Technology & Industry Holdings Co., Ltd., a director of the China Accounting Society, and a member of the Central Enterprise Youth Federation. Mr. Gao has more 20 years of experience in the area of financial management and has worked as Chief Financial Officer or person in charge of finance in various industries such as retail, industrial, municipal utilities, and many different type of firm like state-owned enterprises, private, joint venture enterprises, government agencies. In November 2004, he was appointed as the Chief Financial Officer of China Academy of Telecommunications Technology by the State-owned Assets Supervision and Administration Commission. Mr. Gao has in-depth studies in the field of financial investment where he has been involved in a number of key research projects and has many publications in these areas.

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Zhou Jie
Non-executive Director
Mr. Zhou Jie has been a Director since 2009. Mr. Zhou is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"), an executive director and the executive deputy CEO of Shanghai Industrial Holdings Limited ("SIHL"). He is also a director of certain subsidiaries of SIIC and SIHL. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He is currently a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co. Ltd.. He was the deputy general manager of the investment banking head office of Shanghai Wanguo Holdings Ltd. (now Shenyin & Wanguo Securities Co. Ltd.) and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co. Ltd. He has over 10 years' experience in investment banking and capital market operation.

Wang Zheng Gang (Alternate Director to Mr. Zhou Jie)
Mr. Wang Zheng Gang has been a Director since 2007 and he is currently the alternate director of Mr. Zhou Jie. Mr. Wang is the chief representative of the Shanghai Representative Office of Shanghai Industrial Holdings Limited and chairman of SIIC Management (Shanghai) Ltd. He is also the vice chairman of Bright Dairy and Food Co. Ltd, a director of Shanghai Urban Development (Holdings) Co. Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd, Shanghai Shengyu Highway Construction Development Co. Ltd., and Shanghai SIIC South Pacific Hotel Co. Ltd. He was the head of Shanghai Dongfeng Rubber No. 2 Factory, Principal of Shanghai Dongfeng Farm, vice chairman and general manager of Shanghai Agricultural Industrial and Commercial Corp. Ltd. and a director and general manager of SIIC Africa Enterprise Ltd. and general manager of the enterprise management department of Shanghai Industrial Investment (Holdings) Co. Ltd. He graduated from the School of Management of Fudan University with a master's degree in economics and has over 31 years' experience in enterprise management.

Tsuyoshi Kawanishi
Independent Non-executive Director
Tsuyoshi Kawanishi has been a Director since 2001 and is also the Chairman of SMIC Japan Corporation. Mr. Kawanishi has more than 50 years of experience in the electronics industry with Toshiba Corporation, where he served as, among other positions, senior executive vice president and senior advisor. Mr. Kawanishi is an advisor to Accenture Ltd. and a number of private companies. Mr. Kawanishi has been proactively leading the semiconductor industry through his strong leadership as an advisor to the Semiconductor Equipment and Materials International (SEMI) and as the chairman of the SIP Consortium of Japan.

Lip-Bu Tan
Independent Non-executive Director
Mr. Lip-Bu Tan has been a Director since 2002 and is also a director of SMIC Tianjin. Mr.Tan is the Founder and Chairman of Walden International, a leading venture capital firm managing over US$1.9 billion in committed capital. He concurrently serves as President and Chief Executive Officer of Cadence Design Systems, Inc., and has been a member of the Cadence Board of Directors since 2004. He also serves on the Boards of Flextronics International (NASDAQ: FLEX), SINA (NASDAQ: SINA), Global Semiconductor Alliance and several other private companies. Mr. Tan received his B.S. from Nanyang University in Singapore, his MBA from the University of San Francisco, and his M.S. in Nuclear Engineering from the Massachusetts Institute of Technology.

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Senior Management

Chris Chi, Chief Business Officer

Prior to joining the Company as Chief Business Officer, Mr. Chi was a consultant for CSquare Consulting. Mr. Chi first joined SMIC in 2008 as Senior Vice President of Corporate Marketing & Sales. From 1981 to 2007, he held management positions with TPO Corporation, Freescale Semiconductor, UMC Europe, UMCi Ltd. Singapore, UMC, Chartered Semiconductor Manufacturing Ltd., and Rockwell International Corporation. Mr. Chi is a Ph.D. candidate in Materials Science and he received his master's degree in Materials Engineering from the University of California, Los Angeles. With more than 30 years of experience in the semiconductor industry, Mr. Chi is the holder of 5 patents.

Simon Yang, Chief Operating Officer

Prior to joining the Company as Chief Operating Officer in 2010, Dr. Yang was the Chief Technology Officer and Senior Vice President of Operations of Chartered Semiconductor. He first joined SMIC in 2001 as the Vice President of Technology Development and Senior Vice President of Technology and Manufacturing of the Company. From December 2004 to September 2005, he was the Chief Executive Officer and President of CiWest Corporation. Dr. Yang received his PhD in Material Engineering and Master of Science in Physics from Rensselaer Polytechnic Institute, and his Bachelor of Science in Electrical Engineering from Shanghai University of Science and Technology. With more than 20 years of experience in the semiconductor industry, Dr. Yang is a holder of more than of 20 patents and published more than 30 technical articles.

Gary Tseng, Chief Financial Officer

Prior to joining the Company in 2010 as Chief Financial Officer, in 2008, Mr. Tseng was the Chief Operating Officer at China Solar Corporation, a thin-film solar manufacturing start-up company in Shandong, China. From 2004 to 2005, he founded Digital Display Manufacturing Co., a plasma display manufacturing start-up company in Shanghai and he was the Chief Executive Officer. From 1999 to 2003, Mr. Tseng was the Chief Investment Officer and Senior Vice President of Quanta Computer Company. From 1997 to 1998, he was the Chief Financial Officer and Senior Vice President of United Microelectronics Corporation. From 1991 to 1997, he was the Chief Financial Officer and Senior Vice President of Taiwan Semiconductor Manufacturing Company Limited. From 1983 to 1991, Mr. Tseng held management positions as Finance Manager at Philips Taiwan Limited and Corporate Treasurer for all the Philips companies in Taiwan. In addition, he was the Fab Accounting Manager for Philips Semiconductor operation in the USA and Philips Semiconductor packaging operation in Taiwan. Mr. Tseng received his Master of Business Administration from University of Missouri-Columbia, Missouri in the USA and his Bachelor of Science in Accounting from National Cheng-Kong University in Taiwan. In addition, Mr. Tseng is a Certified Public Accountant, Certified Management Accountant and Certified Internal Auditor in the USA.

Barry Quan, Chief Administrative Officer

Mr. Quan joined the Company as the Chief Administrative Officer in 2010. He was the President and Legal Representative of Applied Materials China from 2007 to 2010, where he was responsible for the overall operations of Applied China, including the completion of the Xian Technology Center, as well as driving growth strategies to meet overall objectives in China for all business units. Mr. Quan first joined Applied Materials in 1994, where he went on to serve in various legal and management roles. He had responsibilities for managing Applied's global general legal services as Corporate Vice President of Legal Affairs. In 1999, Mr. Quan was also named as Applied's first Ombudsman, where he created and implemented an ethics and compliance program worldwide. Between 2005 and 2007, Mr, Quan joined the Huahong Group in Shanghai, China as a Vice President and Chief Administrative Officer. In this role, he managed the legal, human resources, facilities, export licensing and other support functions. Mr. Quan received a bachelor of science degree in economics and finance from the University of California, Berkeley and a J.D. from St. John's University.

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Anne Chen, Company Secretary and Chief Compliance Officer
Ms. Chen joined the Company in 2001 and is the Company's Hong Kong Representative, Company Secretary and Chief Compliance Officer. Ms. Chen is admitted as a solicitor in Hong Kong, England and Wales and Australia and was admitted as an advocate and solicitor in Singapore. She had served as a deputy adjudicator of the Small Claims Tribunal in Hong Kong in 1999 and has served as the President of the Hong Kong Federation of Women Lawyers from 2000 to 2002 and since 2008. Prior to joining the Company in 2001, she had been a practicing solicitor in Hong Kong since 1987.

Samuel Tsou, Vice President of Corporate Human Resources
Mr. Tsou first joined SMIC in 2005 and is currently the Vice President of Corporate Human Resources. Prior to joining SMIC, he held management positions with Lam Research USA, Taiwan Semiconductor Manufacturing Company Limited, Lam Research Asia, Winbond Electronics and Philips Semiconductor Holland and United Microelectronics Corporation. Mr. Tsou received his B.S. in Physics from National Taiwan University and his Master (major in Counseling and Administration) from Harvest Seminary USA.

Zhou Mei Sheng, Vice President of Technology and Operations Office
Dr. Zhou joined SMIC in 2010 as Vice President of Technology & Operations Office. Dr. Zhou received BSc & MS degree from Fudan University China in 1982 & 1985 respectively, and Ph.D. degree in Chemistry from Princeton University in 1990. In the earlier part of her professional career, she has lectured and researched in distinguished universities like Fudan University China, Rochester University USA and National University of Singapore. Since 1994, she has been working in semiconductor industries. In her 7 years with Chartered Semiconductor Manufacturing. Dr. Zhou worked in various modules like Etch, Clean Tech, PVD, CMP and BEOL and rose from a Senior Engineer, Manager, Deputy Director to the position of fellow, TD-BEOL AMD. In 2001, she moved to TSMC, Taiwan, leading a department in AMTD for Advanced Equipment, Exploratory Module Technology as well as the development of integrated advanced process control for < 90 nm technology. In the period of 2003–2005, Dr. Zhou served as Deputy Director in UMC, contributed to the start-up of its 12' Fab operation as well as initiating the manufacturing technology development team for the advanced 12' Wafer fab. She returned back to Chartered as AMTD Senior Director in 2005 and is responsible for the module technology development in supporting Chartered's business development & growth. Dr. Zhou has been awarded with more than 125 US. patents and published over 40 papers as co-inventor/author.

John Peng, Associate Vice President and General Manager of China BU
Mr. Peng first joined SMIC in 2001 and is currently General manager of China Business Unit. Prior to joining SMIC, he was the Sr. Operation Director of Wuxi CSMC-Hi Semiconductor Company Limited and was responsible for Fab, PC&MC, Facility and IT. He was also the deputy general manager and the Fab director of Huajing MOS BU, responsible for China national 908 project AT&T (Lucent) technology transfer and built China's most advanced 6' fab in 1996. He received his Bachelor's degree in Physics from Sichuan University and his Master's degree in 1988 in Microelectronics from XiDian University.

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CHANGES IN DIRECTORATE AND UPDATE OF DIRECTORS' INFORMATION

Changes in the Members of the Board of Directors
As previously disclosed by the Company, there were the following changes in the members of the Board, between the period from the date of the 2009 interim report and the date of this annual report.

- Dr. Richard Ru Gin Chang has resigned as President, Chief Executive Officer and Class I Executive Director, and Professor Edward S Yang has resigned as Class III Independent Non-executive Director of the Company on November 9, 2009; and
- On November 9, 2009, Dr. David N.K. Wang was appointed as President, Chief Executive Officer and Class I Executive Director of the Company.

Changes in, and Updates to, Previously Disclosed Information Relating to the Directors
As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), certain changes in, and updates to, the information previously disclosed regarding the Directors during their respective terms of office are set out below:

- Dr. Jiang Shang Zhou was appointed as the Chairman of China Semiconductor Industry Association in 2009.
- Dr. Jiang Shang Zhou has been appointed as the Chairman of the board of Siltech Semiconductor Shanghai Corporation, and a director of certain subsidiaries of the Company, namely, Admiral Investment Holdings Limited and Semiconductor Manufacturing International (AT) Corporation, in 2009.
- Mr. Gao Yonggang has been appointed as a director of certain subsidiaries of the Company, namely, SMIC Beijing, SMIC Chengdu and SMIC Shenzhen, in 2009.
- Mr. Wang Zheng Gang was appointed as a director of Shanghai Shenyu Highway Construction Development Co. Ltd. in 2009.
- Dr. Chen Shanzhi was appointed as the Vice President of China Academy of Telecommunications Technology (Datang Telecom Technology & Industry Group) in 2010.
- In December 2009, the Board of Directors approved certain remuneration packages (including cash fees) to the Non-executive Directors (subject to their acceptance).

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REPORT OF THE DIRECTORS

SUBSIDIARIES

Except as otherwise listed below, the Company owns 100% of the issued and outstanding share capital of its subsidiaries. As of December 31, 2009, these subsidiaries are as follows:

1.
Semiconductor Manufacturing International (Shanghai) Corporation* ("SMIS" or "SMIC Shanghai")
Principal place of operation: Shanghai, PRC
Place of incorporation: Shanghai, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: US$5,200,000,000
Registered capital: US$1,740,000,000
Equity holder: the Company (100%)

2.
Semiconductor Manufacturing International (Beijing) Corporation* ("SMIB" or "SMIC Beijing")
Principal place of operation: Beijing, PRC
Place of incorporation: Beijing, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: US$3,000,000,000
Registered capital: US$1,000,000,000
Equity holder: the Company (100%)

3.
Semiconductor Manufacturing International (Tianjin) Corporation* ("SMIT" or "SMIC Tianjin")
Principal place of operation: Tianjin, PRC
Place of incorporation: Tianjin, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: US$1,100,000,000
Registered capital: US$690,000,000
Equity holder: the Company (100%)

4.
Semiconductor Manufacturing International (Chengdu) Corporation* ("SMICD" or "SMIC Chengdu")
Principal place of operation: Chengdu, PRC
Place of incorporation: Chengdu, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: US$175,000,000
Registered capital: US$60,000,000
Equity holder: the Company (66.3%, indirectly through Semiconductor Manufacturing International (AT) Corporation)

* For identification purposes only

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5. SMIC Japan Corporation*
Principal country of operation: Japan
Place of incorporation: Japan
Authorised capital: JPY10,000,000 divided into 200 shares of a par value of JPY50,000
Equity holder: the Company (100%)

6. SMIC, Americas
Principal country of operation: U.S.A.
Place of incorporation: California, US
Registered capital: No registered capital, authorized to issue 50,000,000 shares of common stock
Equity holder: the Company (100%)

7. Better Way Enterprises Limited
Principal country of operation: Samoa
Place of incorporation: Samoa
Authorised capital: US$1,000,000 divided into 1,000,000 shares of a par value of US$1.00
Issued share capital: US$1.00
Equity holder: the Company (100%)

8. SMIC Europe S.R.L.
Principal place of operation: Agrate Brianza (Milan), Italy
Place of incorporation: Agrate Brianza (Milan), Italy
Registered capital: Euros100,000
Equity holder: the Company (100%)

9. Garrison Consultants Limited
Principal country of operation: Samoa
Place of incorporation: Samoa
Authorised capital: US$1,000,000 divided into 1,000,000 shares of a par value of US$1.00
Issued share capital: US$1.00
Equity holder: the Company (100%, indirectly through Better Way Enterprises Limited)

10. Semiconductor Manufacturing International (AT) Corporation (“AT”)
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$1,900,000 divided into 100,000,000 ordinary shares of US$0.01 each and
90,000,000 Series A preference shares of US$0.01 each
Equity holder: the Company (66.3%)

11. Semiconductor Manufacturing International (Solar Cell) Corporation
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$11,000
Equity holder: the Company (100%)

* For identification purposes only

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12. SMIC Energy Technology (Shanghai) Corporation* ("Energy Science")
Principal place of operation: Shanghai, PRC
Place of incorporation: Shanghai, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: US$28,935,000
Registered capital: US$12,000,000
Equity holder: the Company (100%, indirectly through SMIC Solar Cell (HK) Company Limited)

13. SMIC Commercial (Shanghai) Limited Company
Principal place of operation: Shanghai, PRC
Place of incorporation: Shanghai, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: US$1,100,000
Registered capital: US$800,000
Equity holder: the Company (100%)

14. SMIC Development (Chengdu) Corporation*
Principal place of operation: Chengdu, PRC
Place of incorporation: Chengdu, PRC
Legal entity: Wholly foreign-owned enterprise
Total Investment: US$12,500,000
Registered capital: US$5,000,000
Equity holder: the Company (100%)

15. Magnificent Tower Limited
Principal country of operation: British Virgin Islands
Place of incorporation: British Virgin Islands
Authorised capital: US$50,000
Issued share capital: US$1.00
Equity holder: the Company (100%, indirectly through Better Way Enterprises Limited)

16. SMIC Shanghai (Cayman) Corporation
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$50,000
Issued share capital: US$0.0004
Equity holder: the Company (100%)

* For identification purposes only

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17. SMIC Beijing (Cayman) Corporation
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$50,000
Issued share capital: US$0.0004
Equity holder: the Company (100%)

18. SMIC Tianjin (Cayman) Corporation
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$50,000
Issued share capital: US$0.0004
Equity holder: the Company (100%)

19. SMIC Shanghai (HK) Company Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$1,000
Issued share capital: HK$1.00
Equity holder: the Company (100%, indirectly through SMIC Shanghai (Cayman) Corporation)

20. SMIC Beijing (HK) Company Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$1,000
Issued share capital: HK$1.00
Equity holder: the Company (100%, indirectly through SMIC Beijing (Cayman) Corporation)

21. SMIC Tianjin (HK) Company Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$1,000
Issued share capital: HK$1.00
Equity holder: the Company (100%, indirectly through SMIC Tianjin (Cayman) Corporation)

22. SMIC Solar Cell (HK) Company Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$10,000
Issued share capital: HK$1.00
Equity holder: the Company (100%, indirectly through Semiconductor Manufacturing International (Solar Cell) Corporation)

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23. SMIC AT (HK) Company Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$10,000
Issued share capital: HK$1.00
Equity holder: the Company (66.3%, indirectly through Semiconductor Manufacturing International (AT) Corporation)

24. Semiconductor Manufacturing International (BVI) Corporation
Principal country of operation: British Virgin Islands
Place of incorporation: British Virgin Islands
Authorised capital: US$10.00
Issued share capital: US$10.00
Equity holder: the Company (100%)

25. Admiral Investment Holdings Limited
Principal country of operation: British Virgin Islands
Place of incorporation: British Virgin Islands
Authorised capital: US$10.00
Issued share capital: US$10.00
Equity holder: the Company (100%)

26. SMIC Shenzhen (Cayman) Corporation
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$50,000
Issued share capital: US$0.0004
Equity holder: the Company (100%)

27. SMIC (Wuhan) Development Corporation*
Principal place of operation: Wuhan, PRC
Place of incorporation: Wuhan, PRC
Legal entity: Wholly foreign-owned enterprise
Total Investment: RMB$20,000,000
Registered capital: RMB$20,000,000
Equity holder: the Company (100%)

* For identification purposes only

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28. SMIC Shenzhen (HK) Company Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$1,000
Issued share capital: HK$1.00
Equity holder: the Company (100%)

29. SilTech Semiconductor Corporation
Principal country of operation: Cayman Islands
Place of incorporation: Cayman Islands
Authorised capital: US$10,000
Issued share capital: US$0.1
Equity holder: the Company (100%)

30. SilTech Semiconductor (Hong Kong) Corporation Limited
Principal place of operation: Hong Kong
Place of incorporation: Hong Kong
Authorised capital: HK$1,000
Issued share capital: HK$1,000
Equity holder: the Company (100% indirectly through SilTech Semiconductor Corporation)

31. Semiconductor Manufacturing International (Shenzhen) Corporation* ("SMIC Shenzhen")
Principal place of operation: Shenzhen, PRC
Place of incorporation: Shenzhen, PRC
Legal entity: Wholly foreign-owned enterprise
Total Investment: US$30,000,000
Registered capital: US$12,000,000
Equity holder: the Company (100%)

32. SilTech Semiconductor (Shanghai) Corporation Limited
Principal place of operation: Shanghai, PRC
Place of incorporation: Shanghai, PRC
Legal entity: Wholly foreign-owned enterprise
Total investment: USD$35,000,000
Registered capital: USD$12,000,000
Equity holder: the Company (100%, indirectly through SilTech Semiconductor (HK) Corporation Limited)

* For identification purposes only

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SHARE CAPITAL

During the year ended December 31, 2009, the Company issued 415,000 ordinary shares under the 2004 Stock Option Plan pursuant to the exercise of options. The Company issued 6,038,800 ordinary shares to certain of the Company's eligible participants including employees, directors, officers, and service providers of the Company ("eligible participants") pursuant to the Company's 2001 Stock Plan and 39,500,430 ordinary shares to certain of eligible participants pursuant to the 2004 Equity Incentive Plan of the Company (the "EIP").

During the year ended December 31, 2009, the Company did not repurchase any ordinary shares from eligible participants pursuant to the terms of the Company's 2001 Preference Shares Stock Plan and 2001 Regulation S Preference Shares Stock Plan (collectively the "2001 Preference Shares Plan") or the Company's 2001 Stock Plan.

	Number of Ordinary Shares Outstanding
Outstanding Share Capital as at December 31, 2009	22,375,886,604

Under the terms of the Company's 2004 Equity Incentive Plan, the Compensation Committee of the Company may grant restricted share units ("Restricted Share Units") to eligible participants. Each Restricted Share Unit represents the right to receive one ordinary share. Restricted Share Units granted to new employees generally vest at a rate of 10% upon the second anniversary of the vesting commencement date, an additional 20% on the third anniversary of the vesting commencement date and an additional 70% upon the fourth anniversary of the vesting commencement date. Restricted Share Units granted to existing employees generally vest at a rate of 25% upon the first, second, third and fourth anniversaries of the vesting commencement date. Upon vesting of the Restricted Share Units and subject to the terms of the Insider Trading Policy and the payment by the participants of applicable taxes, the Company will issue the relevant participants the number of ordinary shares underlying the awards of Restricted Share Units.

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For the twelve months ended December 31, 2004, the Compensation Committee granted a total of 118,190,824 Restricted Share Units pursuant to which the Company issued an aggregate of 18,536,451 ordinary shares to its eligible participants on or around July 1, 2005. For the twelve months ended December 31, 2005, the Compensation Committee granted a total of 122,418,740 Restricted Share Units pursuant to which the Company issued an aggregate of 27,591,342 ordinary shares to its eligible participants on or around January 1, 2006 and July 1, 2006. For the twelve months ended December 31, 2006, the Compensation Committee granted a total of 16,058,864 Restricted Share Units pursuant to which the Company issued an aggregate of 2,039,716 ordinary shares to its eligible participants on or around January 1, 2007 and July 1, 2007. For the twelve months ended December 31, 2007, the Compensation Committee granted a total of 40,519,720 Restricted Share Units. For the twelve months ended December 31, 2008, the Compensation Committee granted a total of 41,907,100 Restricted Share Units. For the twelve months ended December 31, 2009, the Compensation Committee granted a total of 787,797 Restricted Share Units. The remaining vesting dates of these Restricted Share Units (after deducting the number of Restricted Share Units granted but cancelled due to the departure of eligible participants prior to vesting) are approximately as follows:

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)
2009	
1-Jan	21,215,236
19-Jan	12,500
21-Jan	200,000
22-Jan	12,600
29-Jan	75,000
1-Feb	270,000
13-Feb	75,000
16-Feb	75,000
1-Mar	225,000
3-Mar	250,000
19-Mar	13,320
23-Mar	175,000
1-Apr	125,000
25-Apr	50,000
29-Apr	350,000
1-May	75,000
15-May	62,500
22-May	8,750
1-Jun	100,000
16-Jun	125,000
21-Jun	75,000
1-Jul	937,236
1-Aug	640,000
1-Sep	10,367,188
13-Sep	250,000
1-Oct	782,500
16-Oct	222,216
27-Oct	50,000
1-Nov	250,000
14-Nov	50,000
1-Dec	26,930
6-Dec	100,000
12-Dec	75,000

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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)
2010	
1-Jan	21,391,985
19-Jan	12,500
21-Jan	200,000
22-Jan	12,600
29-Jan	75,000
1-Feb	270,000
13-Feb	75,000
16-Feb	75,000
1-Mar	225,000
3-Mar	250,000
19-Mar	13,320
23-Mar	175,000
1-Apr	75,000
1-May	75,000
15-May	62,500
22-May	8,750
1-Jun	100,000
16-Jun	125,000
21-Jun	75,000
1-Jul	640,090
1-Sep	682,000
16-Sep	75,000
1-Oct	782,500
16-Oct	222,216
27-Oct	50,000
1-Nov	250,000
14-Nov	50,000
1-Dec	26,930
6-Dec	100,000
12-Dec	75,000

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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)
2011	
1-Jan	14,682,638
2-Jan	11,750
21-Jan	200,000
22-Jan	12,600
29-Jan	75,000
1-Feb	270,000
13-Feb	75,000
16-Feb	75,000
1-Mar	25,000
19-Mar	13,320
1-Apr	75,000
1-May	75,000
13-May	12,500
15-May	62,500
22-May	8,750
1-Jun	100,000
16-Jun	125,000
21-Jun	75,000
1-Jul	430,000
1-Sep	24,500
16-Oct	150,000
27-Oct	50,000
1-Nov	250,000
14-Nov	50,000
12-Dec	75,000
2012	
1-Jan	8,417,888
2-Jan	11,750
21-Jan	200,000
29-Jan	75,000
1-Feb	20,000
13-Feb	75,000
16-Feb	75,000
1-Apr	75,000
13-May	12,500
22-May	8,750
27-Oct	50,000
14-Nov	50,000
2013	
1-Jan	82,500
2014	
1-Jan	11,750

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REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Other than repurchases by the Company of ordinary shares from employees pursuant to the terms of the 2001 Stock Plans, as disclosed in the paragraph (Share Capital) above, the Company has not repurchased, sold or redeemed any additional ordinary shares in 2009.

No shares were repurchased during the year 2009.

PUBLIC FLOAT

As of April 22, 2010, being the latest practicable date prior to the printing of this annual report, the public (as defined in the Rules Governing the Listing of Securities on the SEHK (“Listing Rules”)) holds more than 25% of the Company’s total issued share capital.

DEBT TO EQUITY RATIO

As of December 31, 2009, the Company’s debt to equity ratio was approximately 58% calculated based on the sum of the short-term borrowings, current portion of long-term debt and long-term debt divided by total shareholders’ equity.

DIVIDENDS AND DIVIDEND POLICY

At the end of 2009, the Company’s accumulated deficit increased to US$1,712.0 million from an accumulated deficit of US$748.5 million at the end of 2008. The Company has not declared or paid any cash dividends on the ordinary shares. We intend to retain any earnings for use in the Company’s business and do not currently intend to pay cash dividends on the ordinary shares. Dividends, if any, on the outstanding shares will be declared by and subject to the discretion of the Board and must be approved at the annual general meeting of shareholders. The timing, amount and form of future dividends, if any, will also depend, among other things, on:

- the Company’s results of operations and cash flow;
- the Company’s future prospects;
- the Company’s capital requirements and surplus;
- the Company’s financial condition;
- general business conditions;
- contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company’s subsidiaries to the Company; and
- other factors deemed relevant by the Board.

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The Company's ability to pay cash dividends will also depend upon the amount of distributions, if any, received by the Company from its wholly-owned Chinese operating subsidiaries. Under the applicable requirements of Chinese Company Law, the Company's subsidiaries in China may only distribute dividends after they have made allowances for:

- recovery of losses, if any;
- allocation to the statutory common reserve funds;
- allocation to staff and workers' bonus and welfare funds; and
- allocation to a discretionary common reserve fund if approved by the Company's shareholders.

More specifically, these operating subsidiaries may only pay dividends after 10% of their net profit has been set aside as statutory common reserves and a discretionary percentage of their net profit has been set aside for the staff and workers' bonus and welfare funds. These operating subsidiaries are not required to set aside any of their net profit as statutory common reserves if such reserves are at least 50% of their respective registered capital. Furthermore, if they record no net income for a year, they generally may not distribute dividends for that year.

CONTRACTS OF SIGNIFICANCE

Settlement Agreement with TSMC

On November 10, 2009, the Company announced that it entered into a settlement agreement with TSMC to resolve all pending lawsuits between the parties, including the legal action filed by TSMC in California for which a verdict was returned against the Company on November 4, 2009 and the legal action filed by the Company against TSMC in Beijing.

As part of the settlement, the Company entered into a share and warrant issuance agreement with TSMC on November 9, 2009, whereupon the Company conditionally agreed to issue to TSMC 1,789,493,218 ordinary shares (the "New Common Shares") and a warrant (exercisable within three years of issuance) to subscribe for 695,914,030 shares of SMIC, subject to adjustment, at a purchase price of HK$1.30 per share (which would allow TSMC to obtain total ownership of approximately 10% of SMIC's issued share capital after giving effect to the share issuances) (the "Warrant Shares"), subject to receipt of required government and regulatory approvals. Completion of the share and warrant issuance agreement is conditional upon, amongst other things, the obtaining of governmental approvals and the Listing Committee of the Stock Exchange agreeing to grant approvals for the listing of and permission to deal in the New Common Shares and the Warrant Shares. As at the latest practicable date, the transaction has not been completed and none of the New Common Shares and the Warrant Shares have been issued to TSMC.

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Share Purchase Agreement with Datang
On November 10, 2008, the Company announced the entering into of the Share Purchase Agreement pursuant to which Datang Telecom Technology & Industry Holdings Co., Ltd. (“Datang”) conditionally agreed to subscribe through a Hong Kong incorporated company, and the Company conditionally agreed to allot and issue, 3,699,094,300 New Ordinary Shares (the “New Shares”). The New Shares represent 19.9% of the issued share capital of the Company prior to the issuance of the New Shares and approximately 16.6% of the issued share capital following the issuance of the New Shares, and were issued for a total purchase price of US$171.8 million.

The completion was conditional upon, amongst other things, the entering into between the Company and Datang of a Strategic Cooperation Agreement regarding the Non-Exempt Continuing Connected Transactions on or prior to completion of the subscription of New Shares pursuant to the terms of the Share Purchase Agreement. On December 24, 2008, the Company and Datang entered into the Strategic Cooperation Agreement for a period of two years commencing on the date of Completion.

Please refer to the section titled “Connected Transactions” in “Report of the Directors” below for further details on the Strategic Cooperation Agreement.

MAJOR SUPPLIERS AND CUSTOMERS

In 2009, the Company’s largest and five largest raw materials suppliers accounted for approximately 11.2% and 43.2%, respectively, of the Company’s overall raw materials purchases. In 2008, the Company’s largest and five largest raw materials suppliers accounted for approximately 8.0% and 32.3%, respectively, of the Company’s overall raw materials purchases. In 2007, the Company’s largest and five largest raw materials suppliers accounted for approximately 14.0% and 48.2%, respectively, of the Company’s overall raw material purchases. None of the Directors or shareholders (which to the knowledge of the Directors own more than 5% of the Company’s issued share capital) or their respective associates had interests in any of the Company’s five largest suppliers. Almost all of the Company’s materials are imported free of value-added tax and import duties due to concessions granted to the semiconductor industry in China.

For 2009, the Company’s largest and five largest customers accounted for approximately 22.1% and 60.0%, respectively, of the Company’s total overall sales. For 2008, the Company’s largest and five largest customers accounted for approximately 21.7% and 58.2%, respectively, of the Company’s total overall sales. For 2007, the Company’s largest and five largest customers accounted for approximately 18.0% and 60.0%, respectively, of the Company’s total overall sales. None of the other Directors or shareholders (which to the knowledge of the Directors own more than 5% of the Company’s issued share capital) or their respective associates had interests in any of the Company’s five largest customers in 2009.

PRE-EMPTIVE RIGHTS

The Company confirms that no pre-emptive rights exist in the law of the Cayman Islands.

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DIRECTOR'S INTERESTS

As of December 31, 2009, the interests or short positions of the Directors in the ordinary shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("SFO")), which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Board Member	Nature of Interest	Number of Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
Jiang Shang Zhou	Personal Interest(1)	1,000,000	
Total		1,000,000	*
Tsuyoshi Kawanishi(7)	Personal Interest(1)	1,000,000	
	Personal Interest(2)	500,000	
	Personal Interest(3)	1,500,000	
Total		3,000,000	*
Lip-Bu Tan(7)	Personal Interest(1)	1,000,000	
	Personal Interest(2)	500,000	
Total		1,500,000	*
Richard R. Chang	Personal Interest(4)	38,729,500	
(former President, Chief Executive	Personal Interest(5)	17,600,000	
Officer and Executive Director	Personal Interest(1)	1,000,000	
who resigned on	Corporate Interest(6)	20,000,000	
November 9, 2009)	Interest of Spouse	9,790,000	
	Interest of Child under 18	11,200,000	
Total		98,319,500	*
Yang Yuan Wang (former Chairman	Personal Interest(1)	1,000,000	
and Independent Non-executive	Personal Interest(2)	500,000	*
Director who resigned on			
June 23, 2009)(7)			
Total		1,500,000	
Edward S Yang (former	Personal Interest(1)	1,000,000	
Independent Non-executive	Personal Interest	750,000	
Director who resigned on			
November 9, 2009)			
Total		1,750,000	*

* Indicate less than 1%.

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Notes:

1. On February 17, 2009, each of Richard Ru Gin Chang, Tsuyoshi Kawanishi, Lip-Bu Tan, Yang Yuan Wang, Jiang Shang Zhou and Edward S Yang was granted an option to purchase 1,000,000 Ordinary Shares at a price per Ordinary Share of HK$0.27. 50% percent of these options vested on February 17, 2010 and the remaining 50% will be vested on February 17, 2011. These options will expire on the earlier of February 17, 2019 or 120 days after termination of the Director's service to the Board, except for the options granted to (i) Yang Yuan Wang (who resigned as an Independent Non-executive Director on June 23, 2009 but continued to act as the Company's Honorary Chairman and Chief Scientific Advisor) which will expire after termination of his services to the Company in his capacity as the Honorary Chairman and/or Chief Scientific Advisor of the Company; and (ii) Richard Ru Gin Chang (who resigned as President, Chief Executive Officer and Executive Director on November 9, 2009 but continued to act as the Company's Advisor) which will expire after termination of his services to the Company in his capacity as Advisor of the Company. As of December 31, 2009, these options have not been exercised.

2. Each Director was granted an option to purchase 500,000 Ordinary Shares at a price of US$0.132 per Ordinary Share. These options were fully vested on May 30, 2008 and will expire on the earlier of September 29, 2016 or 120 days after termination of the Director's service to the Board, except for the options granted to (i) Yang Yuan Wang (who resigned as an Independent Non-Executive Director on June 23, 2009 but continued to act as the Company's Honorary Chairman and Chief Scientific Advisor) which will expire after termination of his services to the Company in his capacity as the Honorary Chairman and/or Chief Scientific Advisor of the Company; and (ii) Richard Ru Gin Chang (who resigned as President, Chief Executive Officer and Executive Director on November 9, 2009 but continued to act as the Company's Advisor) which will expire after termination of his services to the Company in his capacity as Advisor of the Company. As of December 31, 2009, these options have not been exercised. Jiang Shang Zhou and Fang Yao (who resigned as Non-executive Director on August 30, 2007) have declined receipt of such option.

3. Tsuyoshi Kawanishi has been granted options to purchase an aggregate of 1,500,000 Ordinary Shares, if fully exercised. As of December 31, 2009, these options have not been exercised.

4. Pursuant to a Charitable Pledge Agreement dated December 1, 2003, Richard Ru Gin Chang and his spouse, Scarlett K. Chang (collectively, the "Donors") have pledged to transfer 10,000,000 Ordinary Shares as a charitable gift to The Richard and Scarlett Chang Family Foundation, a Delaware nonprofit nonstock corporation organized exclusively for religious, charitable, scientific, literary and education purposes within the meaning of Section 501(c)(3) of the US Internal Revenue Code of 1986, as amended, such transfer to be made in full at or prior to the death of the surviving Donor. In addition, 2,639,550 of such Ordinary Shares are jointly held by Richard Ru Gin Chang and his spouse, Scarlett K. Chang.

5. The Compensation Committee has granted Richard Ru Gin Chang (who resigned as President, Chief Executive Officer and Executive Director on November 9, 2009 but continues to act as the Company's Advisor) options to purchase an aggregate of 15,600,000 Ordinary Shares, if fully exercised, which will expire after termination of his services to the Company in his capacity as Advisor of the Company. Dr. Chang has also been granted an award of 2,000,000 Restricted Share Units (each representing the right to receive one Ordinary Share). As of December 31, 2009, none of these options has been exercised and 2,000,000 Ordinary Shares were issued pursuant to vesting of the Restricted Share Units.

6. These Ordinary Shares are held by Jade Capital Company, LLC, a Delaware limited liability company (the "LLC"), of which Richard Ru Gin Chang and his spouse, Scarlett K. Chang (collectively, the "Members"), are the sole Members. It is the current intention of the Members that all or a portion of the net income of the LLC be used for philanthropic purposes, including but not limited to contributions to charitable organizations that are tax-exempt under Section 501(c)(3) of the US Internal Revenue Code of 1986, as amended.

7. Each independent Non-executive Director and Non-executive Director was granted an option to purchase 500,000 Ordinary Shares at a price of US$0.22 per Ordinary Share. These options were fully vested on March 19, 2005 and expired on the earlier of November 9, 2009 or 120 days after termination of the Directors' service to the Board.

8.

On February 23, 2010, each of Dr. Jiang Shang Zhou, Dr. David N. K. Wang, Mr. Tsuyoshi Kawanishi and Mr. Lip-Bu Tan were granted an option to purchase 15,674,388, 62,697,553, 3,134,877 and 3,134,877 ordinary shares of the Company ("Ordinary Shares"), respectively, at a price per Ordinary Share of HK$0.77. These options are exercisable at the earliest on the expiry of 1 year after 23 February 2010 subject to earlier termination and other terms and conditions, as provided under the Company's 2004 Stock Option Plan and any applicable award documents.

On February 23, 2010, Dr. David N. K. Wang was granted an award of 26,870,379 Restricted Share Units (each representing the right to receive one Ordinary Share) pursuant to the Company's 2004 Equity Incentive Plan. These Restricted Share Units shall vest over 4 years as follows: 25% of the Restricted Share Units shall vest on each anniversary of 23 February 2010, provided that Dr. Wang has remained an employee of the Company through the applicable vesting dates.

On February 23, 2010, Dr. Jiang Shang Zhou, Chairman of the Board, was granted an award of 6,717,594 Restricted Share Units (each representing the right to receive one Ordinary Share) pursuant to the Company's 2004 Equity Incentive Plan. These Restricted Share Units shall vest over 4 years as follows: 25% of the Restricted Share Units shall vest on each anniversary of 23 February 2010.

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DIRECTOR'S SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has or proposes to have a service contract which is not terminable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

SUBSTANTIAL SHAREHOLDERS

Set out below are the names of the parties (not being a Director or chief executive of the Company) which were interested in 5 percent or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which they were interested as at December 31, 2009 as recorded in the register kept by the Company under section 336 of the SFO.

Name of Shareholder	Number of Shares Held	Percentage Held
Datang Telecom Technology & Industry Holdings Co., Ltd. ("Datang")	3,699,094,300 (long position)(1)	16.53% (long position)
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC")	420,008,000 (long position)(2)	1.88% (long position)
	1,833,269,340 (long position)(3)	8.19% (long position)
Total:	2,253,277,340 (long position)	10.07% (long position)
Taiwan Semiconductor Manufacturing Company Limited ("TSMC")	2,485,407,248 (long position)(4)	11.11% (long position)

Notes:

(1) All such Shares are held by Datang Holdings (Hongkong) Investment Company Limited which is a wholly-owned subsidiary of Datang Telecom Technology & Industry Holdings Co., Ltd.

(2) All such ordinary shares are held by SIIC Treasury (B.V.I.) Limited which is a wholly-owned subsidiary of SIIC.

(3) All such Shares are held by S.I. Technology Production Holdings Limited ("SITPHL") which is an indirect wholly-owned subsidiary of SIIC. SITPHL is a wholly-owned subsidiary of Shanghai Industrial Financial (Holdings) Company Limited ("SIFHCL") which in turn is a wholly-owned subsidiary of Shanghai Industrial Financial Holdings Limited ("SIFHL") By virtue of the SFO, SIIC and its subsidiaries, SIFHCL and SIFHL are deemed to be interested in the 1,833,269,340 Shares held by SITPHL. As at June 30, 2009, the Company's Director, Zhou Jie, is an executive director and the executive vice president of SIIC. He is also an executive director and the executive deputy CEO of Shanghai Industrial Holdings Limited. Wang Zheng Gang, alternate to Zhou Jie, is the Chief Representative of the Shanghai Representative Office of SIHL and the chairman of SIIC Management (Shanghai) Limited. It is the Company's understanding that voting and investment control over the ordinary shares beneficially owned by SIIC are maintained by the board of directors of SIIC.

(4) On November 9, 2009, the Company entered into a share and warrant issuance agreement with TSMC whereupon the Company conditionally agreed to issue to TSMC 1,789,493,218 ordinary shares (the "New Common Shares") and a warrant (exercisable within three years of issuance) to subscribe for 695,914,030 shares of SMIC, subject to adjustment, at a purchase price of HK$1.30 per share (the "Warrant Shares"), subject to receipt of required government and regulatory approvals. Completion of the share and warrant issuance agreement is conditional upon, amongst other things, the obtaining of governmental approvals and the Listing Committee of the Stock Exchange agreeing to grant approvals for the listing of and permission to deal in the New Common Shares and the Warrant Shares. As at the latest practicable date, the transaction has not been completed and none of the New Common Shares and the Warrant Shares have been issued to TSMC.

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EMOLUMENTS TO THE DIRECTORS

The chart below sets forth the emoluments to each of our Directors, including Richard Ru Gin Chang, our former President, Chief Executive Officer and Executive Director, in 2009, 2008 and 2007.

	David N.K. Wang	Chen Shanzhi	Gao Yong Gang	Edward S Yang	Zhou Jie	Richard Ru Gin Chang	Tsuyoshi Kawanishi	Yang Yuan Wang	Ta-Lin Hsu	Lip-Bu Tan	Henry Shaw	Fang Yao	Albert Y. C. Yu	Jiang Shang Zhou	W Zh G
2009															
Salaries and other benefits	$—	$—	$—	$—	$—	$273,029	$—	$—	$—	$—	$—	$—	$—	$—	
Stock Option Benefits*	$—	$—	$—	$8,149	$—	$47,299	$8,149	$8,149	$—	$8,149	$—	$—	$—	$8,149	
Total	$—	$—	$—	$8,149	$—	$320,328	$8,149	$8,149	$—	$8,149	$—	$—	$—	$8,149	
2008															
Salaries and other benefits	$—	$—	$—	$—	$—	$218,398	$—	$—	$—	$—	$—	$—	$—	$—	
Stock Option Benefits*	$—	$—	$—	$—	$—	$144,300	$4,285	$4,285	$4,285	$4,285	$4,285	$—	$12,489	$—	
Total	$—	$—	$—	$—	$—	$362,698	$4,285	$4,285	$4,285	$4,285	$4,285	$—	$12,489	$—	
2007															
Salaries and other benefits	$—	$—	$—	$—	$—	$195,395	$—	$—	$—	$—	$—	$—	$—	$—	
Stock Option Benefits*	$—	$—	$—	$—	$—	$172,203	$17,189	$17,189	$17,189	$17,189	$17,189	$—	$50,094	$—	
Total	$—	$—	$—	$—	$—	$367,598	$17,189	$17,189	$17,189	$17,189	$17,189	$—	$50,094	$—	

* For a description of any options granted and exercised in 2009, please see the summary of grants of options as set forth under "Outstanding Share Options" in this annual report.

Dr. David N. K. Wang, the President, Chief Executive Officer and Executive Director of the Company, has entered into an employment agreement and a service contract with the Company. Pursuant to the agreements, Dr. Wang will be entitled to an annual base compensation of US$300,000 and will be granted equity awards amounting to 0.4% of the total outstanding ordinary shares of the Company on the date of grant (70% of which will be granted as share options and 30% will be granted as restricted share units). He will also be entitled to a performance bonus of US$225,000 (payable if and when the Company achieves profitability over one fiscal year, as indicated by the Board's approved annual audited financial statements for that fiscal year).

In December 2009, the Board of Directors approved remuneration packages (including cash fees) to the Non-executive Directors of the Company (subject to their acceptance).

On February 17, 2009, each of Dr. Richard Ru Gin Chang, Mr. Tsuyoshi Kawanishi, Mr. Lip-Bu Tan, Professor Yang Yuan Wang, Dr. Jiang Shang Zhou and Professor Edward S Yang were granted an option to purchase 1,000,000 Ordinary Shares at a price per Ordinary Shares of HK$0.27. 50% of these options vested on February 17, 2010, and the rest will be vested on February 17, 2011, and will expire on the earlier of February 17, 2019 or 120 days after termination of the Director's service to the Board, except for the options granted to (i) Professor Wang (who resigned as Chairman and Independent Non-executive Director on June 23, 2009 but continued to act as the Company's Honorary Chairman and Chief Scientific Advisor) which will expire after termination of his services to the Company in his capacity as the Honorary Chairman and/or Chief Scientific Advisor of the Company; and (ii) Dr. Chang (who resigned as President, Chief Executive Officer and Executive Director on November 9, 2009 but continued to act as the Company's Advisor) which will expire after termination of his services to the Company in his capacity as Advisor of the Company.

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In 2008, the Board did not grant options or Restricted Share Units to any Director as compensation for their service on the Board.

In 2007, the Board did not grant options or Restricted Share Units to any Director as compensation for their service on the Board.

On September 29, 2006, the Board granted to each Director an option to purchase 500,000 ordinary shares at a price per ordinary share of US$0.132. These options were vested as to 50% on May 30, 2007 and the remaining 50% were vested on May 30, 2008. These options will expire on the earlier of September 29, 2016 or 120 days after termination of the director's service to the Board. Mr. Fang Yao and Dr. Jiang Shang Zhou have declined such option.

On September 29, 2006, the Board granted to Dr. Albert Y. C. Yu 500,000 Restricted Share Units. Shares under the Restricted Share Units were automatically vested as to 50% on May 30, 2007, and the remaining 50% were vested on May 30, 2008.

In 2005, the Board did not grant options to any Non-executive Director or independent Non-executive Director as compensation for their service on the Board. On May 11, 2005, the Board granted Dr. Richard Ru Gin Chang 2,000,000 Restricted Share Units. 25% of such Restricted Share Units were vested on each of July 1, 2005, July 1, 2006 and July 1, 2007 and 750,000 ordinary shares were issued pursuant to such vesting of Restricted Share Units on each of November 9, 2005, August 3, 2006 and December 4, 2007. On August 6, 2009, 500,000 Ordinary Shares were issued pursuant to the vesting of the remaining 25% of these Restricted Share Units.

On November 10, 2004, the Board granted to each independent Non-executive Director or Non-executive Director an option to purchase 500,000 ordinary shares at a price per ordinary share of US$0.22. These options were fully vested on March 19, 2005 and expired on November 9, 2009. As of December 31, 2009, these options have not been exercised. Lai Xing Cai (who resigned as a Non-executive Director on February 6, 2006) has declined such option. The option granted to Mr. Yen-Pong Jou (who retired as an Independent Non-executive Director at the annual general meeting held on May 30, 2006) lapsed and was cancelled on September 27, 2006.

FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Company for the year ended December 31, 2009 and 2008, included Richard Ru Gin Chang, the former President and Chief Executive Officer of the Company, and an Executive Director, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining four individuals in aggregate during the year were as follows:

	2009 (in US$)	2008 (in US$)
Salaries, housing allowances, other allowances, and benefits in kind	$1,147,923	$941,001
Discretionary bonuses	—	—
Stock option benefits*	$182,730	$232,296
Amounts paid to induce member to join Board	—	—

* For a description of any options exercised in 2009, please see the summary of grants of options as set forth under "Outstanding Share Options" in this section of the annual report.