

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

October 22, 2014

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**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 October, 2014

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)

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

Form 20-F       Form 40-F

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

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):

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

Yes       No

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

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THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities. This circular is not an offer of securities for sale in the PRC, Hong Kong and the United States or elsewhere. The Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares are not available for general subscription in Hong Kong or elsewhere.

This circular does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares mentioned herein have not been, and will not be, registered under the Securities Act, and may not be offered or sold in the United States except pursuant to registration or an exemption from the registration requirements of the Securities Act. No public offering of the Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares will be made in the United States.

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Semiconductor Manufacturing International Corporation

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

NON-EXEMPT CONNECTED TRANSACTIONS

(1) PRE-EMPTIVE SUBSCRIPTIONS BY DATANG AND COUNTRY HILL

(2) PROPOSED PRE-EMPTIVE SPECIFIC MANDATES

(3) DATANG SUPPLEMENTAL AGREEMENT

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the

Independent Board Committee and the Independent Shareholders

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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 45 and 46 of this circular. A letter from Messis Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 47 to 73 of this circular.

The notice convening an extraordinary general meeting of the Company to be held at 18 Zhangjiang Road, PuDong New Area, Shanghai, People's Republic of China on Wednesday, 5 November 2014 at 4 : 00 p.m. is contained in this circular. Shareholders are advised to read the notice and to complete and return the enclosed form of proxy for use at the extraordinary general meeting in accordance with the instructions printed thereon.

Whether you are able to attend the extraordinary general meeting or not, please complete and return the enclosed form of proxy to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the extraordinary general meeting in person. Only shareholders of record on 5 November 2014 are entitled to attend and vote at the extraordinary general meeting.

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\* for identification purposes only

20 October 2014



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DEFINITIONS

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

|                      |  |
|----------------------|--|
| 2013 General Mandate | a general and unconditional mandate granted to the Directors by passing a resolution of the Shareholders at the annual general meeting of the Company held on 13 June 2013 to exercise the power of the Company to allot and issue up to 20% of the issued share capital of the Company as at the date of passing such resolution  |
| ADS(s)               | American depositary shares of the Company, each of which represents 50 Shares  |
| Announcement         | the announcement of the Company dated 22 August 2014 relating to the subscription of the Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares by Datang and Country Hill respectively   |
| associate(s)         | has the meaning ascribed to it under the Listing Rules   |
| Board                | the board of Directors   |
| Bonds                | the Original Bonds, the Original Pre-emptive Bonds, the Further Bonds and the Datang Pre-emptive Bonds   |
| Closing Price        | Closing Price for the Shares for any trading day shall be the price published in the daily quotation sheet published by the Hong Kong Stock Exchange   |
| Company              | Semiconductor Manufacturing International Corporation, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the main board of the Hong Kong Stock Exchange and the ADSs of which are listed on the New York Stock Exchange   |
| connected person(s)  | has the meaning ascribed to it under the Listing Rules   |
| Conversion Price     | the price at which the Further Bonds Conversion Shares and the Datang Conversion Shares will be issued upon conversion of the Further Bonds and the Datang Pre-emptive Bonds (as applicable) which will initially be HK\$0.7965 per Share and will be subject to adjustment in the manner provided in the terms and conditions of the Further Bonds and the Datang Pre-emptive Bonds |
| Country Hill         | Country Hill Limited, a wholly-owned subsidiary of Bridge Hill Investments Limited, which is a subsidiary controlled by China Investment Corporation   |

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|--|--|
| Country Hill Pre-emptive Bonds                     | any zero coupon convertible bonds due 2018 to be issued by the Company to Country Hill pursuant to the exercise of its pre-emptive right under the Country Hill Subscription Agreement as will result in Country Hill's percentage shareholding (on a fully converted basis) in the Company not being diluted by the issue of the Further Bonds and any Datang Pre-emptive Bonds   |
| Country Hill Pre-emptive Securities                | the Country Hill Pre-emptive Bonds and the Country Hill Pre-emptive Shares   |
| Country Hill Pre-emptive Shares                    | the 268,642,465 Shares to be issued to Country Hill pursuant to an exercise of its pre-emptive right under the Country Hill Subscription Agreement in connection with the Placing and Subscription Agreement for a total consideration of HK\$161,185,479.00 as will result in Country Hill's percentage shareholding in the Company not being diluted by the issue of the Subscription Shares and any Datang Pre-emptive Shares |
| Country Hill Pre-emptive Specific Mandate          | the authority to be granted by the Independent Shareholders to the Directors to allot and issue the Country Hill Pre-emptive Shares  |
| Country Hill Pre-emptive Subscription              | the proposed subscription of Country Hill Pre-emptive Shares by Country Hill under the Country Hill Pre-emptive Subscription Agreement pursuant to the exercise of pre-emptive right by Country Hill under the Country Hill Subscription Agreement   |
| Country Hill Pre-emptive Subscription Agreement    | the agreement entered into between the Company and Country Hill dated 22 August 2014 in relation to the Country Hill Pre-emptive Subscription  |
| Country Hill Pre-emptive Subscription Closing Date | second business day after the date upon which the last of the conditions to completion of the Country Hill Pre-emptive Subscription shall have been so satisfied or waived or such other time and/or date as Country Hill and the Company may agree in writing   |
| Country Hill Subscription Agreement                | the share subscription agreement dated 18 April 2011 entered into between the Company and Country Hill   |



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| Current Market Price                              | has the meaning defined in the terms and conditions of the Bonds, which essentially means, in respect of a Share on a particular date, the average of the daily Closing Prices of one Share on each of the last 10 (or 30 in connection with any merger or acquisition) consecutive trading days, subject to certain standard adjustments relating to the impact of dividends on the closing price of a Share. If the Closing Price of a Share is not available during the said period, either an average of a shorter number of consecutive trading days will be used to determine the Current Market Price or in certain cases it will be determined by an independent investment bank. Adjustments may also be made as an independent investment bank considers appropriate to reflect any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event |
| Datang  | Datang Holdings (Hongkong) Investment Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Datang Telecom   |
| Datang Conversion Shares                          | Shares to be allotted and issued by the Company upon conversion of the Datang Pre-emptive Bonds  |
| Datang Pre-emptive Bonds                          | the zero coupon convertible bonds due 2018 in the aggregate principal amount of US\$22,200,000 proposed to be issued by the Company to Datang under the Datang Pre-emptive Bond Subscription Agreement pursuant to the exercise of Datang's pre-emptive right under the Datang Share Purchase Agreement in connection with the Datang Pre-emptive Bond Subscription Agreement as will result in Datang's percentage shareholding (on a fully converted basis) in the Company not being diluted by the issue of the Further Bonds and any Country Hill Pre-emptive Bonds  |
| Datang Pre-emptive Bond Subscription Agreement    | the agreement entered into between the Company and Datang dated 22 August 2014 in relation to the subscription of Datang Pre-emptive Bonds   |
| Datang Pre-emptive Bond Subscription Closing Date | such date as the Company and Datang may agree, not being later than 31 December 2014   |
| Datang Pre-emptive Securities                     | the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds (and any Datang Conversion Shares)  |

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| Datang Pre-emptive Shares                          | the 669,468,952 Shares to be issued to Datang pursuant to the exercise of its pre-emptive right under the Datang Share Purchase Agreement in connection with the Placing and Subscription Agreement for a total consideration of HK\$401,681,371.20 as will result in Datang's percentage shareholding in the Company not being diluted by the issue of the Subscription Shares and any Country Hill Pre-emptive Shares |
| Datang Pre-emptive Share Subscription Agreement    | the agreement entered into between the Company and Datang dated 22 August 2014 in relation to the subscription of Datang Pre-emptive Shares   |
| Datang Pre-emptive Share Subscription Closing Date | second business day after the date upon which the last of the conditions to completion of the Datang Pre-emptive Subscription shall have been so satisfied or waived or such other time and/or date as Datang and the Company may agree in writing  |
| Datang Pre-emptive Specific Mandate                | the authority to be granted by the Independent Shareholders to the Directors to create and issue the Datang Pre-emptive Bonds and to allot and issue the Datang Pre-emptive Shares and the Datang Conversion Shares   |
| Datang Pre-emptive Subscription                    | the proposed subscription of Datang Pre-emptive Shares and Datang Pre-emptive Bonds by Datang under, respectively, the Datang Pre-emptive Share Subscription Agreement and Datang Pre-emptive Bond Subscription Agreement, pursuant to the exercise of pre-emptive right by Datang under the Datang Share Purchase Agreement  |
| Datang Share Purchase Agreement                    | the share purchase agreement dated 6 November 2008 entered into between the Company and Datang Telecom  |
| Datang Supplemental Agreement                      | the supplemental agreement dated 22 August 2014 between Datang, Datang Telecom and the Company to amend the pre-emptive rights provision in the Datang Share Purchase Agreement   |
| Datang Telecom                                     | Datang Telecom Technology & Industry Holdings Co., Ltd., a company incorporated under PRC laws  |
| Director(s)  | director(s) of the Company  |

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| EGM   | the extraordinary general meeting of the Company proposed to be held on Wednesday, 5 November 2014 at 4 : 00 p.m. to approve, among other things, (i) the Datang Pre-emptive Share Subscription Agreement and the allotment and issue of the Datang Pre-emptive Shares, (ii) the Datang Pre-emptive Bond Subscription Agreement, the issue of the Datang Pre-emptive Bonds and the allotment and issue of the Datang Conversion Shares, (iii) the grant of the Datang Pre-emptive Specific Mandate, (iv) the Datang Supplemental Agreement, (v) the Country Hill Pre-emptive Subscription Agreement and the allotment and issue of the Country Hill Pre-emptive Shares, and (vi) the grant of the Country Hill Pre-emptive Specific Mandate |
| Further Bonds                                   | the zero coupon convertible bonds due 2018 of an aggregate principal amount of US\$95 million issued by the Company on 24 June 2014 under the Further Bonds Subscription Agreement  |
| Further Bonds Conversion Shares                 | Shares to be allotted and issued by the Company upon conversion of the Further Bonds  |
| Further Bonds Subscription Agreement            | the subscription agreement entered into between the Company and the Joint Managers dated 4 June 2014 in respect of the issue of the Further Bonds   |
| Group   | the Company and its subsidiaries  |
| HK\$  | Hong Kong Dollars, the lawful currency of Hong Kong   |
| Hong Kong                                       | the Hong Kong Special Administrative Region of the PRC  |
| Hong Kong Stock Exchange                        | The Stock Exchange of Hong Kong Limited   |
| Independent Board Committee                     | an independent committee of the Board that consists of all independent non-executive Directors  |
| Independent Financial Adviser or Messis Capital | Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Datang Pre-emptive Subscription and the Country Hill Pre-emptive Subscription   |

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|------------------------------------|--|
| Independent Shareholders           | in relation to the Datang Pre-emptive Subscription, Shareholders other than Datang and its associates, and in relation to the Country Hill Pre-emptive Subscription, Shareholders other than Country Hill and its associates   |
| Joint Managers                     | J.P. Morgan Securities plc and Deutsche Bank AG, Hong Kong Branch  |
| Joint Placing Agents               | J.P. Morgan Securities (Asia Pacific) Limited and Deutsche Bank AG, Hong Kong Branch   |
| Last Trading Day                   | 24 October 2013, being the last trading day immediately before the entering into of the subscription agreement between the Company and the Joint Managers dated 24 October 2013 in relation to the issue of the Original Bonds   |
| Latest Practicable Date            | 14 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein  |
| Listing Rules                      | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| London Stock Exchange              | the London Stock Exchange plc  |
| New York Stock Exchange            | the New York Stock Exchange, Inc.  |
| Original Bonds                     | the US\$200,000,000 zero coupon convertible bonds due 2018 issued by the Company on 7 November 2013  |
| Original Pre-emptive Bonds         | the US\$54,600,000 zero coupon convertible bonds issued to Datang pursuant to a subscription agreement dated 18 December 2013 between Datang and the Company and the US\$32,200,000 zero coupon convertible bonds due 2018 issued to Country Hill pursuant to a subscription agreement dated 18 December 2013 between Country Hill and the Company, which have been consolidated and have formed a single series with the Original Bonds |
| Placing                            | the placing of the Sale Shares pursuant to the Placing and Subscription Agreement  |
| Placing and Subscription Agreement | the placing and subscription agreement between Datang, the Company and the Joint Placing Agents dated 4 June 2014  |

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|-------------------------------|--|
| PRC                           | the People's Republic of China (for the purpose of this circular excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan)                                  |
| Pre-emptive Specific Mandates | the Datang Pre-emptive Specific Mandate and the Country Hill Pre-emptive Specific Mandate  |
| Sale Shares                   | a total of 2,590,000,000 Shares offered by Datang for sale on its own behalf which were placed by the Joint Placing Agents pursuant to the Placing and Subscription Agreement at HK\$0.60 per Sale Share |
| Securities Act                | the U.S. Securities Act of 1933, as amended from time to time  |
| SFO                           | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| Share(s)                      | share(s) of US\$0.0004 each in the share capital of the Company  |
| Shareholder(s)                | the holder(s) of the Shares  |
| Singapore Exchange            | Singapore Exchange Securities Trading Limited  |
| Subscription                  | the subscription for the Subscription Shares pursuant to the Placing and Subscription Agreement  |
| Subscription Price            | HK\$0.60 per Subscription Share  |
| Subscription Shares           | 2,590,000,000 Shares to be subscribed by Datang pursuant to the Placing and Subscription Agreement   |
| substantial shareholder(s)    | has the meaning ascribed to it under the Listing Rules   |
| US or United States           | the United States of America   |
| US\$ or US Dollars            | United States dollars, the lawful currency of the United States  |
| %                             | per cent.  |

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LETTER FROM THE BOARD

Semiconductor Manufacturing International Corporation

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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 981)

Executive Directors:  
Zhang Wenyi (Chairman)  
Tzu-Yin Chiu (Chief Executive Officer)  
Gao Yonggang (Chief Financial Officer)

Registered Office:  
PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

Non-executive Directors:  
Chen Shanzhi (Li Yonghua as his Alternate)  
Lawrence Juen-Yee Lau (Datong Chen as his Alternate)  
Zhou Jie

Principal Place of Business:  
18 Zhangjiang Road  
PuDong New Area  
Shanghai 201203  
People's Republic of China

Independent Non-executive Directors:  
William Tudor Brown  
Sean Maloney  
Frank Meng  
Lip-Bu Tan  
Carmen I-Hua Chang

20 October 2014

To the Shareholders

Dear Sir or Madam,

NON-EXEMPT CONNECTED TRANSACTIONS

(1) PRE-EMPTIVE SUBSCRIPTIONS BY DATANG AND COUNTRY HILL

(2) PROPOSED PRE-EMPTIVE SPECIFIC MANDATES

(3) DATANG SUPPLEMENTAL AGREEMENT

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

## INTRODUCTION

Reference is made to the Announcement in which the Company announced that on 22 August 2014, it entered into (1) the Datang Pre-emptive Share Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Share Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Shares, (2) the Datang Pre-emptive Bond Subscription Agreement with Datang, pursuant to which, on and subject

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\* for identification purposes only

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to the terms of the Datang Pre-emptive Bond Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Bonds in an aggregate principal amount of US\$22,200,000 for a total cash consideration of US\$22,533,000 which is 101.5% of the aggregate principal amount of the Datang Pre-emptive Bonds, (3) the Datang Supplemental Agreement with Datang and Datang Telecom, in which Datang and Datang Telecom agreed to amend the pre-emptive rights provision in the Datang Share Purchase Agreement in order to give effect to the parties' understanding of the purpose of the pre-emptive rights provision, (4) the Country Hill Pre-emptive Subscription Agreement with Country Hill, pursuant to which, on and subject to the terms of the Country Hill Pre-emptive Subscription Agreement, the Company conditionally agreed to issue, and Country Hill conditionally agreed to subscribe for, the Country Hill Pre-emptive Shares.

Datang currently holds 17.53% of the entire existing issued share capital of the Company. Country Hill currently holds 10.34% of the entire existing issued share capital of the Company. As each of Datang and Country Hill is a substantial Shareholder of the Company by virtue of their respective shareholding interest, each of them is a connected person of the Company and the entering into of the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription Agreement as well as the transactions contemplated there under (including the allotment and issue of the Datang Pre-emptive Shares, the issue of the Datang Pre-emptive Bonds and the allotment and issue of the Country Hill Pre-emptive Shares and any Datang Conversion Shares) will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under the Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) details regarding the Datang Pre-emptive Subscription, the Datang Supplemental Agreement and the granting of the Datang Pre-emptive Specific Mandate; (ii) details regarding the Country Hill Pre-emptive Subscription and the granting of the Country Hill Pre-emptive Specific Mandate; and (iii) a notice to convene the EGM.

I THE DATANG PRE-EMPTIVE SUBSCRIPTION

A. Pre-emptive rights of Datang

References are made to the Company's announcements dated 10 November 2008, 4 June 2014, 18 June 2014 and 22 August 2014 in relation to the Datang Share Purchase Agreement and the delivery by Datang of an irrevocable notice to the Company that it will fully exercise its pre-emptive right in respect of the issue of the Subscription Shares and the Further Bonds and any Country Hill Pre-emptive Subscription.



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Pursuant to the Datang Share Purchase Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, Datang has the pre-emptive right to purchase such number of additional Shares or securities convertible into Shares so as to enable Datang to hold, after the issue of such securities, a pro rata portion of such securities equivalent to the percentage of the issued share capital of the Company then beneficially owned by Datang prior to the issue of such securities. Datang's pre-emptive right is applicable to the issue of the Subscription Shares, the Further Bonds and any Country Hill Pre-emptive Subscription. Pursuant to the Datang Share Purchase Agreement, completion of any such issue of the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds to Datang upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals. Any exercise by Datang of its pre-emptive right to subscribe for the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds in connection with the issue of the Subscription Shares, the Further Bonds and any Country Hill Pre-emptive Subscription will be at a price equivalent to the Subscription Price (in the case of the Datang Pre-emptive Shares) or at a price equivalent to the issue price of the Further Bonds (in the case of the Datang Pre-emptive Bonds) and conditional on the obtaining of the necessary governmental approval and the obtaining of the approval of the Independent Shareholders for the Datang Pre-emptive Subscription.

The Company has notified Datang in accordance with the terms of the Datang Share Purchase Agreement in respect of the issue of the Subscription Shares, the issue of the Further Bonds and the possibility of the Country Hill Pre-emptive Subscription. Pursuant to the Datang Share Purchase Agreement, Datang delivered an irrevocable notice to the Company on 18 June 2014 stating that it would be fully exercising its pre-emptive right in respect of the issue of the Subscription Shares, the Further Bonds and the Country Hill Pre-emptive Subscription. The subscription by Datang of the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds will be based on terms and conditions that are substantially the same as the Placing, the Subscription and the issue of the Further Bonds.

The Datang Pre-emptive Securities were calculated in accordance with Datang's shareholding immediately before the Company's entry into the Placing and Subscription Agreement and the Further Bonds Subscription Agreement, being approximately 18.98% of the issued share capital of the Company. As a result of the place down of Shares by Datang under the Placing and the dilutive effect of the Subscription pursuant to the Placing and Subscription Agreement, Datang's shareholding immediately before the issue of the Subscription Shares and immediately before the issue of the Further Bonds were approximately 10.94% and 17.56% of the issued share capital of the Company, respectively. However, the parties have agreed that it is fair and reasonable for Datang's pre-emptive right to be based on its shareholding immediately before the date of the Placing and Subscription Agreement and the Further Bonds Subscription Agreement, being 18.98%, in order to give effect to the purpose of the relevant pre-emptive rights provision in the Datang Share Purchase Agreement. Datang, Datang Telecom and the Company have further

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agreed to enter into the Datang Supplemental Agreement to amend the pre-emptive rights provision in the Datang Share Purchase Agreement to give effect to this understanding.

B. The Datang Pre-emptive Share Subscription Agreement

On 22 August 2014, the Company entered into the Datang Pre-emptive Share Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Share Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Shares. The subscription by Datang of the Datang Pre-emptive Shares will be at a price equivalent to the Subscription Price, and conditional upon the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders. As at the Latest Practicable Date, the governmental approvals are pending. Datang has reported the proposed subscription of the Datang Pre-emptive Shares to the National Development and Reform Commission ( NDRC ) of the PRC for its review. Datang will in turn report the proposed subscription of the Datang Pre-emptive Shares to the Ministry of Commerce and the State Administration of Foreign Exchange ( SAFE ) of the PRC for their approvals after the NDRC has completed its review.

The principal terms of the Datang Pre-emptive Share Subscription Agreement are set out below:

|                          |  |
|--------------------------|--|
| Date:                    | 22 August 2014   |
| Parties:                 | (i) Datang as the subscriber; and<br>(ii) the Company as the issuer.   |
| Interest to be acquired: | The Datang Pre-emptive Shares represent (i) approximately 1.92% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.88% of the issued share capital of the Company as enlarged by the issue of the Datang Pre-emptive Shares. |
| Consideration:           | The total cash consideration payable by Datang is HK\$401,681,371.20 comprising 669,468,952 Shares in aggregate of HK\$0.60 per Share.   |

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| Subscription Price:                              | The subscription price of HK\$0.60 per Share represents:   |
| (1)  | a discount of approximately 17.81% over the Closing Price of HK\$0.730 per Share as quoted on the Hong Kong Stock Exchange on the last full trading day immediately before execution of the Datang Pre-emptive Share Subscription Agreement;   |
| (2)  | a discount of approximately 18.70% over the volume weighted average Closing Price of HK\$0.738 per Share for the last five consecutive trading days up to and including the last full trading day immediately before execution of the Datang Pre-emptive Share Subscription Agreement; and   |
| (3)  | a discount of approximately 17.13% over the volume weighted average Closing Price of HK\$0.724 per Share for the last ten consecutive trading days up to and including the last full trading day immediately before execution of the Datang Pre-emptive Share Subscription Agreement.  |
| Proposed issue of the Datang Pre-emptive Shares: | Subject to the fulfilment of the conditions set out below in the section headed Conditions Precedent .   |
| Conditions Precedent:                            | Completion of the subscription of the Datang Pre-emptive Shares is conditional upon the fulfilment of the following conditions:  |
| 1.   | Listing: the Hong Kong Stock Exchange having agreed to list the Datang Pre-emptive Shares (and such listing permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Datang Pre-emptive Shares);  |
| 2.   | Independent Shareholder s approval for the issue of Datang Pre-emptive Shares: the Company having obtained the approval of the Independent Shareholders in general meeting of the subscription by Datang of Datang Pre-emptive Shares and a specific mandate to the issue of the Datang Pre-emptive Shares at closing pursuant to the Datang Pre-emptive Share Subscription Agreement; |

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3. No governmental prohibition: the issue of the Datang Pre-emptive Shares by the Company and the subscription of the Datang Pre-emptive Shares by Datang not being prohibited by any law or governmental order or regulation, and Datang having obtained government approvals or consent for subscription of the Datang Pre-emptive Shares from the PRC Ministry of Commerce, the National Development and Reform Commission, and the State Administration of Foreign Exchange.
4. The Company has agreed to, as soon as is reasonably practicable:
  - (i) take such steps as are necessary to hold the general meeting with a view to obtain the approvals required under condition 2 above; and
  - (ii) apply to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, the Datang Pre-emptive Shares and use all reasonable endeavours to obtain the granting of such listing and permission to deal by the Hong Kong Stock Exchange as soon as is reasonably practicable.

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Company lock-up  
undertaking:

The Company has undertaken to Datang that for a period commencing on the date of the Datang Pre-emptive Share Subscription Agreement and ending on the date falling on 90 days after that date (inclusive), the Company will not, except for the issue of (1) the Datang Pre-emptive Shares, the Datang Pre-emptive Bonds (or any Datang Conversion Shares to be issued thereunder) and the Country Hill Pre-emptive Shares; (2) any Shares issuable under the Original Bonds, the Original Pre-emptive Bonds and the Further Bonds; (3) securities under the terms of any employee share scheme of the Company or any other scheme that has been publicly announced or disclosed by the Company as of the date of the Datang Pre-emptive Share Subscription Agreement; (4) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its articles of association; and (5) Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares which are issued as consideration for any merger or acquisition provided that (A) the aggregate value of the Shares issued (as calculated by the Current Market Price is less than US\$100,000,000 and (B) the Company procures that the person receiving such Shares executes a shareholder lock-up undertaking on substantially the same terms as provided in this Clause prior to any such issue:

- (a) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above,

without first having obtained the written consent of Datang (such consent not to be unreasonably withheld or delayed).

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Termination: If at any time prior to 9 : 00 a.m. (Hong Kong time) on the second business day after the date upon which the last of the conditions to be satisfied shall have been so satisfied or waived or such other time and/or date as Datang and the Company may agree in writing:

1. there develops, occurs or comes into force:
  - (a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any relevant jurisdiction which in the opinion of Datang has or is likely to have a material adverse effect on the financial position of the Group as a whole; or
  - (b) any significant change (whether or not permanent) in local, national or international monetary, economic, financial or political conditions which in the opinion of Datang is or would be materially adverse to the success of the subscription of the Datang Pre-emptive Shares; or
  - (c) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or foreign exchange rates or foreign exchange controls which in the reasonable opinion of Datang is or would be materially adverse to the success of Datang or make it impracticable or inexpedient to proceed therewith; or
  - (d) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, Singapore, the United Kingdom or the United States; or
  - (e) a change or development involving a prospective change in Taxation which materially adversely affects the Group as a whole or the Datang Pre-emptive Shares; or

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- (f) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, Singapore, the United Kingdom or the United States or the declaration by Hong Kong, the PRC, Singapore, the United Kingdom or the United States of a national emergency or war; or
  - (g) any suspension of dealings in the Shares on the Hong Kong Stock Exchange or American Depositary Shares over the Shares on the New York Stock Exchange for any period whatsoever (other than a voluntary suspension or as a result of the Subscription, the Announcement or in connection with the issuance of the Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares); or
  - (h) any moratorium, suspension or material restriction on trading in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai stock exchange, the London Stock Exchange or the New York Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Datang Pre-emptive Share Subscription Closing Date; or
2. any breach of any of the representations, warranties and undertakings set out in the Datang Pre-emptive Share Subscription Agreement comes to the knowledge of Datang or any event occurs or any matter arises on or after the date of the Datang Pre-emptive Share Subscription Agreement and prior to the Datang Pre-emptive Share Subscription Closing Date which if it had occurred or arisen before the date of the Datang Pre-emptive Share Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect in any respect, or there has been a breach of, or failure to perform, any other provision of the Datang Pre-emptive Share Subscription Agreement on the part of the Company; or

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3. there is any such adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business or in the financial or trading position of the Group as a whole which in the opinion of Datang is materially adverse to the success of the subscription of the Datang Pre-emptive Shares,
- then and in any such case, Datang may terminate the Datang Pre-emptive Share Subscription Agreement without liability to it and/or the Company (other than for any antecedent breach) by giving notice in writing to the Company, which notice may be given at any time prior to 9 : 00 a.m. (Hong Kong time) on the Datang Pre-emptive Share Subscription Closing Date.

Completion of the Datang Pre-emptive Share Subscription: Completion of the subscription of the Datang Pre-emptive Shares will take place on the Datang Pre-emptive Share Subscription Closing Date.

C. The Datang Pre-emptive Bond Subscription Agreement

On 22 August 2014, the Company entered into the Datang Pre-emptive Bond Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Bond Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Bonds in an aggregate principal amount of US\$22,200,000 for a total cash consideration of US\$22,533,000 which is 101.5% of the aggregate principal amount of the Datang Pre-emptive Bonds. The subscription by Datang of the Datang Pre-emptive Bonds will be based on terms and conditions that are substantially the same as the issue of the Further Bonds, with the major differences being the conditions relating to the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders. The trust deed and the paying, conversion and transfer agency agreement in respect of the Further Bonds currently do not extend to the Datang Pre-emptive Bonds. Pursuant to the Datang Pre-emptive Bond Subscription Agreement and the terms and conditions of the Datang Pre-emptive Bonds, the Company will enter into a supplemental trust deed and a supplemental paying, conversion and transfer agency agreement for the Datang Pre-emptive Bonds to extend the trust deed and the paying, conversion and transfer agency agreement in respect of the Further Bonds to the Datang Pre-emptive Bonds. The Datang Pre-emptive Bonds will be consolidated and form a single series with the Original Bonds and the Further Bonds. The subscription by Datang of the Datang Pre-emptive Bonds will be conditional upon the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders. As at the Latest Practicable Date, the governmental approvals are pending. Datang has reported the proposed subscription



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of the Datang Pre-emptive Bonds to the NDRC for its review. Datang will in turn report the proposed subscription of the Datang Pre-emptive Bonds to the Ministry of Commerce and the SAFE for their approvals after the NDRC has completed its review. An application to the Singapore Stock Exchange in respect of the listing and quotation of the Datang Pre-emptive Bonds will be made after receipt of Independent Shareholders approval.

The Conversion Price will initially be HK\$0.7965 per Share (which is approximately the net Conversion Price per Share), but will be subject to adjustment, with a fixed exchange rate of HK\$7.7532 = US\$1.00. Based on the initial Conversion Price of HK\$0.7965 per Share and assuming full conversion of the Datang Pre-emptive Bonds at the initial Conversion Price, the Datang Pre-emptive Bonds will be convertible into 216,096,723 Shares, representing approximately 0.62% of the issued share capital of the Company on the Latest Practicable Date and approximately 0.62% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by and assuming full conversion of the Datang Pre-emptive Bonds.

The principal terms of the Datang Pre-emptive Bond Subscription Agreement are set out below:

Date: 22 August 2014

Parties: (i) Datang as the subscriber; and  
(ii) the Company as the issuer

Proposed issue of the Datang Pre-emptive Bonds: Based on the initial Conversion Price of HK\$0.7965 and assuming full conversion of the Datang Pre-emptive Bonds at the initial Conversion Price, the Datang Pre-emptive Bonds will be convertible into 216,096,723 Shares, representing approximately 0.62% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.62% of the issued share capital of the Company as enlarged by and assuming full conversion of the Datang Pre-emptive Bonds. The Shares issuable upon conversion of the Datang Pre-emptive Bonds will be allotted and issued pursuant to the Datang Pre-emptive Specific Mandate to be granted to the Board by the Independent Shareholders at the EGM and rank pari passu in all respects with the Shares then in issue on the relevant conversion date. The issue of the Datang Pre-emptive Bonds is subject to the approval of the Independent Shareholders at the EGM.

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- Conditions Precedent: The obligations of Datang to subscribe for and pay for the Datang Pre-emptive Bonds are subject to, among others, the following conditions precedent:
1. Other contracts: the execution and delivery of the other contracts by the respective parties;
  2. Compliance: at the Datang Pre-emptive Bond Subscription Closing Date:
    - a. the representations and warranties of the Company being true, accurate and correct;
    - b. the Company having performed all its obligations under the Datang Pre-emptive Bond Subscription Agreement; and
    - c. there having been delivered to Datang a certificate of a duly authorised officer of the Company;
  3. Material adverse change: up to the Datang Pre-emptive Bond Subscription Closing Date, there not having occurred any change (nor any development or event reasonably likely to involve a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Company or of the Group, which, in the opinion of Datang, is material and adverse in the context of the issue of the Datang Pre-emptive Bonds;
  4. Other consents: all resolutions, consents, authorities and approvals required in relation to the issue of the Datang Pre-emptive Bonds and the performance of its obligations under the trust deed, the agency agreement and the Datang Pre-emptive Bonds (including the consents and approvals required from all lenders) having been obtained by the Company;
  5. Listing: the Hong Kong Stock Exchange having agreed to list the Datang Conversion Shares and the Singapore Exchange having agreed, subject to any conditions reasonably satisfactory to Datang, to list the Datang Pre-emptive Bonds (or, in each case, Datang being reasonably satisfied that such listing will be granted);

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6. Legal opinions: there having been delivered to Datang copies of certain legal opinions issued for the Further Bonds in relation to the legal, valid and binding effect of the Datang Pre-emptive Bond Subscription Agreement under English law and the due incorporation of the Company under Cayman Islands law.

The obligations of the Company to issue, and Datang to subscribe, the Datang Pre-emptive Bonds are conditional on:

1. Independent Shareholder s approval for the issue of Datang Pre-emptive Bonds: The Company having obtained the approval of the Independent Shareholders in general meeting of a specific mandate to the issue of the Datang Pre-emptive Bonds at closing pursuant to the Datang Pre-emptive Bond Subscription Agreement and the Datang Conversion Shares (including those Shares issuable as a result of any adjustment to the conversion rate pursuant to the rights of the terms and conditions specified in the Datang Pre-emptive Bond Subscription Agreement);

2. Listing: The Hong Kong Stock Exchange having agreed to list the Datang Conversion Shares (including those Shares issuable as a result of any adjustment to the conversion rate pursuant to the rights of the terms and conditions specified in the Datang Pre-emptive Bond Subscription Agreement) and the Singapore Exchange having agreed to list the Datang Pre-emptive Bonds;

3. No governmental prohibition: The issue of the Datang Pre-emptive Bonds by the Company and the subscription of the Datang Pre-emptive Bonds by Datang not being prohibited by any law or governmental order or regulation and Datang having obtained government approvals or consent for subscription of the Datang Pre-emptive Bonds from the PRC Ministry of Commerce, the National Development and Reform Commission, and the State Administration of Foreign Exchange.

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Company lock-up undertaking: