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Advanced Semiconductor Manufacturing Corporation Limited

(a foreign invested joint stock company incorporated in the
People's Republic of China with limited liability)

(Stock Code: 03355)



INTERIM
REPORT 2014

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CORPORATE INFORMATION

DIRECTORS

Executive Director

Dr. WANG Qingyu

Non-executive Directors

Dr. CHEN Jianming (*Chairman*)

Mr. Winfried Lodewijk PEETERS (*Vice Chairman*)

Ms. SHEN Qing (*Vice Chairman*)

Mr. David Damian FRENCH

Mr. ZHU Jian

Mr. XU Ding

Independent Non-executive Directors

Mr. James Arthur WATKINS

Dr. CHEN Enhua

Dr. JIANG Qingtang

Mr. PU Hanhu

BOARD COMMITTEES

Audit Committee

Mr. James Arthur WATKINS (*Chairman*)

Dr. CHEN Enhua

Dr. JIANG Qingtang

Mr. David Damian FRENCH

Ms. SHEN Qing

Remuneration Committee

Mr. PU Hanhu (*Chairman*)

Mr. James Arthur WATKINS

Mr. ZHU Jian

Nomination Committee

Dr. CHEN Jianming (*Chairman*)

Mr. Winfried Lodewijk PEETERS

Dr. CHEN Enhua

Mr. PU Hanhu

Mr. James Arthur WATKINS

Strategic Development Committee

Mr. XU Ding (*Chairman*)

Mr. Winfried Lodewijk PEETERS

Mr. ZHU Jian

Ms. SHEN Qing

Dr. JIANG Qingtang

SUPERVISORS

Ms. XU Chunlei (*Chairman*)

Mr. YANG Yanhui

Mr. SUN Biyuan

Ms. CHEN Yan

Mr. ZHOU Chengjie

Mr. SHEN Zhongyi

JOINT COMPANY SECRETARIES

Mr. XIAO Weiming

Ms. MOK Mingwai

AUTHORIZED REPRESENTATIVES

Dr. WANG Qingyu

Mr. XIAO Weiming

EXTERNAL AUDITORS

Ernst & Young

INVESTORS AND MEDIA RELATIONS CONSULTANT

Hill+Knowlton Strategies

REGISTERED OFFICE

Registered Office and Principal Place of Business in the PRC

385 Hong Cao Road
Shanghai 200233
PRC

Principal Place of Business in Hong Kong

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road
Central, Hong Kong

SHAREHOLDERS' ENQUIRIES

Contact Information

Tel: (86 21) 6485 1900
Fax: (86 21) 6485 3925
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Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

SHARE INFORMATION

Listing Place

Main Board of The Stock Exchange of
Hong Kong Limited (the "Stock Exchange")

Listing Date

7 April 2006

Stock Code

03355

Number of H-shares Issued

1,131,333,472 H-shares

Year-end Date

31 December

INDEPENDENT AUDITORS' REVIEW REPORT



To the Board of Directors of
Advanced Semiconductor Manufacturing Corporation Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed financial statements of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") set out on pages 6 to 22, which comprise the interim statement of financial position as at 30 June 2014 and the interim statement of profit or loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements ("HKSRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our conclusion above, we draw attention to the fact that the unaudited interim statements of profit or loss and other comprehensive income of the Company for the three months ended 30 June 2013 and 30 June 2014 and the relevant notes were presented for management purpose. We have not audited or reviewed such financial information and accordingly express no assurance thereon.

Ernst & Young

Certified Public Accountants

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

6 August 2014

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2014

| | | 3 months ended 30 June 2014 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2014 (Unaudited) RMB'000 | 3 months ended 30 June 2013 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2013 (Unaudited) RMB'000 |
|---|--------------|---|---|---|---|
| | <i>Notes</i> | | | | |
| Revenue | 5 | 224,566 | 385,406 | 221,731 | 366,850 |
| Cost of sales | | (177,173) | (323,065) | (172,600) | (315,879) |
| Gross profit | | 47,393 | 62,341 | 49,131 | 50,971 |
| Other income and gains | 6 | 5,415 | 11,066 | 9,620 | 13,190 |
| Selling and distribution expenses | | (1,709) | (3,226) | (2,063) | (4,112) |
| General and administrative expenses | | (17,471) | (31,981) | (17,345) | (33,425) |
| Research and development costs | | (6,679) | (17,252) | (7,062) | (18,681) |
| Other expenses | 6 | — | — | (2,445) | (4,118) |
| Finance costs | 7 | (178) | (388) | (123) | (321) |
| Profit before tax | 7 | 26,771 | 20,560 | 29,713 | 3,504 |
| Income tax | 8 | — | — | — | — |
| Profit for the period | | 26,771 | 20,560 | 29,713 | 3,504 |
| Other comprehensive income for the period | | — | — | — | — |
| Total comprehensive income for the period attributable to ordinary equity holders of the Company | | <u>26,771</u> | <u>20,560</u> | <u>29,713</u> | <u>3,504</u> |
| Earnings per share attributable to ordinary equity holders of the Company | | | | | |
| – Basic and diluted | 10 | <u>1.74 cents</u> | <u>1.34 cents</u> | <u>1.94 cents</u> | <u>0.23 cents</u> |

Details of the dividends proposed for the period are disclosed in note 9 to the interim condensed financial statements.

INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2014

| | <i>Notes</i> | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 355,178 | 362,870 |
| Construction in progress | | 6,272 | 12,341 |
| Prepaid land lease payments | | 30,080 | 30,465 |
| Intangible assets | | 8,802 | 7,333 |
| Total non-current assets | | 400,332 | 413,009 |
| Current assets | | | |
| Inventories | | 112,454 | 111,824 |
| Accounts and notes receivables | 12 | 103,475 | 75,594 |
| Prepayments, deposits and other receivables | | 10,658 | 14,228 |
| Due from related companies | | 22,862 | 17,113 |
| Cash and cash equivalents | | 414,578 | 393,961 |
| Total current assets | | 664,027 | 612,720 |
| Total assets | | 1,064,359 | 1,025,729 |
| Current liabilities | | | |
| Accounts payable | 13 | 98,823 | 87,920 |
| Other payables and accruals | | 50,217 | 41,688 |
| Due to related companies | | 2,630 | 2,847 |
| Government grants | | 3,647 | 4,779 |
| Interest-bearing bank borrowings | 14 | 18,458 | 18,291 |
| Total current liabilities | | 173,775 | 155,525 |
| Net current assets | | 490,252 | 457,195 |
| Total assets less current liabilities | | 890,584 | 870,204 |
| Non-current liabilities | | | |
| Government grants | | 7,494 | 7,674 |
| Net assets | | 883,090 | 862,530 |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 1,534,227 | 1,534,227 |
| Reserves | | (651,137) | (671,697) |
| Total equity | | 883,090 | 862,530 |

The interim condensed financial statements on pages 6 to 22 were approved and signed on behalf of the Board of Directors (the "Board") by:

Chen Jianming
Director

Wang Qingyu
Director

INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Share capital | | |
| <i>Ordinary shares of RMB1.00 each:</i> | | |
| At beginning and end of period | <u>1,534,227</u> | <u>1,534,227</u> |
| Capital reserve | | |
| At beginning and end of period | <u>205,363</u> | <u>205,363</u> |
| Statutory surplus reserve | | |
| At beginning and end of period | <u>19,353</u> | <u>19,353</u> |
| Accumulated losses | | |
| At beginning of period | (896,413) | (908,950) |
| Total comprehensive income for the period | <u>20,560</u> | <u>3,504</u> |
| At end of period | <u>(875,853)</u> | <u>(905,446)</u> |
| Reserves | <u>(651,137)</u> | <u>(680,730)</u> |
| Total equity attributable to equity holders of the Company | <u><u>883,090</u></u> | <u><u>853,497</u></u> |

INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 June 2014

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------|
| | 2014 | 2013 |
| | (Unaudited) RMB'000 | (Unaudited) RMB'000 |
| Cash flows from operating activities | | |
| Profit before tax | 20,560 | 3,504 |
| Adjustments for: | | |
| Depreciation | 32,128 | 31,928 |
| Amortisation of intangible assets | 1,645 | 1,237 |
| Amortisation of prepaid land lease payments | 385 | 385 |
| Loss/(gain) on disposal of property, plant and equipment | 127 | (87) |
| Reversal of write-down of bad and doubtful debts to net realisable value | (31) | (105) |
| Reversal of write-down of inventories to net realisable value | (3,108) | (164) |
| Finance costs | 388 | 321 |
| Exchange loss/(gain) | (917) | 1,708 |
| Government grants | (2,072) | (6,247) |
| Interest income | (5,325) | (3,980) |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 43,780 | 28,500 |
| Increase in accounts and note receivables | (27,850) | (20,508) |
| Decrease/(increase) in inventories | 2,478 | (4,059) |
| Decrease in prepayments, deposits and other receivables | 2,605 | 6,705 |
| Increase in balances with related companies | (5,966) | (15,784) |
| Increase in accounts payable | 18,306 | 44,120 |
| Increase/(decrease) in other payables and accruals | 8,531 | (9,882) |
| | <hr/> | <hr/> |
| Cash generated from operations | 41,884 | 29,092 |
| Interest paid | (390) | (325) |
| Interest received | 6,290 | 3,294 |
| Government grants received | 760 | 152 |
| | <hr/> | <hr/> |
| Net cash flows from operating activities | <u>48,544</u> | <u>32,213</u> |

INTERIM STATEMENT OF CASH FLOWS (Continued)

for the six months ended 30 June 2014

| | For the six months ended 30 June | |
|--|---|------------------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | — | 87 |
| Purchases of items of property, plant and equipment, construction in progress and intangible assets | <u>(29,011)</u> | <u>(74,924)</u> |
| Net cash flows used in investing activities | <u>(29,011)</u> | <u>(74,837)</u> |
| Net increase/(decrease) in cash and cash equivalents | 19,533 | (42,624) |
| Cash and cash equivalents at beginning of period | 393,961 | 414,074 |
| Effect of exchange rate changes on cash and cash equivalents | <u>1,084</u> | <u>(2,029)</u> |
| Cash and cash equivalents at end of period | <u>414,578</u> | <u>369,421</u> |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 129,640 | 99,731 |
| Non-pledged time deposits | <u>284,938</u> | <u>269,690</u> |
| Cash and cash equivalents as stated in the interim statement of financial position and statement of cash flows | <u>414,578</u> | <u>369,421</u> |
| Investing activities affecting both cash and non-cash items | | |
| Addition of items of property, plant and equipment, construction in progress and intangible assets | (21,608) | (84,049) |
| Increase/(decrease) in the balance of payables for purchases of items of property, plant and equipment, construction in progress and intangible assets | <u>(7,403)</u> | <u>9,125</u> |
| Cash flows used in purchases of items of property, plant and equipment, construction in progress and intangible | <u>(29,011)</u> | <u>(74,924)</u> |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2014

1. CORPORATE INFORMATION

Advanced Semiconductor Manufacturing Corporation Limited (the “Company”) was initially established in the People’s Republic of China (the “PRC”) on 4 October 1988 as a Sino-foreign joint venture company with limited liability under the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment with a tenure of operation of 30 years from 4 October 1988 to 3 October 2019.

On 2 March 2004, the Company was re-registered as a foreign invested joint stock company with limited liability. The tenure of operation of the Company was revised to infinite. On 7 April 2006, the Company’s H shares were successfully listed on The Stock Exchange of Hong Kong Limited (“SEHK”).

The registered office and principal place of business of the Company is located at 385 Hongcao Road, Shanghai 200233, the PRC.

The Company is principally engaged in the manufacture and sale of 5-inch, 6-inch and 8-inch wafers.

2. BASIS OF PREPARATION

The interim condensed financial statements of the Company for the six months ended 30 June 2014 are prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2013 (“2013 financial statements”) dated 19 March 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the 2013 financial statements, except for the adoption of new standards and interpretations as of 1 January 2014, which are set out below.

The Company has adopted the following new and revised IFRSs for the first time in these interim condensed financial statements.

- Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements
- Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 Financial Instruments: Presentation
- Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 21 Levies

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial statements and there have been no significant changes to the accounting policies applied in these interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

4. SEGMENT INFORMATION

The Company's revenue and profit were mainly derived from the sale of wafers. The Company has only one reportable operating segment.

The principal assets employed by the Company are located in Shanghai, the PRC. Therefore, no segment information based on the geographical location of the Company's assets is presented.

The Company's revenue attributed to geographical areas based on the location of customers is presented as follows:

| | 3 months ended 30 June 2014 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2014 (Unaudited) RMB'000 | 3 months ended 30 June 2013 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2013 (Unaudited) RMB'000 |
|--------------------------|---|--|--|---|
| United States of America | 106,692 | 184,110 | 108,011 | 193,775 |
| Europe | 45,881 | 70,756 | 48,317 | 69,742 |
| Asia | 71,993 | 130,540 | 65,403 | 103,333 |
| | <u>224,566</u> | <u>385,406</u> | <u>221,731</u> | <u>366,850</u> |

Information about major customers

Revenue of approximately RMB198,934,000 (30 June 2013: RMB210,185,000) was derived from sales to three customers (30 June 2013: three) which individually accounted for more than 10% of the Company's total revenue during the six months ended 30 June 2014. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

5. REVENUE

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the period.

An analysis of revenue is as follows:

| | 3 months ended 30 June 2014 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2014 (Unaudited) RMB'000 | 3 months ended 30 June 2013 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2013 (Unaudited) RMB'000 |
|---------------|---|--|---|--|
| Sale of goods | 224,566 | 385,406 | 221,731 | 366,850 |
| Others | — | — | — | — |
| | <u>224,566</u> | <u>385,406</u> | <u>221,731</u> | <u>366,850</u> |

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

| | 3 months ended 30 June 2014 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2014 (Unaudited) RMB'000 | 3 months ended 30 June 2013 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2013 (Unaudited) RMB'000 |
|-------------------------------|---|--|---|--|
| Other income and gains | | | | |
| Government grants | 766 | 2,072 | 5,612 | 6,247 |
| Interest income | 2,720 | 5,325 | 1,955 | 3,980 |
| Sale of scrap materials | 1,053 | 1,939 | 1,875 | 2,648 |
| Net foreign exchange gain | 876 | 1,515 | — | — |
| Others | — | 215 | 178 | 315 |
| | <u>5,415</u> | <u>11,066</u> | <u>9,620</u> | <u>13,190</u> |
| Other expenses | | | | |
| Net foreign exchange loss | — | — | (2,445) | (4,118) |
| | <u>—</u> | <u>—</u> | <u>(2,445)</u> | <u>(4,118)</u> |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

| | 3 months ended 30 June 2014 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2014 (Unaudited) RMB'000 | 3 months ended 30 June 2013 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2013 (Unaudited) RMB'000 |
|---|---|--|---|--|
| Cost of inventories sold | 177,173 | 323,065 | 172,600 | 315,879 |
| Depreciation | 16,247 | 32,128 | 14,994 | 31,928 |
| Amortisation of intangible assets | 865 | 1,645 | 622 | 1,237 |
| Amortisation of prepaid land lease payments | 192 | 385 | 192 | 385 |
| Research and development costs | 6,679 | 17,252 | 7,062 | 18,681 |
| Auditors' remuneration | 375 | 750 | 387 | 775 |
| Employee benefits expense (including directors', supervisors' and senior executives' remuneration): | | | | |
| Retirement benefits – defined contribution fund | 4,427 | 8,746 | 4,763 | 9,220 |
| Accommodation benefits – defined contribution fund | 1,308 | 2,638 | 1,318 | 2,653 |
| Salaries and other staff costs | 39,617 | 76,528 | 42,939 | 81,721 |
| | <u>45,352</u> | <u>87,912</u> | <u>49,020</u> | <u>93,594</u> |
| Interest on bank borrowings | 178 | 388 | 123 | 321 |
| Reversal of impairment of doubtful debts | (165) | (31) | (46) | (105) |
| Reversal of write-down of inventories to net realisable value | (3,849) | (3,108) | (2,782) | (164) |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong during the three months and the six months ended 30 June 2013 and 2014.

In accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, the provision for Mainland China current income tax has been based on a statutory rate of 25% of the assessable profits of the Company for the year. However, the Company qualifies as a "High and New Technology Enterprise" ("HNTE") and thus was granted a preferential rate of 15% from 1 January 2008 to 31 December 2013. In 2014, the Company is applying for the renewal of HNTE status.

Major components of income tax are as follows:

| | 3 months ended 30 June 2014 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2014 (Unaudited) RMB'000 | 3 months ended 30 June 2013 (Unaudited and unreviewed) RMB'000 | 6 months ended 30 June 2013 (Unaudited) RMB'000 |
|--|---|--|--|---|
| Provision for income tax in respect of profit for the period | — | — | — | — |
| Deferred tax credit | — | — | — | — |
| Income tax credit | — | — | — | — |

No income tax is provided as the Company does not have taxable profits in the current period.

Deferred tax assets have not been recognised in respect of the deductible temporary differences, including tax losses, as it is not considered probable that sufficient taxable profits will be available against which these deductible temporary differences can be utilised.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2014 (30 June 2013: Nil).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings per share amount is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | 3 months ended 30 June 2014 (Unaudited and unreviewed) | 6 months ended 30 June 2014 (Unaudited) | 3 months ended 30 June 2013 (Unaudited and unreviewed) | 6 months ended 30 June 2013 (Unaudited) |
|--|---|--|---|---|
| Profit attributable to ordinary equity holders of the Company (RMB'000) | <u>26,771</u> | <u>20,560</u> | <u>29,713</u> | <u>3,504</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>1,534,227</u> | <u>1,534,227</u> | <u>1,534,227</u> | <u>1,534,227</u> |

No diluted earnings per share is presented for the three months and the six months ended 30 June 2014 and 2013 as the Company had no potentially dilutive ordinary shares in issue during those periods.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

11. PROPERTY, PLANT AND EQUIPMENT

| | Buildings (Unaudited) <i>RMB'000</i> | Plant and machinery (Unaudited) <i>RMB'000</i> | Office equipment (Unaudited) <i>RMB'000</i> | Motor vehicles (Unaudited) <i>RMB'000</i> | Total (Unaudited) <i>RMB'000</i> |
|--|--|--|---|---|--|
| Cost: | | | | | |
| At 1 January 2014 | 163,740 | 3,847,053 | 78,920 | 2,910 | 4,092,623 |
| Transferred from construction in progress | 2,458 | 20,966 | 1,139 | — | 24,563 |
| Disposals | (47) | (5,907) | (1,912) | — | (7,866) |
| At 30 June 2014 | <u>166,151</u> | <u>3,862,112</u> | <u>78,147</u> | <u>2,910</u> | <u>4,109,320</u> |
| Accumulated depreciation: | | | | | |
| At 1 January 2014 | 65,298 | 2,795,409 | 72,945 | 2,212 | 2,935,864 |
| Charge for the period | 2,729 | 28,131 | 1,179 | 89 | 32,128 |
| Disposals | (25) | (5,033) | (1,911) | — | (6,969) |
| At 30 June 2014 | <u>68,002</u> | <u>2,818,507</u> | <u>72,213</u> | <u>2,301</u> | <u>2,961,023</u> |
| Impairment losses: | | | | | |
| At 1 January 2014 | — | 793,889 | — | — | 793,889 |
| Disposals | — | (770) | — | — | (770) |
| At 30 June 2014 | <u>—</u> | <u>793,119</u> | <u>—</u> | <u>—</u> | <u>793,119</u> |
| Net book value: | | | | | |
| At 30 June 2014 | <u>98,149</u> | <u>250,486</u> | <u>5,934</u> | <u>609</u> | <u>355,178</u> |

As at 30 June 2014, the Company has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB16,984,000 (31 December 2013: RMB17,371,000). Until the receipt of the certificates, the Company has no right to assign or pledge these buildings. The Company believes that it is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matters did not have any significant impact on the Company's financial position as at 30 June 2014.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Buildings (Audited) <i>RMB'000</i> | Plant and machinery (Audited) <i>RMB'000</i> | Office equipment (Audited) <i>RMB'000</i> | Motor vehicles (Audited) <i>RMB'000</i> | Total (Audited) <i>RMB'000</i> |
|--|--|--|---|---|--|
| Cost: | | | | | |
| At 1 January 2013 | 157,122 | 3,825,226 | 79,416 | 3,419 | 4,065,183 |
| Transferred from construction in progress | 6,618 | 98,051 | 1,628 | 402 | 106,699 |
| Disposals | — | (76,224) | (2,124) | (911) | (79,259) |
| At 31 December 2013 | <u>163,740</u> | <u>3,847,053</u> | <u>78,920</u> | <u>2,910</u> | <u>4,092,623</u> |
| Accumulated depreciation: | | | | | |
| At 1 January 2013 | 59,938 | 2,816,106 | 72,935 | 2,970 | 2,951,949 |
| Charge for the period | 5,360 | 54,690 | 2,134 | 153 | 62,337 |
| Disposals | — | (75,387) | (2,124) | (911) | (78,422) |
| At 31 December 2013 | <u>65,298</u> | <u>2,795,409</u> | <u>72,945</u> | <u>2,212</u> | <u>2,935,864</u> |
| Impairment losses: | | | | | |
| At 1 January 2013 | — | 794,726 | — | — | 794,726 |
| Disposals | — | (837) | — | — | (837) |
| At 30 December 2013 | <u>—</u> | <u>793,889</u> | <u>—</u> | <u>—</u> | <u>793,889</u> |
| Net book value: | | | | | |
| At 31 December 2013 | <u>98,442</u> | <u>257,755</u> | <u>5,975</u> | <u>698</u> | <u>362,870</u> |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

12. ACCOUNTS AND NOTES RECEIVABLES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|------------------------------------|---|---|
| Accounts receivable | 92,741 | 63,460 |
| Notes receivable | <u>10,743</u> | <u>12,174</u> |
| | 103,484 | 75,634 |
| Impairment for accounts receivable | <u>(9)</u> | <u>(40)</u> |
| | <u>103,475</u> | <u>75,594</u> |

Credit terms granted by the Company to its customers generally range from 30 to 60 days.

An aged analysis of the accounts and notes receivables at the end of the reporting period, based on the invoice date and net of impairment, was as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------------------------|---|---|
| Outstanding balances with ageing: | | |
| Within 30 days | 60,451 | 37,616 |
| Between 31 days and 90 days | 35,693 | 28,478 |
| Between 91 days and 180 days | 7,231 | 9,500 |
| Between 181 days and 365 days | 100 | — |
| Over 365 days | <u>—</u> | <u>—</u> |
| | <u>103,475</u> | <u>75,594</u> |

The movements in the impairment for accounts receivable are as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-------------------------------------|---|---|
| At beginning of period/year | 40 | 491 |
| Written-off impairment losses | — | (383) |
| Reversed impairment losses provided | <u>(31)</u> | <u>(68)</u> |
| At end of period/year | <u>9</u> | <u>40</u> |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

12. ACCOUNTS AND NOTES RECEIVABLES (Continued)

The analysis of accounts and notes receivables that were not impaired at the end of the reporting period was as follows:

| | Total RMB'000 | Neither past due nor impaired RMB'000 | Past due but not impaired | | | |
|---------------------------------|------------------|---|---------------------------|---------------------------|----------------------------|-------------------------|
| | | | <60 days RMB'000 | 60-180 days RMB'000 | 181-365 days RMB'000 | >365 days RMB'000 |
| 30 June 2014 (unaudited) | 103,475 | 81,588 | 19,129 | 2,758 | — | — |
| 31 December 2013 (audited) | 75,594 | 59,022 | 16,414 | 158 | — | — |

13. ACCOUNTS PAYABLE

An aged analysis of the accounts payable at the end of the reporting period, based on the invoice date, is as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------------------------|---|---|
| Outstanding balances with ageing: | | |
| Within 30 days | 90,076 | 70,389 |
| Between 31 days and 90 days | 5,551 | 13,010 |
| Between 91 days and 180 days | 1,892 | 1,983 |
| Between 181 days and 365 days | 851 | 1,508 |
| Over 365 days | 453 | 1,030 |
| | 98,823 | 87,920 |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

14. INTEREST-BEARING BANK BORROWINGS

| | 30 June 2014 | | |
|--|------------------------------------|------------------|--------------------------------|
| | Effective interest rate | Maturity | RMB'000 (Unaudited) |
| Unsecured bank borrowings repayable within one year | <u>3.67%</u> | <u>2014</u> | <u>18,458</u> |
| | | 31 December 2013 | |
| | Effective interest rate | Maturity | RMB'000 (Audited) |
| Unsecured bank borrowings repayable within one year | <u>3.67%</u> | <u>2014</u> | <u>18,291</u> |

15. COMMITMENTS

The Company had the following capital commitments at the end of the reporting period:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--|---|---|
| Capital commitments in respect of property, plant and equipment: | | |
| – contracted, but not provided for | 2,277 | 2,827 |
| – authorised, but not contracted for | <u>62,283</u> | <u>64,500</u> |
| | <u>64,560</u> | <u>67,327</u> |

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 June 2014

16. RELATED PARTY TRANSACTIONS

The Company is under the significant influence of NXP B.V., which holds 27.47% of the equity interest of the Company. The companies controlled by NXP B.V. are considered to be related to the Company.

The Company had the following material transactions with related parties during the period:

| | | 3 months ended | | 3 months ended | |
|--|--------------|-----------------------|-----------------------|----------------|----------------|
| | | 30 June 2014 | 6 months ended | 30 June 2013 | 6 months ended |
| | | (Unaudited and | 30 June 2014 | (Unaudited and | 30 June 2013 |
| | | unreviewed) | (Unaudited) | unreviewed) | (Unaudited) |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Sales | (i) | 33,722 | 52,374 | 41,400 | 61,199 |
| Technology transfer fees | (ii) | 1,502 | 2,773 | 2,000 | 3,502 |
| Compensation paid/payable to key management personnel (including directors, supervisors and senior executives) | | 1,132 | 2,246 | 969 | 2,412 |
| Purchase equipment | (iii) | <u>—</u> | <u>6,097</u> | <u>—</u> | <u>—</u> |

Notes:

- (i) Sales to related companies were carried out on terms equivalent to those that prevail in arm's length transactions.
- (ii) Royalties in the form of technology transfer fees (including identification licensing fees) paid/payable to a related company were determined at 3% or 10% of the net sales of certain specified products sold according to agreement of both parties.
- (iii) Equipment purchased from related companies was determined according to agreement of both parties.

In the opinion of the directors, all transactions above were carried out in the ordinary course of business of the Company.

The above related party transactions set out in Notes (i) and (ii) also constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules").

17. FINANCIAL INSTRUMENTS

The Company has various financial assets and liabilities such as accounts and note receivables, other receivables, current accounts with related companies, cash and cash equivalents, accounts payable, other payables and interest-bearing bank borrowings. The fair values of the financial assets and liabilities of the Company at the end of the reporting period approximated to their carrying amounts.

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorised for issue by the Board on 6 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

SIX MONTHS ENDED 30 JUNE 2014 COMPARED TO SIX MONTHS ENDED 30 JUNE 2013

Sales

The early part of the year was the typical slow season for the Company's wafer foundry business on the one hand and included fewer working days resulting from the planned annual maintenance shutdown from late December 2013 through early January 2014 on the other hand, which had an adverse impact on the Company's business operation and financial performance for the first half of 2014. Despite those unfavorable factors, the Company still produced a sound financial performance for the six months ended 30 June 2014; its sales increased RMB18.5 million or 5.0% to RMB385.4 million from RMB366.9 million for the six months ended 30 June 2013. During the reporting period, wafer shipments increased by 7.3% to 220,539 units of 8-inch equivalent wafers from 205,515 units of 8-inch equivalent wafers for the six months ended 30 June 2013.

Gross profit

Gross profit for the six months ended 30 June 2014 amounted to RMB62.3 million, compared to RMB51.0 million for the six months ended 30 June 2013. Gross margin for the six months ended 30 June 2014 was 16.2%, compared to 13.9% over the corresponding period of last year, largely attributable to a higher utilization rate and lower controllable costs i.e. parts and chemicals, partially offset by a decrease in the average selling price and the appreciation of the Renminbi ("RMB") against the US dollar.

Other income and gains

Other income and gains for the six months ended 30 June 2014 were RMB11.1 million, compared to RMB13.2 million for the six months ended 30 June 2013. Other income and gains in the first half of 2014 were primarily generated by government grants, interest income, net foreign exchange gains, the sale of scrap materials and others.

Selling and distribution expenses

Selling and distribution expenses decreased from RMB4.1 million for the six months ended 30 June 2013 to RMB3.2 million for the six months ended 30 June 2014, mainly due to lower payroll-related expenses.

General and administrative expenses

General and administrative expenses amounted to RMB32.0 million for the six months ended 30 June 2014, a decrease of RMB1.4 million or 4.2% from RMB33.4 million for the six months ended 30 June 2013, mainly due to a decrease in certain costs associated with insurance coverage, payroll-related expenses and consulting service fee.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2014 COMPARED TO SIX MONTHS ENDED 30 JUNE 2013 (Continued)

Research and development costs

Research and development costs for the six months ended 30 June 2014 were RMB17.3 million, representing a decrease of 7.5% from RMB18.7 million for the six months ended 30 June 2013, primarily attributed to a slight decrease in research and development activities associated with new products.

Other expenses

No other expenses were recorded for the six months ended 30 June 2014. A net foreign exchange loss of RMB4.1 million was recorded in other expenses for the six months ended 30 June 2013.

Finance costs

Finance costs for the six months ended 30 June 2014 amounted to RMB0.4 million, compared to RMB0.3 million for the six months ended 30 June 2013.

Net income

As a result of the factors listed above, the Company recorded net income of RMB20.6 million for the six months ended 30 June 2014, compared to net income of RMB3.5 million for the six months ended 30 June 2013.

Liquidity and capital resources

The Company held RMB414.6 million in cash and cash equivalents as at 30 June 2014, compared to RMB394.0 million as at 31 December 2013. The Company's net cash inflow from operating activities was RMB48.5 million for the six months ended 30 June 2014, compared to RMB32.2 million in the corresponding period of 2013.

The Company's net cash outflow from investing activities was RMB29.0 million for the six months ended 30 June 2014, primarily for the purchase of items of property, plant and equipment, and construction in progress and intangible assets, compared to net cash outflow of RMB74.8 million from investing activities for the six months ended 30 June 2013. Total capital expenditures amounted to RMB21.6 million for the six months ended 30 June 2014, compared to RMB84.0 million for the six months ended 30 June 2013. The capital expenditures incurred in the first half of 2014 were mostly spent in improving capacity and productivity for both 6-inch and 8-inch wafers.

There was no cash inflow from financing activities recorded for the six months ended 30 June 2014, which remained the same compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SIX MONTHS ENDED 30 JUNE 2014 COMPARED TO SIX MONTHS ENDED 30 JUNE 2013 (Continued)

Liquidity and capital resources (Continued)

As at 30 June 2014, the Company's short-term interest-bearing borrowings amounted to RMB18.5 million, which were denominated in US dollars, the same as for the corresponding period ended 30 June 2013.

As at 30 June 2014, the Company's current ratio was 3.82, compared to 3.94 as at 31 December 2013. The Company's debt-to-equity ratio as at 30 June 2014 was 20.5%, compared to 18.9% as at 31 December 2013.

Employees

As at 30 June 2014, the Company had 1,314 employees, an increase of 5.1% from 1,250 employees as at 31 December 2013. During the reporting period, remuneration and employment benefits were provided for and paid in accordance with PRC laws and regulations.

Interest rate risks

The Company's exposure to market risk for changes in interest rate relates primarily to its interest-bearing bank borrowings. As at 30 June 2014, the Company's total borrowings were working capital loans. The interest rates on the Company's US dollar-denominated loans are linked to LIBOR. During the reporting period, the Company did not execute interest rate swaps to hedge its exposure to interest rate risk during the reporting period.

RMB fluctuation risks

RMB is the Company's functional and reporting currency. A large amount of the Company's revenue and expenditures are now denominated in foreign currencies. In the event that the Company's RMB revenue is not sufficient to meet its RMB expenditure, the Company will be required to meet the difference by conversion of its foreign currencies deposits into RMB, which might result in exchange loss, ultimately leading to a negative impact on its cash flow.

Capital commitments

As at 30 June 2014, the Company had capital commitments for property, plant and equipment amounting to RMB64.6 million, of which RMB2.3 million was contracted but not provided for, while the remaining RMB62.3 million was authorized but not contracted for.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014

Sales for the three months ended 30 June 2014 were RMB224.6 million, an increase of RMB63.8 million or 39.7% from RMB160.8 million for the three months ended 31 March 2014. Such increase was primarily due to substantial increases in the sales of both 6-inch and 8-inch wafers and, to a lesser extent, in the sales of 5-inch wafers.

Gross profit for the three months ended 30 June 2014 amounted to RMB47.4 million, an increase of RMB32.5 million or 218.1% from RMB14.9 million for the three months ended 31 March 2014. Gross margin for the three months ended 30 June 2014 was 21.1% compared to 9.3% for the three months ended 31 March 2014, primarily attributable to a higher level of capacity utilization rate.

Other income and gains for the three months ended 30 June 2014 were RMB5.4 million, compared to RMB5.7 million for the three months ended 31 March 2014. Other income and gains in the first quarter and second quarter of 2014 mainly comprised government grants, interest income, net foreign exchange gains, the sale of scrap materials and others.

Operating expenses for the three months ended 30 June 2014 were RMB25.9 million compared to RMB26.6 million for the three months ended 31 March 2014. This was largely attributed to a decline in research and development costs, partially offset by the increase in general and administrative expenses and, to a lesser extent, in selling and distribution expenses.

No other expenses for the three months ended 30 June 2014 were recorded, which remained the same compared to the three months ended 31 March 2014.

Finance costs for the three months ended 30 June 2014 remained flat at RMB0.2 million compared with the three months ended 31 March 2014.

As a result, the Company achieved net income of RMB26.8 million for the three months ended 30 June 2014, compared to a net loss of RMB6.2 million for the three months ended 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014

(Continued)

1. Revenue Analysis

By Application

Sales for the three months ended 30 June 2014 from communication, computer and consumer products accounted for 33%, 33% and 34% of total revenue respectively, which were basically in line with the previous quarter.

| | 2Q'14 | 1Q'14 | 2Q'13 |
|---------------|-------|-------|-------|
| Communication | 33% | 33% | 33% |
| Computer | 33% | 33% | 33% |
| Consumer | 34% | 34% | 34% |

By Geography

For the three months ended 30 June 2014 sales to the USA, Europe and Asia Pacific accounted for 48%, 20% and 32% of total revenue, respectively, compared to 48%, 16% and 36% in the previous quarter.

| | 2Q'14 | 1Q'14 | 2Q'13 |
|--------------|-------|-------|-------|
| USA | 48% | 48% | 49% |
| Europe | 20% | 16% | 22% |
| Asia Pacific | 32% | 36% | 29% |

By Customer Type

For the three months ended 30 June 2014, sales to IDM and fabless customers accounted for 34% and 66% of total revenue, respectively, compared to 29% and 71% in the previous quarter.

| | 2Q'14 | 1Q'14 | 2Q'13 |
|---------|-------|-------|-------|
| IDM | 34% | 29% | 34% |
| Fabless | 66% | 71% | 66% |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014**

(Continued)

1. Revenue Analysis (Continued)**By Product**

For the three months ended 30 June 2014, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafers were 7%, 46% and 46%, respectively, compared to 8%, 45% and 47% in the previous quarter.

| | 2Q'14 | 1Q'14 | 2Q'13 |
|---------------------|-------|-------|-------|
| 5-inch wafers | 7% | 8% | 13% |
| 6-inch wafers | 46% | 45% | 42% |
| 8-inch wafers | 46% | 47% | 44% |
| Others ¹ | 1% | 0% | 1% |

Note 1: Consist of probing services and provision of masks

2. Utilization and Capacity (8" equivalent)**2.1 Utilization**

Overall capacity utilization for the three months ended 30 June 2014 was 81%, compared to 60% for the three months ended 31 March 2014.

| Fab | 2Q'14 | 1Q'14 | 2Q'13 |
|-----------------------------------|-------|-------|-------|
| Fab 1/2 | | | |
| 5-inch wafers | 86% | 62% | 45% |
| 6-inch wafers | 86% | 63% | 63% |
| Fab 3 | | | |
| 8-inch wafers | 78% | 58% | 77% |
| Overall Capacity Utilization Rate | 81% | 60% | 67% |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014

(Continued)

2. Utilization and Capacity (8" equivalent) (Continued)

2.1 Utilization (Continued)

Notes:

1. The capacity utilization rate represents the percentage of the actual number of processing steps (measured by the number of masks used) for the number of semiconductor wafers shipped in the reporting period divided by the total number of processing steps a fab is capable of producing during the corresponding period.
2. The capacity utilization rates stated in the table are calculated on the basis of the theoretical capacity of the Company's fabrication facilities, as discussed in Notes 2 to paragraph 2.2 below. In consequence, the utilization rates of actual operating capacity are higher than the figures stated in the table above.
3. The utilization rate of the Company's 8-inch wafers in fab3 was calculated on the basis of 325,000 marks per month which became effective on 1 July 2013.
4. The installed capacity of the Company's 5-inch wafers changed from 252,000 masks per month to 66,000 masks per month, which became effective on 1 January 2014. As a result, the utilization rate of the Company's 5-inch wafers for the first quarter and second quarter of 2014 was calculated on the basis of 66,000 masks per month.
5. The installed capacity of the Company's 6-inch wafers changed from 510,000 masks per month to 420,000 masks per month, which became effective on 1 January 2014. As a result, the utilization rate of the Company's 6-inch wafer for the first quarter and second quarter of 2014 was calculated on the basis of 420,000 masks per month.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014**

(Continued)

2. Utilization and Capacity (8" equivalent) (Continued)**2.2 Capacity (8" Equivalent)**

The capacity for the three months ended 30 June 2014 was 150,000 8-inch equivalent wafers, compared to 150,000 8-inch equivalent wafers for the three months ended 31 March 2014 and 159,000 8-inch equivalent wafers for the three months ended 30 June 2013.

| Fab (wafers in thousands) | 2Q'14 | 1Q'14 | 2Q'13 |
|----------------------------------|--------------|--------------|--------------|
| Fab 1/2 | | | |
| 5-inch wafers | 9 | 9 | 33 |
| 6-inch wafers | 71 | 71 | 85 |
| Fab 3 | | | |
| 8-inch wafers | 70 | 70 | 41 |
| Total Capacity | 150 | 150 | 159 |

Notes:

1. The Company estimated the capacities of its 5-inch and 6-inch on the basis of 9 and 10 mask steps per wafer respectively and 5-inch and 6-inch wafers were converted to 8-inch equivalent wafers by dividing their wafer number by 2.56 and 1.78 respectively.
2. The installed capacity of the Company's fabrication facilities is calculated assuming continuous production of an optimum product mix, which in practice is unlikely ever to be achieved. In consequence, the actual operating capacity is less than the figures stated in the table.
3. The basis on which the capacity of the Company's 8-inch wafers was estimated changed from 22 mask steps per wafer to 14 mask steps per wafer, which became effective on 1 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OPERATING RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014

(Continued)

3. Receivables/Inventory Turnover

Receivables turnover for the three months ended 30 June 2014 was 46 days, compared to 53 days for the three months ended 31 March 2014.

Inventory turnover was 78 days for the three months ended 30 June 2014, compared to 96 days for the three months ended 31 March 2014.

| | 2Q'14 | 1Q'14 | 2Q'13 |
|---|-------|-------|-------|
| Trade and notes receivables turnover (days) | 46 | 53 | 45 |
| Inventory turnover (days) | 78 | 96 | 80 |

4. Capital Expenditures

Capital expenditures for the three months ended 30 June 2014 amounted to RMB5.0 million, compared to RMB16.6 million for the three months ended 31 March 2014.

| | 2Q'14 | 1Q'14 | 2Q'13 |
|---|-------|--------|--------|
| (Amount: RMB'000) Capital Expenditures | 4,956 | 16,633 | 29,627 |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROSPECTS AND FUTURE PLANS

The global semiconductor market demonstrated positive growth in the first half of the year, and is likely to maintain its growth momentum in the coming months, primarily attributable to an improved global macroeconomic environment. Given the fact that the Company's business is highly exposed to economic conditions, international markets and the highly cyclical nature of the industry, the Company is cautiously optimistic about the outlook for its business operations and financial performance for the rest of the year.

In fact, an important indication of the market demand for the Company's analog integrated circuits ("IC") products through the first quarter of the year is the improvement of its book-to-bill ratio compared to the same period of last year. The Greater China market showed a 23.2% year-over-year growth in revenue, which is consistent with the Company's ongoing business strategy. In addition, the Company enhanced its cost controls and total budget management, optimized its internal organization structure and improved its internal operating efficiency and productivity. Collectively, the Company eventually delivered strong financial results with net profit of RMB20.6 million for the six months ended 30 June 2014, representing a 488.6% growth from RMB3.5 million for the six months ended 30 June 2013.

In order to improve the overall competitiveness, differentiate itself from its major peers and to sustain growth and development going forward, the Company will enhance business and technology development activities to improve its business portfolio, and provide its customers with better performance and cost-effective technology. Meanwhile, the Company, capitalizing on the growth opportunities driven by strong policy support from the Chinese government which is committed to promoting the development of national IC industry in the coming years, will grow its business and increase its market share in the domestic market by forming strategic industrial alliances with major IC producers in the domestic supply chain and relying on its leading edge in analog IC specialty processes and in designated markets, which will further the Company's aim to become a first-class Chinese analog IC producer.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2014, there was no purchase, sale or redemption by the Company of its listed securities.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2014, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, the interests and short positions of the following persons (not being a director, supervisor or chief executive of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) were recorded in the register kept by the Company pursuant to section 336 of the SFO.

| Name of shareholders | Class of shares | Number of shares | Capacity | Percentage in the relevant class of issued share capital | Percentage in the total issued share capital |
|---|-------------------------|--------------------------------|------------------|--|--|
| NXP B.V. (Note 1) | H-shares | 408,806,888 (Long position) | Beneficial owner | 36.13% | 26.65% |
| | Unlisted foreign shares | 12,643,512 (Long position) | Beneficial owner | 100% | 0.82% |
| SCIP (HK) Limited ("SCIP (HK)") (Note 2) | H-shares | 222,574,584 (Long position) | Beneficial owner | 19.67% | 14.51% |
| Shanghai Chemical Industrial Park Investment Enterprise Company Limited ("SCIPI") (Note 2) | Domestic shares | 122,220,616 (Long position) | Beneficial owner | 31.32% | 7.97% |
| China Orient Asset Management Corporation | Domestic shares | 179,303,000 (Long position) | Beneficial owner | 45.95% | 11.69% |
| Shanghai Belling Co., Limited | Domestic shares | 88,726,400 (Long position) | Beneficial owner | 22.74% | 5.78% |

Notes:

1. NXP B.V. is a wholly-owned subsidiary of NXP Semiconductors N.V. (formerly known as Kaslion Acquisition B.V.) which is held as to 34% by a private equity consortium consisting of funds advised by Kravis Roberts & Co. L.P., Bain Capital Partners, LLC, Silver Lake Management Company, L.L.C., Apax Partners LLP and AlInvest Partners N.V. as well as smaller investors (the "Private Equity Consortium"). Accordingly, NXP Semiconductors N.V. and the Private Equity Consortium are taken as having interests in the 408,806,888 H-shares and the 12,643,512 unlisted foreign shares of the Company which are beneficially held by NXP B.V.
2. SCIP (HK) is a wholly-owned subsidiary of SCIPI which in turn is 100% controlled by Shanghai Chemical Industrial Park Development Co., Ltd. ("SCIPD"). Accordingly, SCIPI and SCIPD are taken as having interests in the 222,574,584 H-shares of the Company which are beneficially held by SCIP (HK), and SCIPD is taken as having interests in the 122,220,616 domestic shares of the Company which are beneficially held by SCIPI.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS (Continued)

Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless a specific threshold is passed, therefore a substantial shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2014, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2014.

Model Code

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by the directors and supervisors.

The Company, having made specific enquiry of all its directors and supervisors, confirms that its directors and supervisors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

CORPORATE GOVERNANCE (Continued)

Changes in Information of Directors and Supervisors

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors and Supervisors' information are set out below.

Ms. WU Yi resigned as a non-executive director and a member of the audit committee of the Company with effect from 28 February 2014.

Mr. David Damian FRENCH has been appointed as a non-executive director and a member of the audit committee of the Company with effect from 20 May 2014 by the shareholders' approval at the annual general meeting of the Company held on the same date.

Mr. PAN Guojin resigned as an employee representative supervisor of the supervisory committee of the Company with effect from 11 April 2014 due to his retirement from the Company.

Mr. SHEN Zhongyi was elected as the employee representative supervisor of the supervisory committee of the Company with effect from 11 April 2014 to fill the vacancy caused by the resignation of Mr. PAN Guojin.

Save as disclosed above, as at 30 June 2014, there were no changes to information which are required to be disclosed and have been disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

Audit Committee Review

The audit committee of the Company consists of three independent non-executive directors, namely Mr. James Arthur Watkins (Chairman), Dr. Chen Enhua and Dr. Jiang Qingtang, and two non-executive directors, namely Mr. David Damian French and Ms. Shen Qing. The interim results for the six months ended 30 June 2014 are unaudited, but have been reviewed by the Audit Committee and Ernst & Young, the Company's external auditor.

By Order of the Board

ADVANCED SEMICONDUCTOR MANUFACTURING CORPORATION LIMITED

Wang Qingyu

Executive Director & President

Shanghai, the PRC, 6 August 2014

As at the date of this interim report, the executive director of the Company is Wang Qingyu, the non-executive directors of the Company are Chen Jianming, Winfried Lodewijk Peeters, Shen Qing, David Damian French, Zhu Jian and Xu Ding; and the independent non-executive directors of the Company are James Arthur Watkins, Chen Enhua, Jiang Qingtang and Pu Hanhu.