



ational Corporation

■■■■ Interim Report

2011■■■

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- E, E;
- HK\$, H, K;
- L, G, L, E, H, K, L;
- E, E, E, I;
- EC, E, C;
- EHK, HK E, H, K, E, E, H, K, L;
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A 8-
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 0.35, 0.25, 0.18
 0.15, 0.13, 90, 65, 45
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 0.22, 0.21, 0.20, 0.19, 0.18
 0.17, 0.16, GAA,
 GAA.

CORPORATE INFORMATION

總公司	中芯國際集成電路製造有限公司 C. 國際 () C. ()
中國總部	中芯國際集成電路製造有限公司*
香港總部	樓 B, 309 新加坡 H. 樓 G. C. () K 1-1104 C. () L. ()
上海總部	18 樓 A. 樓 201203 C. ()
北京總部	樓 3003 30 樓 F. () 樓 9 樓 () C. () H. () K. ()
天津總部	樓 // ()
成都總部	A. () C. ()
西安總部	A. () C. ()
南京總部	樓 E. () H. () K. () L. () (HK E.) 樓 E. () (E.)
武漢總部	0981 (HK E) MI (E)

* 上海總部地址為中芯國際集成電路製造有限公司

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Dear Shareholders, I am pleased to inform you that SMIC has achieved a record performance in 2011. Our revenue increased by 10.2% to RMB10.1 billion, and our net profit grew by 15.1% to RMB1.5 billion. This is a testament to the hard work and dedication of our employees and the support of our shareholders.

During the year, we have successfully completed the acquisition of the 100% equity interest in the subsidiary, SMIC (Singapore) Pte. Ltd. This strategic move will further strengthen our global presence and enhance our operational efficiency.

In 2011, we have also implemented a share repurchase program, purchasing a total of 10,000,000 shares of our common stock at a total cost of approximately \$250 million. This program demonstrates our confidence in our long-term growth prospects and our commitment to returning value to our shareholders.

Looking ahead, we remain optimistic about our future growth. We will continue to invest in research and development to drive innovation and improve our product portfolio. We are also committed to maintaining a strong financial position and providing a competitive return to our shareholders.

Thank you for your continued support and confidence in SMIC. We look forward to achieving even greater success in the future.

Yours faithfully,
Zhang Wenyi
Chairman of the Board and Executive Director

Tzu-Yin Chiu
Chief Executive Officer and Executive Director

SMIC
April 29, 2011

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

The B, C and D items (the "B, C and D items") are the products of the Mainland and the C, D and E items (the "C, D and E items") are the products of the Hong Kong. The B, C and D items accounted for 94.9% of sales for the period ended June 30, 2011, and 95.2% of sales for the period ended June 30, 2010. The C, D and E items accounted for 5.1% of sales for the period ended June 30, 2011, and 4.8% of sales for the period ended June 30, 2010.

SALES

Sales for the period ended June 30, 2011, were \$720.1 million, an increase of 0.4% from \$722.9 million for the period ended June 30, 2010. Sales for the period ended June 30, 2011, were \$699.3 million, an increase of 2.4% from \$682.8 million for the period ended June 30, 2010. Sales for the period ended June 30, 2011, were \$945,654 8-figures, an increase of 2.4% from \$922,783 8-figures for the period ended June 30, 2010.

COST OF SALES AND GROSS PROFIT

Cost of sales for the period ended June 30, 2011, was \$603.9 million, a decrease of 1.2% from \$611.2 million for the period ended June 30, 2010.

Gross profit for the period ended June 30, 2011, was \$119.1 million, an increase of 16.5% from \$108.9 million for the period ended June 30, 2010. Gross profit margin for the period ended June 30, 2011, was 15.1%, an increase from 14.8% for the period ended June 30, 2010. The increase in gross profit margin was primarily due to the increase in sales volume for the period ended June 30, 2011.

OPERATING INCOME, EXPENSES AND LOSS FROM OPERATIONS

Operating income for the period ended June 30, 2011, was \$143.8 million, an increase of 11.7% from \$127.0 million for the period ended June 30, 2010.

Operating expenses for the period ended June 30, 2011, were \$94.8 million, a decrease of 6.6% from \$101.1 million for the period ended June 30, 2010. The decrease in operating expenses was primarily due to the decrease in selling and administrative expenses for the period ended June 30, 2011.

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

Gross profit margin for the period ended June 30, 2011, was 15.1%, an increase from 14.8% for the period ended June 30, 2010. The increase in gross profit margin was primarily due to the increase in sales volume for the period ended June 30, 2011.

Operating income for the period ended June 30, 2011, was \$5.1 million, an increase of 11.7% from \$4.6 million for the period ended June 30, 2010.

Operating loss from operations for the period ended June 30, 2011, was \$0.3 million, a decrease of 66.4% from \$0.9 million for the period ended June 30, 2010.

Operating loss from operations for the period ended June 30, 2011, was \$8.0 million, a decrease of 24.2% from \$10.6 million for the period ended June 30, 2010.

Operating loss from operations for the period ended June 30, 2011, was -1.1%, a decrease from -4.8% for the period ended June 30, 2010.

OTHER INCOME (EXPENSES)

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

2006 Loan Facility (SMIC Shanghai). In June 2006, SMIC Shanghai entered into a \$600.0 million loan facility (MIC B) with D. The facility is structured as follows: \$393.0 million in 2001 J, 2004. The facility is structured as follows: 8- C, MIC A, 2010, MIC 1.55%, 1.81%, J 30, 2010. J 30, 2010 \$1.4 \$0.3 J 30, 2010.

2009 USD & RMB Loan Facility (SMIC Shanghai). In June 2009, MIC & MB \$80 MB200 E -I B C MIC 12- MIC 12- A, J 30, 2011, MIC \$92 MB200 (\$29.4) J 2011. A, J 30, 2011, MIC MB200 2.40%, 4.86%, J 30, 2011. 2010 \$1.7 \$1.7 \$0.6 \$0.4 J 30, 2011 2010,

2011 USD Loan Facility (SMIC Shanghai). In April 2011, MIC \$69 E -I B C J 30, 2011, MIC \$12 J 2013. 4.40%, J 30, 2011 \$0.03 \$0.01 J 30, 2011.

2005 Loan Facility (SMIC Beijing). In May 2005, MIC (B) C, \$600.0 D C. MIC B, 12- C, MIC B,

A, $\frac{A}{B} < 1$; MIC B, $\frac{A}{B} > 1$.

1. $\frac{A}{B} < 1$; MIC B, $\frac{A}{B} > 1$.

2. $\frac{A}{B} > 1$; MIC B, $\frac{A}{B} < 1$.

I, J, 2011, $\frac{A}{B} > 70\%$.

J, 1, 2011, J, 30, 2012.

MIC B, J, 30, 2011.

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

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

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

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

2011 年 2010 年 0.5 1.3 0.07 0.02
 2011 年 2010 年 0.5 1.3 0.07 0.02

A. MIC

1. $\frac{\text{MIC} + \text{MIC} + \text{MIC} + \text{MIC}}{\text{MIC} + \text{MIC} + \text{MIC} + \text{MIC}} < 1$
2. 60% MIC 40%

MIC 2011 年 30 日

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

2011 年 30 日 2010 年 9.7
 \$5.7 1.75% 5.84%
 2011 年 30 日

CAPITALIZED INTEREST

C \$8.7 \$3.1
 2011 年 30 日 2010 年 30 日
 F. 2011 年 30 日 2010 年 30 日
 C. \$3.4 \$3.6

COMMITMENTS

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

DEBT TO EQUITY RATIO

A. 2011 年 30 日, C. 47.1%

INTEREST RATE RISK

As of June 30, 2011, the Company's interest rate risk is primarily related to the LIBOR-based floating rate debt. The Company's interest rate risk is primarily related to the LIBOR-based floating rate debt. The Company's interest rate risk is primarily related to the LIBOR-based floating rate debt. The Company's interest rate risk is primarily related to the LIBOR-based floating rate debt.

As of June 30, 2011, the Company's interest rate risk is primarily related to the LIBOR-based floating rate debt. The Company's interest rate risk is primarily related to the LIBOR-based floating rate debt. The Company's interest rate risk is primarily related to the LIBOR-based floating rate debt. The Company's interest rate risk is primarily related to the LIBOR-based floating rate debt.

EMPLOYEES EQUITY INCENTIVE PLAN

The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan. The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan. The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan. The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan.

The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan. The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan. The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan. The Company's employees equity incentive plan is primarily related to the 2004 Employee Stock Purchase Plan.

PROSPECTS AND FUTURE PLANS

Looking forward, the Company's prospects and future plans are primarily related to the 2011 financial performance. The Company's prospects and future plans are primarily related to the 2011 financial performance. The Company's prospects and future plans are primarily related to the 2011 financial performance. The Company's prospects and future plans are primarily related to the 2011 financial performance.

CORPORATE GOVERNANCE REPORT

The Company's Board of Directors is committed to the highest standards of corporate governance and to the long-term interests of all its stakeholders.

CORPORATE GOVERNANCE PRACTICES

The HK Ex' Change's Corporate Governance Code (the "CG Code") contains 14 principles and 150 provisions, which are divided into three categories: (i) mandatory provisions, (ii) recommended provisions and (iii) provisions that are not applicable to the Company. The Company's Board of Directors has adopted the CG Code as a guide for its corporate governance practices. The Company's Board of Directors has also adopted the CG Code as a guide for its corporate governance practices. The Company's Board of Directors has also adopted the CG Code as a guide for its corporate governance practices.

The Company's Board of Directors has also adopted the CG Code as a guide for its corporate governance practices. The Company's Board of Directors has also adopted the CG Code as a guide for its corporate governance practices.

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

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

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

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

C, D, D, I, D

BOARD COMMITTEE

B. The Board of Directors has established a Board Committee (the "A.C. Committee") to oversee the implementation of the Company's corporate strategy and to monitor the progress of the Company's business operations. The A.C. Committee shall report to the Board of Directors on a regular basis.

Audit Committee

A. On July 30, 2011, the Company established an Audit Committee (the "A.C. Committee") to oversee the Company's financial reporting process and to monitor the effectiveness of the Company's internal control system. The A.C. Committee is composed of three members: M.L.-B. (Chairman, A.C. Committee), M.G. (Member, A.C. Committee) and L. (Member, A.C. Committee). The A.C. Committee shall report to the Board of Directors on a regular basis. The A.C. Committee shall have the authority to investigate and report to the Board of Directors on any irregularities or suspected irregularities in the Company's financial reporting process. The A.C. Committee shall also have the authority to request and review all records and documents necessary for the performance of its duties. The A.C. Committee shall meet at least once a quarter and may meet more frequently as needed. The A.C. Committee shall have the authority to engage independent auditors to assist it in its duties. The A.C. Committee shall have the authority to request and review all records and documents necessary for the performance of its duties. The A.C. Committee shall have the authority to request and review all records and documents necessary for the performance of its duties. The A.C. Committee shall have the authority to request and review all records and documents necessary for the performance of its duties.

B. The A.C. Committee shall have the authority to request and review all records and documents necessary for the performance of its duties.

C. The A.C. Committee shall have the authority to request and review all records and documents necessary for the performance of its duties.

... the ... C. ...

... C. ...

... C. ... C. ...

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

A. C. ... C. ... (...) ... A. C. ... A. C. ... CG C. ... M. ... A. C. ... A. C. ... A. C. ... A. C. ...

A. C. ... A. C. ... C. F. ... C. ... () ... () ... (i) ... (ii) ... A. C. ... B. ...

Compensation Committee

A. ... J. ... 30, 2011, ... C. ... C. ... C. ... (... C. ... C. ...) ... M. L. - B. ... C. ... C. ... M. ... K. ... M. ... J. ... C. ... C. ...

... C. ... C. ... C. ... C. ... C. ... E. ... E. ... C. ... E. ... C. ...

... B. ... D. ...

... B, ... D ...

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

... C, ... C ...

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

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

Internal Audit Department

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

CODE OF BUSINESS CONDUCT AND ETHICS

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

U.S. Corporate Governance Practices

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

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

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

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

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

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

... E, ...

OTHER INFORMATION

1. DIVIDENDS

On June 28, 2011, the Board of Directors of the Company has declared a cash dividend of RMB1.00 per share for the period from January 1, 2011 to June 30, 2011.

2. SHARE CAPITAL

As of June 30, 2011, the Company has 62,640,812 shares of common stock issued and outstanding. The Company's common stock is listed on the Shanghai Stock Exchange and is traded under the symbol "600476". The Company's common stock is classified as "A" shares under the 2004 Company Law of the People's Republic of China. As of June 30, 2011, the Company has 58,607,164 shares of common stock issued and outstanding, of which 27,454,995,323 shares are held by the general public and 360,589,053 shares are held by the Company's employees.

Number of Shares Outstanding	
As of June 30, 2011:	
Public Shares	27,454,995,323
Shares Held by Employees	360,589,053

The Company's shares are classified as "A" shares under the 2004 Company Law of the People's Republic of China. The Company's shares are listed on the Shanghai Stock Exchange and are traded under the symbol "600476".

The Company's common stock is classified as "A" shares under the 2004 Company Law of the People's Republic of China. The Company's common stock is listed on the Shanghai Stock Exchange and is traded under the symbol "600476". The Company's common stock is classified as "A" shares under the 2004 Company Law of the People's Republic of China. The Company's common stock is listed on the Shanghai Stock Exchange and is traded under the symbol "600476". The Company's common stock is classified as "A" shares under the 2004 Company Law of the People's Republic of China. The Company's common stock is listed on the Shanghai Stock Exchange and is traded under the symbol "600476".

F. The number of Restricted Share Units (RSUs) outstanding as of December 31, 2010, was 207,315,992. As of December 31, 2011, the number of RSUs outstanding was 21,349,030. The number of RSUs outstanding as of December 31, 2011, includes RSUs that have been granted but not yet vested. The number of RSUs that have been granted but not yet vested as of December 31, 2011, is 21,349,030. The number of RSUs that have been granted but not yet vested as of December 31, 2011, is 21,349,030.

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

Vesting Dates	Approximate no. of Restricted Share Units
2011	
1-J	16,111,692
21-J	200,600
22-J	12,600
29-J	75,000
1-F	2,162,791
4-F	1,679,398
13-F	75,000
16-F	75,000
23-F	1,679,398
1-M	39,034,371
5-M	50,000
12-M	125,000
16-M	50,000
31-M	125,000
1-A	1,734,992
1-M	75,000
15-M	62,500
22-M	8,750
16-J	125,000
21-J	75,000
1-J	140,000
13-A	252,754
1-	187,500
16-	150,000
27-	50,000
1-	250,000
10-	6,717,595
12-D	75,000
18-D	1,679,399
2012	
1-J	14,520,961
29-J	75,000
1-F	2,162,792
4-F	1,679,399
13-F	75,000
16-F	75,000
23-F	1,679,399
5-M	50,000
12-M	125,000
16-M	50,000
31-M	125,000
1-A	1,684,992
21-M	8,750
13-A	252,754
1-	187,500
27-	50,000
10-	6,717,595
18-D	1,679,398

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of June 30, 2011, the following persons held 1% or more of the outstanding shares of common stock of the Company (including shares held by the Company's wholly owned subsidiaries):

Name	Number of Shares	Percentage of Total
Mr. J. L. H. (SFO)	336,000,000	33.6%
Mr. K. (SFO)	157,100,000	15.71%
Mr. L. (SFO)	125,000,000	12.5%
Mr. H. (SFO)	125,000,000	12.5%
Mr. K. (SFO)	125,000,000	12.5%

B. Preferred Shares (Convertible Preferred Shares)⁽¹⁾

Name of Shareholder	Number of Shares/ Underlying Shares Held
C... (CIC.)	360,589,053
	(L...) ⁽²⁾
	72,117,810
	(L...) ⁽²⁾
Total	432,706,863 (Long position)

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

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

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

4. SHAREHOLDING INTERESTS OF THE DIRECTORS OF THE COMPANY

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

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

* Represents less than 1%.

(1)

(1) On March 24, 2010, Director C. M. G. holds 3,145,319 shares of the Company at a price of HK\$0.59. On March 23, 2020, 120 shares were repurchased by the Company from Director B. A. J. on June 30, 2011.

(2) On February 23, 2010, Director M. K. M. holds 3,134,877 shares of the Company at a price of HK\$0.77. On February 22, 2020, 120 shares were repurchased by the Company from Director B. A. J. on June 30, 2011.

(3) On February 17, 2009, Director M. K. M. holds 1,000,000 shares of the Company at a price of HK\$0.27. On February 17, 2019, 120 shares were repurchased by the Company from Director B. A. J. on June 30, 2011.

(4) On September 29, 2006, Director M. K. M. holds 500,000 shares of the Company at a price of \$0.132. On March 30, 2008, 120 shares were repurchased by the Company from Director B. A. J. on June 30, 2011.

(5) Director M. K. M. holds 1,500,000 shares of the Company at a price of \$0.132. On June 12, 2012 to June 14, 2014, 120 shares were repurchased by the Company from Director B. A. J. on June 30, 2011.

As at June 30, 2011, the shareholding interests of the Directors of the Company are as follows: 4,006,666 shares of the Company held by Director C. A. J. on June 5, 2011, Director C. M. G. on June 30, 2011, and Director F. C. on June 30, 2011.

2001 STOCK OPTION PLANS

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

REFERENCE SHARE PLANS

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

2004 STOCK OPTION PLAN

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

2004 EQUITY INCENTIVE PLAN

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

5. REPURCHASE SALE OR REDEMPTION OF SECURITIES

C. On June 30, 2011, the Company repurchased 1,569,100 shares of its common stock at a weighted average price of \$3.77 per share.

6. MATERIAL LITIGATION AND ARBITRATION

Settlement Agreement with TSMC

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

A. On September 9, 2009, the Company entered into a settlement agreement with MIC. Pursuant to the settlement agreement, the Company agreed to pay MIC a sum of \$695,914,030 (the "Settlement Amount") in exchange for MIC's release of the Company from all claims, demands, damages, losses, costs, expenses, and attorney's fees that MIC has or may have against the Company, its subsidiaries, officers, directors, employees, agents, and representatives, arising out of or in connection with the Company's operations from January 1, 2004 to the date of the settlement agreement. The Settlement Amount is payable in three installments: (i) \$100,000,000 on September 9, 2009; (ii) \$200,000,000 on September 9, 2010; and (iii) \$395,914,030 on September 9, 2011. The Settlement Amount is payable in US dollars, and the Company has agreed to pay MIC a sum of HK\$1.30 for every US dollar of the Settlement Amount. The Settlement Amount is payable to MIC's designated bank account. The Settlement Agreement also provides for the Company to pay MIC a sum of \$1,789,493,218 (the "Settlement Amount") in exchange for MIC's release of the Company from all claims, demands, damages, losses, costs, expenses, and attorney's fees that MIC has or may have against the Company, its subsidiaries, officers, directors, employees, agents, and representatives, arising out of or in connection with the Company's operations from January 1, 2004 to the date of the settlement agreement.

7. CHANGES IN DIRECTORATE AND UPDATE OF DIRECTORS' INFORMATION

Changes in the Members of the Board

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

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

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

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

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

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

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

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

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

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

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

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

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

E. ... D. ...

8. WAIVER FROM COMPLIANCE WITH THE LISTING RULES

On August 8, 2004, the Board of Directors of the Company adopted the Listing Rules of the Exchange. The Listing Rules of the Exchange require the Company to comply with the Listing Rules of the Exchange.

9. REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the financial statements of the Company for the period ended June 30, 2011. The Audit Committee has concluded that the financial statements of the Company for the period ended June 30, 2011 are true and fair.

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

A, _____, C
A, _____, 29, 2011

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended June 30, 2011 and 2010

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

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2011 and December 31, 2010

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

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS)

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2011 and 2010

(in US\$ thousands)
(unaudited)

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

The accompanying notes are an integral part of this condensed consolidated statement of cash flows.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from June 30, 2011 to 2010
(Currency: US \$ (unless otherwise specified))

1. BASIS OF PRESENTATION

The interim financial statements presented herein are unaudited. The financial statements are prepared on the basis of the accounting records maintained by the Group. The financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in US dollars. All amounts are in US dollars unless otherwise specified. The financial statements are presented in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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2. FAIR VALUE

The Group's financial statements are prepared on the basis of the accounting records maintained by the Group. The financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. FAIR VALUE (CONTINUED)

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

- Level 1: Financial instruments measured at fair value using quoted prices in active markets for identical instruments.
- Level 2: Financial instruments measured at fair value using significant observable inputs other than quoted prices in active markets for identical instruments.
- Level 3: Financial instruments measured at fair value using significant unobservable inputs.

Level 1 Financial instruments measured at fair value using quoted prices in active markets for identical instruments.

Level 2 Financial instruments measured at fair value using significant observable inputs other than quoted prices in active markets for identical instruments.

Level 3 Financial instruments measured at fair value using significant unobservable inputs.

	Fair Value Measurements at June 30, 2011 Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Assets:				
Financial instruments measured at fair value using quoted prices in active markets for identical instruments	\$—	\$808	\$—	\$2,668
Financial instruments measured at fair value using significant observable inputs other than quoted prices in active markets for identical instruments	\$—	\$808	\$—	\$2,668
Liabilities:				
Financial instruments measured at fair value using quoted prices in active markets for identical instruments	\$—	\$577	\$—	\$(152)
Financial instruments measured at fair value using significant observable inputs other than quoted prices in active markets for identical instruments	—	1,028	—	(603)
Financial instruments measured at fair value using significant unobservable inputs	—	121	—	(121)
Financial instruments measured at fair value using significant observable inputs other than quoted prices in active markets for identical instruments	\$—	\$1,726	\$—	\$(876)

2. FAIR VALUE (CONTINUED)

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

	Fair Value at March 31, 2010	Fair Value at December 31, 2010	Fair Value at June 30, 2011
A	(M)	(M)	(M)
	(L)	(L)	(L)
Assets:			
Fair value of equity securities	\$	\$695	\$
Current and non-current			292
Derivative instruments	\$	\$695	\$
Liabilities:			
Fair value of equity securities	\$	\$480	\$
Long-term debt		1,380	(958)
Current and non-current		1,292	(949)
Current and non-current			(40,609)
Derivative instruments	\$	\$3,152	\$

The fair value of the equity securities is determined based on the closing price of the securities on the reporting date. The fair value of the derivative instruments is determined based on the closing price of the derivative instruments on the reporting date. The fair value of the long-term debt is determined based on the closing price of the debt on the reporting date. The fair value of the current and non-current debt is determined based on the closing price of the debt on the reporting date.

The Company's fair value measurements are based on the fair value of the assets and liabilities at the reporting date. The fair value of the assets and liabilities is determined based on the closing price of the assets and liabilities on the reporting date. The fair value of the assets and liabilities is determined based on the closing price of the assets and liabilities on the reporting date.

3. DISCONTINUED OPERATIONS

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

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

4. REVENUE RECOGNITION

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

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

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5. SHARE-BASED COMPENSATION

C. 2010, the Company's share-based compensation expense was \$6,386,000, compared to \$4,154,000 for the same period in 2010.

B. The following table summarizes the weighted average share-based compensation expense for the six months ended June 30, 2011 and 2010:

	Six months ended June 30,	
	2011	2010
A. Weighted average share-based compensation expense	1.27%	1.63%
E. Weighted average share-based compensation expense	4 years	1.4 years
E. Weighted average share-based compensation expense	70.32%	61.09%
E. Weighted average share-based compensation expense	0%	0%

Share-based compensation plans

C. 2010, the Company's share-based compensation expense was \$6,386,000, compared to \$4,154,000 for the same period in 2010.

I. 2004, the Company's share-based compensation expense was \$1,111,910,598, compared to \$159,001,753 for the same period in 2004.

I. 2001, the Company's share-based compensation expense was \$174,916,376, compared to \$478,913,959 for the same period in 2001.

A. The following table summarizes the weighted average share-based compensation expense for the six months ended June 30, 2011 and 2010:

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

D. 2010, the Company's share-based compensation expense was \$2,987,000, compared to \$1,336,000 for the same period in 2010.

The following table summarizes the weighted average share-based compensation expense for the six months ended June 30, 2011 and 2010:

7. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

8. ACCOUNTS RECEIVABLES, NET OF ALLOWANCES

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

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

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

9. INVENTORIES

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

10. ACCOUNTS PAYABLE

Accounts payable are due to various suppliers.

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

11. INDEBTEDNESS

Long-term debt is due to various banks.

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



13. CONVERTIBLE PREFERRED SHARES

Convertible Preferred Shares and Warrants

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

The following table summarizes the terms of the Convertible Preferred Shares:

Voting

The Convertible Preferred Shares have no voting rights. The Company's articles of incorporation and articles of association do not provide for cumulative voting.

Dividend entitlements

The Convertible Preferred Shares are entitled to dividends on a non-cumulative basis. The Company's articles of incorporation and articles of association do not provide for cumulative dividends.

Ranking

The Convertible Preferred Shares rank pari passu with the Company's common shares in all respects. The Convertible Preferred Shares do not have any special rights or preferences. The Convertible Preferred Shares do not have any special rights or preferences.

Liquidation preference

The Convertible Preferred Shares do not have any liquidation preference. The Convertible Preferred Shares do not have any liquidation preference.

Conversion Rights

The Convertible Preferred Shares are convertible into common shares of the Company at the option of the holder of the Convertible Preferred Shares. The Convertible Preferred Shares are convertible into common shares of the Company at the option of the holder of the Convertible Preferred Shares.

14. INCOME TAXES

The Company is a corporation organized in the United States. The Company's income is subject to U.S. federal income tax. The Company's income is subject to U.S. federal income tax. The Company's income is subject to U.S. federal income tax.

15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's operations are divided into three segments: the Semiconductor Manufacturing Segment, the Semiconductor Design Segment and the Semiconductor Equipment Segment. The Semiconductor Manufacturing Segment is the primary segment of the Company, which is engaged in the design, development, manufacturing and sales of various types of integrated circuits, including microprocessors, microcontrollers, image sensors, and other semiconductor devices. The Semiconductor Design Segment is engaged in the design and development of various types of integrated circuits, including microprocessors, microcontrollers, image sensors, and other semiconductor devices. The Semiconductor Equipment Segment is engaged in the design, development, manufacturing and sales of various types of semiconductor manufacturing equipment, including lithography systems, etching systems, and other semiconductor manufacturing equipment.

	Six months ended June 30,	
	2011	2010
Sales	\$393,081	\$404,147
Expenses	21,098	21,130
Amortization expense*	17,487	22,647
Goodwill impairment	60,957	89,967
Joint venture	305	2,776
Management fee	230,020	179,396
Total	\$722,948	\$720,063

* Amortization expense for the Semiconductor Design Segment, Semiconductor Equipment Segment

17. TRANSACTIONS WITH MANAGED GOVERNMENT OWNED FOUNDRIES

(CONTINUED)

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

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

18. RECONCILIATION OF EARNINGS (LOSS) PER SHARE

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

All the Company's earnings (loss) attributable to the Company are from the Company's operations. All the Company's earnings (loss) attributable to the Company are from the Company's operations. All the Company's earnings (loss) attributable to the Company are from the Company's operations.

The Company's earnings (loss) attributable to the Company for the six months ended June 30, 2011. All the Company's earnings (loss) attributable to the Company are from the Company's operations. All the Company's earnings (loss) attributable to the Company are from the Company's operations.

19. COMMITMENTS

As at June 30, 2011, the Company has the following commitments:

