# SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION
# 中芯國際集成電路製造有限公司*

*(Incorporated in the Cayman Islands with limited liability)*
**(STOCK CODE: 0981)**

## Matters in respect of settlement agreement with TSMC

- Semiconductor Manufacturing International Corporation ("SMIC" or the "Company") hereby announces that it has been informed of the filing of a complaint instituting a lawsuit by Taiwan Semiconductor Manufacturing Company, Ltd. ("TSMC") in respect of alleged breach of the settlement agreement entered into between the Company and TSMC on January 30, 2005 concerning patents and trade secret litigations between the Company and TSMC ("Settlement Agreement"). Details of the Settlement Agreement are disclosed in the Company's announcement published on January 31, 2005.

- This announcement is made pursuant to the disclosure obligations under Rule 13.09(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in order to enable investors and the public to appraise the position of the group.

Semiconductor Manufacturing International Corporation ("SMIC" or the "Company") hereby announces that it has been informed of the filing of a complaint instituting a lawsuit by Taiwan Semiconductor Manufacturing Company, Ltd. ("TSMC") in respect of alleged breach of the settlement agreement entered into between the Company and TSMC on January 30, 2005 concerning patents and trade secret litigations between the Company and TSMC ("Settlement Agreement"). Details of the Settlement Agreement are disclosed in the Company's announcement published on January 31, 2005.

As disclosed in the said announcement, pursuant to the Settlement Agreement, SMIC has agreed to pay TSMC US$175 million, payable in installments over six years (US$30 million in each of the first five years and US$25 million in the sixth year) (of which US$45 Million has already been paid). In addition, the two parties have agreed to cross license to each other's patent portfolio through December 2010. The Settlement Agreement also provides for the dismissal of all pending legal actions without prejudice between the two companies in U.S. District Court, California State Superior Court, the U.S. International Trade Commission, and Taiwan District Court as well. In the Settlement Agreement, TSMC has covenanted not to sue SMIC for itemized acts of trade secret misappropriation as alleged in the complaints, although the settlement does not grant a license to use any of TSMC's trade secrets. The patent cross license and Settlement Agreement are terminable upon a breach by SMIC, which may result in the reinstitution of the legal proceedings and acceleration of the outstanding payments under the Settlement Agreement.

Since the Settlement Agreement with TSMC in January 2005, SMIC has worked diligently to honour the agreement and has complied with its terms. SMIC is very shocked by and deeply disappointed with the actions of TSMC and believes their actions are brought in bad faith of certain people. Whilst SMIC will fight the lawsuit and defend and protect our interests, SMIC urges TSMC to act reasonably and honour the Settlement Agreement we reached.

As at the date of this announcement, the directors of the Company are Yang Yuan Wang as Chairman of the Board of Directors and Independent Non-Executive Director of the Company; Richard R. Chang as President, Chief Executive Officer and Executive Director of the Company; Fang Yao as Non-Executive Director of the Company; and Ta-Lin Hsu, Tsuyoshi Kawanishi, Henry Shaw, Lip-Bu Tan, Albert Y. C. Yu and Jiang Shang Zhou as Independent Non-Executive Directors of the Company.

**Semiconductor Manufacturing International Corporation**
**Richard R. Chang**
*Chief Executive Officer*

Shanghai, PRC
August 28, 2006

* *For identification only*

"Please also refer to the published version of this announcement in The Standard"