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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)

ANNUAL REPORT 2014

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Corporate Information

DIRECTORS

Executive Director

Dr. WANG Qingyu

Non-executive Directors

Dr. CHEN Jianming *(Chairman)*
Mr. David Damian FRENCH *(Vice Chairman)*
Ms. SHEN Qing *(Vice Chairman)*
Mr. Johannes AE van den BROEK
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. Johannes AE van den BROEK
Ms. SHEN Qing

Remuneration Committee

Mr. PU Hanhu *(Chairman)*
Mr. James Arthur WATKINS
Mr. ZHU Jian

Nomination Committee

Dr. CHEN Jianming *(Chairman)*
Mr. David Damian FRENCH
Dr. CHEN Enhua
Mr. PU Hanhu
Mr. James Arthur WATKINS

Strategic Development Committee

Mr. XU Ding *(Chairman)*
Mr. David Damian FRENCH
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 AUDITOR

Ernst & Young

Corporate Information

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

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

SHAREHOLDERS' ENQUIRIES

Contact Information

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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

Results Announcements

Interim Results for 2014: published on 6 August 2014
Annual Results for 2014: published on 11 March 2015

Annual General Meeting

10:30 a.m. on Wednesday, 20 May 2015

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Advanced Semiconductor Manufacturing Corporation Limited (the "Company"), I am pleased to present the annual report of the Company for the year ended 31 December 2014

Dr. Chen Jianming
Chairman

In 2014, the global economy has shown clear signs of recovery, and China's economic growth remained relatively stable, but slowed down. Fortunately, the semiconductor market posted higher-than-expected growth this year, primarily driven by strong demand for smart-phones and automotive electronics. Against this background, the Company, in response to the cyclical market conditions of the semiconductor industry throughout the year, proactively reinforced its management, rode on the market demand growth momentum and controlled costs as well as reduced expenses, thus delivered sound operating results over the past year, which eventually enabled the Company to achieve profitable results for the fifth consecutive year. During the year under review, the Company's revenue for the year ended 31 December 2014 was RMB797.4 million, representing an increase of 10.4% from RMB722.1 million for the year ended 31 December 2013. The shipments of 8-inch equivalent wafers were 451,599 units in the year ended 31 December 2014, up 12.6% from 400,968 units in the year ended 31 December 2013.

This year, the Company's key performance indicators such as sales, gross profit and net profit recorded a steady growth. Its gross profit amounted to RMB136.8 million in 2014, an increase of 31.3% from RMB104.2 million in 2013. Its gross margin for the year ended 31 December 2014 was 17.2% compared to 14.4% for the year ended 31 December 2013, which was primarily attributable to higher utilization rate and effective cost control as well as the increase of the effective mask move. In 2014, the Company's net profit attributable to ordinary equity holders amounted to RMB48.6 million, up 288.8% over the previous year. Basic earnings per share were RMB3.17 cents for the year ended 31 December 2014 compared to RMB0.82 cents per share for the year ended 31 December 2013.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

Chairman's Statement

During the year, the Company deliberately sought a more balanced development from both overseas and domestic markets by effectively consolidating its sales contribution from overseas customers and aggressively exploring new business and generating new revenue streams from the Greater China region (the "Region"). Therefore, the Company made steady progress in the development of new business and market within the Region, thus enabling the Company to generate sales of RMB206.4 million in 2014 from the Region, and saw a 17.6% growth compared to the same period of last year. Moreover, as an important part of its ongoing strategic efforts to improve its presence in the domestic market, the Company, capitalizing on the growth opportunity driven by Chinese government's encouragement to develop and support the semiconductor industry in China, successfully signed strategic industrial alliance agreements with two major integrated circuits producers in the domestic supply chain to jointly design and manufacture its core products.

In addition, the Company actively improved internal operating efficiency and productivities while consistently exercising a stringent control of operating expenses, production costs and its entire inventory level, and captured growth momentum opportunity throughout the year, which further helped generate sound cash inflow from its operating activities. As a result, the Company continuously maintained its healthy financial position with cash and cash equivalents of RMB479.6 million as at 31 December 2014, an increase of 21.7% from RMB394.0 million as at 31 December 2013.

Looking ahead to 2015, the global economy will likely continue its recovery although a near-term acceleration in global growth rates remains low. In this case, the semiconductor market is likely to see a modest growth in the coming year, primarily driven by improving content in smart phones and growth momentum from internet of things, wearable devices and cloud services. China will continue to focus on deepening its reform and adjusting economic structure, and such rebalancing is likely to imply slightly lower growth, and this must be seen as a healthy development going forward. More importantly the semiconductor industry has already been identified by the PRC government as one of the key strategic industries to support in the 12th Five Year Plan. Moreover, the China State Council published the National Integrated Circuit ("IC") Industry Development Outlines in June 2014 to further strengthen government support for China's semiconductor industry in forms of a series of supportive investment and policies. Given such unprecedented opportunity, it is believed that the Company is well positioned to benefit from the expected strong growth in the domestic semiconductor market. As part of its ongoing business strategies to sustain its growth and development, the Company, leveraging its leading edge in analog IC specialty processes and in designated market, continues strengthening and deepening cooperative relations with its key IC producers in the domestic supply chain through strategic alliances and product development roadmaps. On the other hand, as the Company's current business model is still highly exposed to economic conditions, international markets and highly cyclical nature of the semiconductor market, the Company will remain a cautious approach about the outlook of its business operation and financial performance in the coming year. In order to improve its overall competitiveness, differentiate itself from its major peers and sustain its business growth, the Company will continuously enhance its manufacturing and service capabilities, particularly for the local customers by actively establishing different type of its specialty processes technology platforms with self-owned intellectual property, and provide its customers with better performance and reliable technology and maintain its position as the "safe and reliable choice" for its customers, ultimately securing its long-term business success. Apart from this, the Company remains committed to further streamlining its operation, optimizing internal resources allocation and enhancing cost-effective business management and seeking its sustainable business growth with a focus on maximizing shareholder value.

Chairman's Statement

In closing, on behalf of the Board, I would like to express my most sincere gratitude to all of our shareholders, the members of the Board, management team and staff of all levels who have made considerable contribution to our sound operating performance and financial results over the past year and our long-term growth and development as well as our customers and business partners who have given their trust and support to the Company.

Chen Jianming
Chairman

11 March 2015

Management Discussion and Analysis

The semiconductor market is very likely to see modest growth in 2015 as the global economy recovery is expected to continue, but is unlikely to see a higher growth rate in the near-term.

Dr. Wang Qingyu
President

In 2014, the global semiconductor market enjoyed higher-than-expected growth, primarily boosted by strong demand for memory chips and components used in car, which helped drive the market demand for the Company's major products, particular in the second and third quarters of the year. Such growth momentum was primarily attributable to an improved market environment. As a result, the Company's major key performance indicators i.e. sales, gross profit, net profit and cash position recorded a steady growth over the past year.

Moreover, the Company continuously made steady progress in terms of the development of new business and market, particular in the Greater China region, while maximizing the production of its existing business both at home and abroad. As such, the Company generated sales contribution of RMB206.4 million from the Greater China region in 2014, and saw a 17.6% growth compared to the same period of last year. As part of its ongoing business strategy efforts to improve its presence in the domestic market, the Company successfully signed strategic industrial alliance agreements with two major integrated circuits producers in the domestic supply chain in the latter part of the year to jointly design and manufacture its core products.

COMPARISON BETWEEN YEARS ENDED 31 DECEMBER 2013 AND 2014

Sales

Sales increased by 10.4% from RMB722.1 million in 2013 to RMB797.4 million in 2014. The Company's throughput of 8-inch equivalent wafers increased from 400,973 units for the year ended 31 December 2013 to 451,602 units for the year ended 31 December 2014, while the Company's shipment of 8-inch equivalent wafers increased by 12.6% from 400,968 units for the year ended 31 December 2013 to 451,599 units for the year ended 31 December 2014.

Management Discussion and Analysis

Cost of sales and gross profit

The Company's cost of sales was RMB660.6 million in 2014, up 6.9% from RMB617.9 million in 2013. Gross profit was RMB136.8 million in 2014, an increase of 31.3% from RMB104.2 million in 2013. Its gross margin improved from 14.4% in 2013 to 17.2% in 2014, which was mainly attributable to higher utilization rate, effective variable cost control and the increase in effective mask move, partially offset by the decline in average selling prices.

Other income and gains

Other income and gains were RMB20.0 million in 2014 compared to RMB25.0 million in 2013. The Company's other income and gains in both 2013 and 2014 primarily comprised interest income, government grants and the sale of scrap materials and others.

Selling and distribution costs

Selling and distribution costs remained almost flat at RMB7.0 million in 2014 compared to 2013.

General and administrative expenses

General and administrative expenses increased by 1.4% from RMB65.0 million in 2013 to RMB65.9 million in 2014, which was primarily due to a one-time payment for property tax for the three-year period from 2011 to 2013.

Research and development costs

Research and development costs were RMB34.7 million in 2014, down 9.2% from RMB38.2 million in 2013, which was primarily due to the decrease in research and development activities as a result of the completion of government-related projects.

Other expenses

No other expenses were recorded in 2014, compared to RMB5.9 million in 2013. Other expenses in 2013 were primarily relative to a net foreign exchange loss.

Finance costs

Finance costs decreased by 16.7% from RMB0.6 million in 2013 to RMB0.5 million in 2014. As at 30 September 2014, the Company's interest-bearing borrowings were completely repaid, ultimately leading to lower finance costs in 2014 compared to 2013.

Net income

As a result of the factors above, the Company recorded net income of RMB48.6 million for the year ended 31 December 2014 compared to net income of RMB12.5 million for the year ended 31 December 2013.

Liquidity and capital resources

The Company's cash and cash equivalents were RMB479.6 million as at 31 December 2014, compared to RMB394.0 million as at 31 December 2013. The Company's net cash inflow from operating activities showed an increase of 82.7% from RMB89.5 million for the year ended 31 December 2013 to RMB163.5 million for the year ended 31 December 2014.

The Company's net cash outflow from investing activities was RMB60.0 million as at 31 December 2014 for purchase of items of property, plant and equipment, and construction in progress and intangible assets, compared to net cash outflow of RMB105.0 million from investing activities as at 31 December 2013. Total capital expenditures amounted to RMB52.1 million for the year ended 31 December 2014, compared to RMB102.0 million for the year ended 31 December 2013. The capital expenditures incurred in 2014 were mostly allocated to new projects and improving overall productivities and operating efficiency associated with manufacturing facilities.

The Company's net cash outflow from financing activities amounted to RMB18.3 million as at 31 December 2014 compared to net cash outflow of RMB0.6 million as at 31 December 2013. The net cash outflow of RMB18.3 million was made for the repayment of bank loans in 2014.

As at 31 December 2014, the Company had no interest-bearing bank borrowings as its outstanding interest-bearing loans of RMB18.5 million were completely repaid in the third quarter of 2014.

As at 31 December 2014, the Company's current ratio was 4.41 when compared to 3.94 as at 31 December 2013. The Company's debt to equity ratio as at 31 December 2014 was 17.6%, compared to 18.9% as at 31 December 2013. (debt to equity ratio is calculated as the sum of total current liabilities and non-current liabilities divided by total shareholders' equity).

Employees

As at 31 December 2014, the Company had 1,269 employees (2013: 1,250 employees). The remuneration and employment benefits were provided for and paid in accordance with the PRC law and regulations.

Interest rate risks

The Company's exposure to market risk for changes in interest rate related primarily to its interest-bearing bank borrowings. In 2014, the Company's total borrowings were related to working capital loans. The interest rate on the Company's US dollar-denominated loans was linked to LIBOR. The Company did not execute interest rate swaps to hedge its exposure to interest rate risk during the year under review.

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 currency. 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 deposit into RMB, which might result in exchange loss, ultimately leading to a negative impact on its cash flow.

Capital commitments

As at 31 December 2014, the Company had capital commitments for property, plant and equipment amounting to RMB85.8 million (2013: RMB67.3 million), of which RMB6.7 million (2013: RMB2.8 million) was contracted but not provided for, while the remaining balance of RMB79.0 million (2013: RMB64.5 million) was authorized but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2014

Sales for the three months ended 31 December 2014 were RMB185.6 million, down 18.0% from RMB226.4 million for the three months ended 30 September 2014 as the Company experienced the traditional slow season through the end of the year.

Gross profit was RMB26.1 million for the three months ended 31 December 2014, a decrease of 46.0% from RMB48.3 million for the three months ended 30 September 2014. Gross margin in the fourth quarter of 2014 was 14.1% compared to 21.3% in the third quarter of 2014, primarily attributable to lower utilization rate and the increase of unit production costs as a result of the decrease in effective mask move.

Other income and gains for the three months ended 31 December 2014 were RMB4.9 million, compared to RMB4.3 million for the three months ended 30 September 2014. Other income and gains in the fourth quarter of 2014 primarily comprised government grants, interest income, sale of scrap materials and others.

Selling and distribution costs for the three months ended 31 December 2014 amounted to RMB2.1 million compared to RMB1.7 million for the three months ended 30 September 2014, primarily attributed to higher professional fees for business and market promotion activities.

General and administrative expenses for the three months ended 31 December 2014 were RMB16.3 million compared to RMB17.6 million for the three months ended 30 September 2014, which was largely attributable to the effective control of staff over-time and annual leave.

Research and development costs for the three months ended 31 December 2014 were RMB9.7 million compared to RMB7.7 million for the three months ended 30 September 2014, primarily due to more research and development activities associated with new products.

No other expenses for the three months ended 31 December 2014 were recorded compared to RMB0.3 million for the three months ended 30 September 2014. Other expenses in the third quarter of 2014 primarily comprised a net foreign exchange loss.

No finance costs for the three months ended 31 December 2014 were recorded compared to RMB0.1 million for the three months ended 30 September 2014.

As a result of the foregoing factors, the Company recorded net income of RMB3.0 million for the three months ended 31 December 2014 compared to net income of RMB25.1 million for the three months ended 30 September 2014.

1. *Revenue Analysis*

For the three months ended 31 December 2014, sales from communication, computer and consumer products were basically in line with the prior quarter.

By Application	4Q14	3Q14	4Q13
Communication	34%	34%	34%
Computer	33%	33%	33%
Consumer	33%	33%	33%

For the three months ended 31 December 2014, sales to the USA, Europe and Asia Pacific accounted for 51%, 19% and 30% of total revenue respectively, compared to 57%, 18% and 25% in the previous quarter.

By Geography	4Q14	3Q14	4Q13
USA	51%	57%	49%
Europe	19%	18%	25%
Asia Pacific	30%	25%	26%

For the three months ended 31 December 2014, sales to IDM and fabless customers accounted for 26% and 74% of total revenue respectively, compared to 27% and 73% in the prior quarter.

By Customer Type	4Q14	3Q14	4Q13
IDM	26%	27%	34%
Fabless	74%	73%	66%

For the three months ended 31 December 2014, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafer were 9%, 41% and 50% respectively, compared to 8%, 47% and 44% in the previous quarter.

By Product	4Q14	3Q14	4Q13
5″ wafers	9%	8%	12%
6″ wafers	41%	47%	47%
8″ wafers	50%	44%	40%
Others[1]	0%	1%	1%

Note 1: Consist of probing services and provision of masks.

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

2-1 Utilization

Overall capacity utilization decreased by thirteen percentage points from 81% for the three months ended 30 September 2014 to 68% for the three months ended 31 December 2014.

Fab	4Q14	3Q14	4Q13
Fab 1/2			
5-inch wafers	85%	90%	28%
6-inch wafers	66%	86%	57%
Fab 3			
8-inch wafers	69%	77%	52%
Overall Capacity Utilization Rate	68%	81%	51%

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 masks 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 third quarter and fourth 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 third quarter and fourth quarter of 2014 was calculated on the basis of 420,000 masks per month.

2-2 Capacity (8" Equivalent)

The capacity for the three months ended 31 December 2014 was 150,000 8-inch equivalent wafers, compared to 150,000 8-inch equivalent wafers in the previous quarter and 162,000 8-inch equivalent wafers in the fourth quarter of 2013.

Fab (wafers in thousand)	4Q14	3Q14	4Q13
Fab 1/2			
5-inch wafers	9	9	33
6-inch wafers	71	71	85
Fab 3			
8-inch wafers	70	70	44
Total Capacity	150	150	162

Notes: 1. The Company estimated the capacities of its 5-inch, 6-inch on the basis of 9, 10 mask steps per wafer respectively and 5-inch and 6-inch wafers were converted to 8-inch equivalent wafers by dividing their wafer numbers using 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.

3. *Receivable/Inventory Turnover*

Receivable turnover for the three months ended 31 December 2014 was 44 days compared to 45 days for the three months ended 30 September 2014.

Inventory turnover increased from 76 days for the three months ended 30 September 2014 to 82 days for the three months ended 31 December 2014.

	4Q14	3Q14	4Q13
Trade & Notes Receivables Turnover (days)	44	45	45
Inventory Turnover (days)	82	76	97

4. *Capital Expenditures*

Capital expenditures for the three months ended 31 December 2014 amounted to RMB23.1 million, which were mainly spent on new projects and the improvement of productivities and operating efficiency associated with manufacturing facilities.

(Amount: RMB'000)	4Q14	3Q14	4Q13
Capex	23,139	7,348	11,091

PROSPECTS AND FUTURE PLANS

The semiconductor market is very likely to see modest growth in 2015 as the global economy recovery is expected to continue, but is unlikely to see higher growth rate in the near-term. Combined with the Company's existing business model being highly exposed to economic conditions, international market and its volatile and cyclical nature of the semiconductor market, the Company remains cautious about the prospects of its business operation and financial performance in the coming year.

Based on the overall macro-environment in which the Company operates going forward, the Company, on one hand, will continue to engage in improving operating efficiency, enhancing cost-effective management, implementing a stringent budgetary control and a prudent investment approach as well as maintaining a sound and healthy financial position in order to sustain its growth and development. On the other hand, the Company, leveraging its leading edge in analog IC specialty processes and in designated market, continues enhancing its presence in the domestic market. To this end, the following major initiatives are to be further executed in the coming year:

- Further streamline its operation and improve its productivities and operating efficiency by actively optimizing its internal organizational structure to fit for its ongoing business strategy efforts to sustain its growth and development;
- Continuously enhance business and technology development activities through building up its specialty processes technology platform with self-owned intellectual property to provide customers with better performance and cost-effective technology;
- Incrementally generate new revenue streams by aggressively exploring new businesses and markets while endeavoring to consolidate its existing business; and
- Capitalize on such unprecedented growth opportunity, primarily driven by China's deepening national reform and a series of initiatives being recently made to the development of semiconductor industry in China, continuously progress the existing strategic industrial cooperative projects, and proactively seek more strategic industrial alliances with major IC producers in the domestic industrial chain for jointly designing and developing its core products to secure long-term business success.

As always, the Company is committed to further improving its competitiveness and consolidating its leading position in the analog IC specialty processes and technology by differentiating itself from its major peers, and accelerating its drive for deeper market penetration with a focus on becoming a first-class Chinese analog IC producer.

Profiles of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTOR

Dr. WANG Qingyu

Dr. Wang Qingyu, aged 55, is an Executive Director of the fourth session of the Board.

Dr. Wang has been the President of the Company since 8 August 2012 and the Executive Director of the Board since 1 November 2012. Dr. Wang joined the Company as Vice President in November 2008 and was appointed as the acting President of the Company in March 2012. Prior to joining the Company, Dr. Wang was the General Manager of Anadigics China Corporation. Dr. Wang has over 20 years semiconductor research and manufacturing experience with more than 10 years wafer foundry experience in China. He joined Vishay-Siliconix in 1995 and Maxim Integrated Products in 2000, both companies being semiconductor manufacturing companies in the Silicon Valley. He returned to China in 2001 and joined Semiconductor Manufacturing International Corporation in Shanghai where he was promoted to Special Assistant to the Senior Vice President of Operations. Dr. Wang joined Shanghai Belling Co., Ltd. in 2006, where he was the Vice President of Operations.

Dr. Wang earned his Ph.D. degree in physical chemistry from Fudan University in 1989. He continued his education and research in the United Kingdom, and in the United States at Harvard University and University of Minnesota. Dr. Wang is also an Adjunct Professor at The School of Electronics and Information Engineering of Tongji University.

NON-EXECUTIVE DIRECTORS

Dr. CHEN Jianming

Dr. Chen Jianming, aged 60, is a Non-executive Director of the fourth session of the Board.

Dr. Chen has been a Non-executive Director and the Chairman of the Board since 1 August 2008. Dr. Chen previously worked at Shanghai Truck Transportation Company, Shanghai Jinqiao Export Processing Zone Development Company and General Office of Shanghai National People's Congress Standing Committee. From 2001 to 2003, Dr. Chen served as the Assistant General Manager of Shanghai Chemical Industry Park Development Company Limited, and was subsequently appointed as the Chief Economist in 2003. Dr. Chen has also been serving as a director of Shanghai Chemical Industrial Park Investment Enterprise Company Limited since 2008.

Dr. Chen received a Master of Business Administration degree from Fudan University in 1993, and received a Doctor of Industrial Economics degree from Fudan University in 1998.

Profiles of Directors, Supervisors and Senior Management

Mr. David Damian FRENCH

Mr. David Damian FRENCH, aged 58, is a Non-executive Director of the fourth session of the Board.

MR. FRENCH has been a Non-executive Director of the Board since 20 May 2014. Mr. FRENCH is the Executive Vice President of businesses development focused on expanding NXP semiconductors' partnerships and business interests in China, reporting directly to the CEO.

Mr. FRENCH has more than 35 years experience in the semiconductor industry and has had direct experience in product development, marketing, manufacturing, strategic planning and business management.

He started his career at Texas Instruments, working in Microcontroller and DSP product line management and he later served as GM of logic products at Fairchild semiconductor, and GM of Analog Devices' DSP business line.

Mr. FRENCH also served as President and CEO of Cirrus Logic from 1999-2007 and joined NXP in April 2012, after working as an advisor to several venture-backed companies. At NXP, Mr. FRENCH spent two years as General Manager of the Portable and Computing Business Unit before taking on his current role.

Ms. SHEN Qing

Ms. Shen Qing, aged 54, is a Non-executive Director of the fourth session of the Board.

Ms. Shen has been a Non-executive Director of the Board since 1 November 2010. From 1983 to 1993, Ms. Shen served as an instructor of the Computer and Micro-electronics Department of the School of Engineering of Shanghai University. From 1993 to 1995, Ms. Shen served as an instructor of the Computer Application Department of the School of Engineering of Shanghai University. From 1995 to 2000, Ms. Shen served as the Deputy Director of the Teaching and Research Centre of International Financial Research Institute of Bank of China. From May 2000 to November 2005, Ms. Shen took various management roles and moved to the Manager of the Treasury and Accounting Department of Shanghai Branch of China Orient Asset Management Corporation ("COAMC"). From December 2005 to November 2006, Ms. Shen was appointed as the Manager of the Accounting Department of Shanghai Dongxing Investment Development Holding Company and the General Manager of Shanghai Ruijin Building Company Limited. From November 2006 to April 2008, Ms. Shen was appointed as the Assistant General Manager of the Treasury and Accounting Department of COAMC. In April 2008, Ms. Shen was promoted to the current position of Deputy General Manager of Shanghai Branch of COAMC.

Ms. Shen graduated with a Bachelor of Engineering degree from School of Electronic Instruments of East China Normal University in 1983 and received a Master of Business Administration degree from Shanghai Jiao Tong University in 2000.

Profiles of Directors, Supervisors and Senior Management

Mr. Johannes AE van den BROEK

Mr. Johannes AE van den BROEK, aged 50, is a Non-executive Director of the fourth session of the Board.

Mr. van den BROEK has been a Non-executive Director of the Board since 6 November 2014. Mr. van den BROEK joined Royal Philips of the Netherlands in 1984 as a process engineer in the field of Ion-Implantation and Lithografie supporting the 4 inch wafer facility developments. In 1987, Mr. van den BROEK became member of the new 6 inch wafer facility start-up team and took additional responsibility in the area of supply chain management & production planning. From then onwards he held various positions with increasing responsibility in engineering and operations with Philips.

In 1996, Mr. van den BROEK joined EM Microelectronics Marin SA in Switzerland as Director Manufacturing responsible for the entire 6 inch wafer facility operations. He managed volume ramp-up, improving overall factory operational performances and managed the entire supply chain.

In February 2000, Mr. van den BROEK joined Royal Philips of the Netherlands again as Operations Manager for the 6 inch Logic wafer facility in Nijmegen supporting the Business Unit Multi Market Semiconductors, during the years he focused on efficiency and productivity improvements, successfully merged the 4 inch Discrete factory and 6 inch Logic factory into one organization and transferred the 4 inch portfolio into 6 inch. In 2008 Mr. van den BROEK was appointed as General Manager for NXP's 8 inch facility in Nijmegen, the Netherlands, managing flexibility, capacity, allocation and contingency planning.

In September 2011 Mr. van den BROEK was promoted to the current position of General Manager and Vice President Front-end Operations, in this role he is responsible for NXP's Waferfabs (Europe and Asia) and in charge of global facility management, is also the NXP Nijmegen Site Manager in which he is maintaining strong relationships with the local and regional authorities.

Mr. van den BROEK holds a Bachelor of Business Administration from Nijmegen University, the Netherlands.

Mr. ZHU Jian

Mr. Zhu Jian, aged 40, is a Non-executive Director of the fourth session of the Board.

Mr. Zhu has been a Non-executive Director of the Board since 2 March 2004. From 2001 to 2009, Mr. Zhu served as the Deputy General Manager, the General Manager and a director of Shanghai Chemical Industrial Park Investment Enterprise Company Limited ("SCIPI"). From 2003 to 2008, Mr. Zhu served as the Secretary of the board of directors of Shanghai Chemical Industry Park Development Company Limited ("SCIPD"). Mr. Zhu has been a director and the General Manager of SCIP (HK) Limited since 2002, an assistant to President of SCIPD since 2005.

Mr. Zhu graduated from the Accounting Department of Shanghai University of Finance and Economics in 1996. He received a Master of Business Administration degree from China Europe International Business School in 2007.

Profiles of Directors, Supervisors and Senior Management

Mr. XU Ding

Mr. Xu Ding, aged 52, is a Non-executive Director of the fourth session of the Board.

Mr. Xu has been a Non-executive Director of the Board since 2 March 2013. Mr. Xu was a Supervisor of the Supervisory Committee from 1 November 2010 to 1 March 2013. From 1996 to 1998, Mr. Xu served as the Manager of Product Engineering Department of Shanghai Belling Microelectronics Manufacturing Co., Ltd. From 1998 to 2001, Mr. Xu served as the Manager of Product Engineering Department of Shanghai Belling Co., Ltd. ("Shanghai Belling"). From 2002 to 2003, Mr. Xu served as the General Manager of Communication Business Unit of Shanghai Belling, From 2003 to 2008, Mr. Xu was appointed as the Vice President & General Manager of Communication Business Unit of Shanghai Belling. From 2009 to 2010, Mr. Xu was appointed as the Vice President of Marketing of Shanghai Belling. From 2010 to 2014, Mr. Xu was appointed as the Deputy General Manager of Marketing & Operation of Shanghai Belling. Since 2015, Mr. Xu has been appointed as the Deputy General Manager of Investment, M&A of Shanghai Belling.

Mr. Xu received an Executive Master of Business Administration degree from Fudan University in 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Arthur WATKINS

Mr. James Arthur WATKINS, aged 69, is an Independent Non-executive Director of the fourth session of the Board.

Mr. WATKINS has been an Independent Non-executive Director of the Board since 1 February 2005. Mr. WATKINS is a qualified solicitor in England and in Hong Kong. He started his career in 1967 as a solicitor at Linklaters, an international law firm. He later became a Partner at the firm's London office and was subsequently the Senior Partner of the firm's Hong Kong office. From 1994 to 1996, Mr. WATKINS was the Legal Director of Trafalgar House plc, London. He was the group Legal Director at Schroders plc, London from 1996 to 1997. Mr. WATKINS was the General Counsel and a director of the Jardine Matheson Group in Hong Kong from 1997 to 2003, during which he served as a director of Jardine Matheson Holdings Ltd., Dairy Farm International Holdings Ltd. and Mandarin Oriental International Ltd. Currently, he holds office as the independent non-executive director of Mandarin Oriental International Ltd., Hongkong Land Holdings Ltd., Jardine Cycle & Carriage Ltd., Global Sources Ltd., Asia Satellite Telecommunications Holdings Ltd. and IL&FS India Realty Fund II LLC.

Mr. WATKINS graduated with a Bachelor of Laws degree from the University of Leeds in England in 1966.

Profiles of Directors, Supervisors and Senior Management

Dr. CHEN Enhua

Dr. Chen Enhua, aged 52, is an Independent Non-executive Director of the fourth session of the Board.

Dr. Chen has been an Independent Non-executive Director of the Board since 2 March 2013. Dr. Chen has over 15 years of experience in the areas of financial auditing, financial management, financial analysis, and internal controls and corporate governance matters.

From 1993 to 1999, Dr. Chen took various management positions in Shanghai Jinqiao EPZ Development Company, where he first served as the Deputy Director of Strategic Research Office and the Deputy Director of Administration Office, and was later on promoted as the Director of Planning and Finance Department, where he oversaw financial planning and budgeting, financial analysis and financial management activities. From 2000 to 2004, Dr. Chen served first as the Board Secretary, later as the Assistant General Manager and ultimately as the Deputy General Manager in Shanghai Jinqiao EPZ Development Company Limited (a company listed on the Shanghai Stock Exchange), where he oversaw and managed matters on accounting, corporate financing, business planning and budgeting, and financial auditing. Since 2005, Dr. Chen has been the Assistant General Manager of Shanghai Jinqiao (Group) Company Limited, where he oversaw financial management, financial auditing, financial analysis, cash management, internal controls and legal affairs of the group. From 2006 to 2008, Dr. Chen also acted as a director of the board of directors of Shanghai Jinqiao EPZ Development Company Limited. Dr. Chen has also been the Deputy General Manager of Shanghai Jinqiao Lingang Comprehensive Zone Investment and Development Company Limited since 2012.

In 1993, Dr. Chen was awarded a Ph.D. Degree in Management Engineering by Shanghai Jiao Tong University. From 1999 to 2000, Dr. Chen completed a six-month MBA training program hosted by the California State Polytechnic University, Pomona.

Dr. JIANG Qingtang

Dr. Jiang Qingtang, aged 51, is an Independent Non-executive Director of the fourth session of the Board.

Dr. Jiang has been an Independent Non-executive Director of the Board since 2 March 2013. From 1992 to 2001, Dr. Jiang worked for several major semiconductor companies in the United States, including Texas Instruments, National Semiconductor and Siliconix, where he was engaged in technology development and manufacturing operation. From 2001 to 2005, Dr. Jiang served as the Fab Director of Fab 3 and later as the Senior Fab Director of Fab 1 in Semiconductor Manufacturing International Corporation (a company listed on the Main Board of the Stock Exchange and the New York Stock Exchange). From 2005 to 2007, Dr. Jiang served as the Vice President of Technology in Shanghai Hua Hong NEC Co., Ltd. From 2007 to 2009, Dr. Jiang served as the Senior Vice President of Operations and the Chief Technology Officer in JA Solar Holdings Co., Ltd. (a company listed on the NASDAQ Stock Exchange). From 2009 to 2013,Dr. Jiang was a director, the Executive Vice President and Chief Operation Officer of Hareon Solar Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange). From 2014 till today, Dr. Jiang is the Co-CEO of China New Energy Fund and CEO of SunEdison China.

Dr. Jiang graduated from Beijing University with a Bachelor degree in Physics in 1985, and graduated from Rutgers University of the United States with a Ph.D. degree in Physics in 1992. Dr. Jiang has 23 papers published in journals and industrial publications, and has also obtained 12 patents in the United States and 4 patents in the PRC.

Profiles of Directors, Supervisors and Senior Management

Mr. PU Hanhu

Mr. Pu Hanhu, aged 64, is an Independent Non-executive Director of the fourth session of the Board.

Mr. Pu has been an Independent Non-executive Director of the Board since 20 December 2012. From 1980 to 1982, Mr. Pu served as a Teaching Assistant in Physics Department of East China Normal University. From 1982 to 1985, Mr. Pu served as a Teaching Assistant in Electrical Engineering Department of Shanghai University. From 1989 to 1992, Mr. Pu served as a Reliability Engineer of Adaptec Inc.. From 1992 to 1994, Mr. Pu was the Manager of Quality and Reliability in Excel Microelectronics Inc.. In 1994, Mr. Pu joined Integrated Silicon Solution, Inc. ("ISSI", a company listed on the NASDAQ Stock Exchange) as the Director of Quality Department, and was promoted as the Global Vice President of Quality from 1996 to 2004. From 2001 to 2009, he also served as the Vice President, and later on as the Senior Vice President of ISSI, and also as the Managing Director of China/Hong Kong Branch. In November 2009, Mr. Pu was appointed as the President and CEO of Giantec Semiconductor Inc. which was founded by Mr. Pu with ISSI. Mr. Pu was the Chairman and CEO of Giantec Semiconductor Inc. from 2012 to 2014. Since October 2014, Mr. Pu has been the Board Director of Giantec Semiconductor Inc..

Mr. Pu received a Master of Science degree in Physics from Michigan State University of the United States in 1987, and a Master of Science degree in Electrical Engineering from Michigan State University of the United States in 1989.

SUPERVISORS

Ms. XU Chunlei

Ms. Xu Chunlei, aged 44, is a Supervisor of the fourth session of the Supervisory Committee of the Company (the "Supervisory Committee").

Ms. Xu has been a Supervisor of the Supervisory Committee since 1 August 2012. Ms. Xu has been holding the position of General Counsel and CoC Compliance Officer for Greater China of NXP Semiconductors since 2006. Before taking on this role, Ms. Xu used to be the China Senior Legal Counsel of Philips Group, Legal Counsel for Greater China of Axalto, and a Senior Partner of Beijing Dadi Law Firm.

In January 2006, Ms. Xu joined Philips Group as the Senior Legal Counsel for Greater China, until the Semiconductors Division spun off from Philips Group and became NXP Semiconductors in September 2006. Before joining Philips Group, Ms. Xu was the Legal Counsel for Greater China of Axalto. Prior to joining Axalto, Ms. Xu was a practising lawyer in the PRC. Ms. Xu started her legal career in 1995 after she was admitted to the PRC bar. In the same year, she joined Beijing Dadi Law Firm. She practised law at Beijing Dadi Law Firm for 10 years until she joined Axalto as an in-house legal counsel in 2004.

Ms. Xu received a Master of Law degree in International Commercial Law from Nottingham University in the United Kingdom and a Bachelor of Law degree from China University of Political Science and Law.

Mr. YANG Yanhui

Mr. Yang Yanhui, aged 52, is a Supervisor of the fourth session of the Supervisory Committee.

Mr. Yang has been a Supervisor of the Supervisory Committee since 1 November 2012. He was also a Supervisor of the Supervisory Committee during the period from 2 March 2004 to 1 March 2010. Mr. Yang was deputy head of the finance and accounting department of Sinopec Shanghai Jinshan Engineering Company from 1995 to 1998 and was promoted to the head of the department from 1999 to 2000. He was the chief accountant of Shanghai Jinshan Petrochemical Construction Company from 1998 to 1999. Mr. Yang served as the manager of the finance and accounting department of Shanghai Chemical Industry Park Development Company Limited since 2000, and was subsequently appointed as the Chief Accountant in 2012.

Mr. Yang majored in finance and accounting in the department of enterprise management at the Shanghai Building Material Industry College (now incorporated into Tongji University) from 1980 to 1983. He received a Master of Business Administration degree from Tongji University.

Mr. SUN Biyuan

Mr. Sun Biyuan, aged 40, is a Supervisor of the fourth session of the Supervisory Committee.

Mr. Sun has been a Supervisor of the Supervisory Committee since 2 March 2010. From July 1996 to March 2006, Mr. Sun served as a Department Manager of Shanghai Zhonghua Certified Public Accountants, engaging in the auditing works for listed companies. From April 2006 to October 2009, Mr. Sun served as a Finance Manager of Shanghai Chemical Industrial Park Investment Enterprise Company Limited ("SCIPI"). From October 2009 to November 2014, Mr. Sun has been the Finance Director of SCIPI, and he has been promoted to the Finance Manager of Shanghai Chemical Industry Park Development Company Limited in January 2014.

Mr. Sun graduated from the Accounting Department of Shanghai University of Finance and Economics in July 1996.

Profiles of Directors, Supervisors and Senior Management

Ms. CHEN Yan

Ms. Chen Yan, aged 41, is a Supervisor of the fourth session of the Supervisory Committee.

Ms. Chen has been a Supervisor of the Supervisory Committee since 30 October 2007. Ms. Chen worked for the Bank of China Shanghai Branch from August 1994 to May 2000. She joined the Shanghai office of China Orient Asset Management Corporation ("COAMC") in May 2000 and was appointed as a Manager of Second Asset Management Department of COAMC's Shanghai office in June 2005. From December 2007 to November 2010, Ms. Chen served as the Manager of the Investment Department of Shanghai Dongxing Investment Holding Company. In November 2010, Ms. Chen was appointed as the Senior Manager of the Administration and Risk Management Department of Shanghai Branch of COAMC. In January 2014, Ms. Chen was appointed as an Assistant General Manager of Shanghai Office, China Orient Asset Management Corporation.

Ms. Chen graduated with a Bachelor of Economics degree from Shanghai Jiao Tong University in 2000, and received a Graduate Diploma in Information System from Massey University of New Zealand in 2002. She received an Executive Master of Business degree from Antai College of Economic & Management, Shanghai Jiaotong University in 2013.

Mr. ZHOU Chengjie

Mr. Zhou Chengjie, aged 50, is a Supervisor of the fourth session of the Supervisory Committee.

Mr. Zhou has been a Supervisor of the Supervisory Committee since 2 March 2013. From 2000 to 2005, Mr. Zhou served as the Manager of Investment Department and Assistant General Manager of Shanghai East-China Computer Co., Ltd. From 2006 to 2007, Mr. Zhou served as the Assistant Director of Technology Development Department of Shanghai Belling. From 2007 to 2008, Mr. Zhou served as the Director of Investment & Technology Management Department of Shanghai Belling. Since 2009, Mr. Zhou has been appointed as the Director of Business Development of Shanghai Belling. Since March 2013, Mr. Zhou has been the Company Secretary of Shanghai Belling.

Mr. Zhou received a Bachelor of Science Degree from the University of Science and Technology of China in 1984, and a Master of Science Degree from the University of Science and Technology of China in 1987.

Mr. SHEN Zhongyi

Mr. Shen Zhongyi, aged 48, is a Supervisor of the fourth session of the Supervisory Committee.

Mr. Shen has been a Supervisor of the Supervisory Committee since 11 April 2014. Mr. Shen was elected as the Chairman of the trade union of the Company in March 2014. Mr. SHEN has been a trade union member of Shanghai Chemical Industry Park since September 2013. Mr. SHEN joined the Company in 1996. Mr. SHEN served as the manager of engineering technology department during the period from 2002 to 2012.

Mr. SHEN graduated from Shanghai Jiao Tong University majoring in electronics engineering in 1995.

JOINT COMPANY SECRETARIES

Mr. Xiao Weiming

Mr. Xiao Weiming, aged 50, is the Joint Company Secretary and Investor Relations Director of the Company.

Mr. Xiao has been the Company's Investor Relations Director since August 2006 and has been the Joint Company Secretary since May 2013. Mr. Xiao started his career at Shanghai Petrochemical Complex in 1984. During 1992 to 1998, he was senior manager of secretary office to the Board at Sinopec Shanghai Petrochemical Company Limited. He was financial director of Edelman Public Relations and its Affiliates, Shanghai, China from 1998 to 2002. He was the Director, Asia & Chief Representative of Van Der Moolen NYSE Specialists Shanghai Office from 2002 to 2005. He was senior counsel and Director of Ketchum Newscan from 2005 to 2006.

Mr. Xiao graduated from Shanghai Petrochemical Secondary School majoring in organic chemistry in 1984. He majored in English at Shanghai Petrochemical College from 1987 to 1989. He completed the post-graduate courses in Business Management at School of Business, East China University of Science & Technology in 1998.

Ms. MOK Ming Wai

Ms. Mok Ming Wai, aged 43, is the joint company secretary of the Company.

Ms. Mok is a director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Mok has 20 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the sole company secretary and joint company secretary of various publicly listed companies. Ms. Mok was appointed as the joint company secretary of the Company on 7 August 2013.

Profiles of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. ZHOU Weiping

Mr. Zhou Weiping, aged 48, is the Company's Vice President.

Mr. Zhou has been the Vice President of the Company since 9 March 2011. Mr. Zhou started his career at Shanghai Belling in 1990. During the period from 1990 to 2003, Mr. Zhou took various roles at Shanghai Belling with increasing levels of responsibility in wafer fab start-up and management. Mr. Zhou was appointed as the Vice President and the General Manager of manufacturing business unit in 2003 and subsequently was promoted to be the Executive Vice President of Shanghai Belling in 2004. From January 2007 to November 2007, Mr. Zhou served as the General Manager of Ningbo Shanshan Ulica Solar Technology Developing Company Limited. In December 2007, Mr. Zhou rejoined the group of Shanghai Belling Corporation Limited and was appointed as the General Manager of Shanghai Belling Microelectronics Manufacturing Company Limited. From 1 September 2008 to 9 March 2011, Mr. Zhou served as the President and Chief Executive Officer of the Company.

Mr. Zhou received a Bachelor of Solid State Electronics degree from East China Normal University in 1990 and a Master of Business Administration degree from Fudan University in 2000.

Ms. Luo Wenjing

Ms. Luo Wenjing, aged 42, is the Company's Finance Vice President.

Ms. Luo has been the Finance Vice President of the company from April 2013. Ms. Luo has over 15 years experience in finance management, business control and internal control professions. Ms. Luo started her career in Shanghai Waigaoqiao Free Trade Zone Xin Development Co., Ltd. in 1994. From 1998 to 2003, Ms. Luo joined Siemens China Ltd. Shanghai Branch as commercial manager. From 2003 to 2005, Ms. Luo worked as finance manager in Whirlpool Home Appliance (Shanghai) Co., Ltd., and as financial controller in Phonak Group China from 2005 to 2007. From 2008 until 2013, Ms. Luo served as finance controller of Parker Hannifin Motion and Control (Shanghai) Co., Ltd.

Ms. Luo received a Bachelor Degree of Shanghai International Studies University in 1994 and MBA of Shanghai Jiao Tong University in 2001. She is a member of Chinese Institute of Certified Public Accountants. She is a fellow of the Chartered Institute of Management Accountants, and is a Certified Global Management Accountant.

Report of the Directors

The board of directors of the Company are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2014.

Principal activities

The principal activities of the Company are the manufacture and sale of 5-inch, 6-inch and 8-inch semiconductor wafers. There were no significant changes in the nature of the Company's principal activities during the year ended 31 December 2014.

Segment information

The Company's revenue and profit for the year ended 31 December 2014 were mainly derived from the manufacture and sale of 5-inch, 6-inch and 8-inch semiconductor wafers. The Company has only one business 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.

Results and dividends

The Company's profit for the year ended 31 December 2014 and the state of affairs of the Company at that date are set out in the financial statements on pages 60 to 62.

The Board does not recommend the payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2014 (2013: Nil).

Summary financial information

A summary of the published results and assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements is set out on pages 37 to 38. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company during the year ended 31 December 2014 are set out in note 13 to the financial statements.

Report of the Directors

Share capital

Details of movements in the Company's share capital during the year ended 31 December 2014 are set out in notes 27 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

The Company did not purchase, redeem or sell any of the Company's listed securities during the year ended 31 December 2014.

Reserves

Details of movements in the reserves of the Company during the year ended 31 December 2014 are set out in notes 28 to the financial statements.

Distributable reserves

In accordance with the Company's Articles of Association, the Company is entitled to distribute dividends based on the lower of the Company's distributable reserves determined under PRC accounting standards and International Financial Reporting Standards ("IFRSs"). As at 31 December 2014, the Company did not have distributable reserves available for distribution.

Charitable donation

The Company did not make any charitable donation during the year ended 31 December 2014.

Major customers and suppliers

During the year ended 31 December 2014, sales to the Company's five largest customers accounted for 64.07% of the total sales for the year and sales to the largest customer included therein amounted to 21.76%. Purchases from the Company's five largest suppliers accounted for 39.29% of the total purchases for the year and purchases from the largest supplier accounted for 18.50%.

None of the directors of the Company or any of their associates or any shareholders of the Company (except NXP B.V.) which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Company's five largest customers and suppliers.

Directors

The directors of the Company during the year ended 31 December 2014 and up to the date of this annual report were:

Executive Director

Dr. WANG Qingyu

Non-executive Directors

Dr. CHEN Jianming, Chairman
Mr. Winfried Lodewijk PEETERS, Vice Chairman (resigned on 6 November 2014)
Mr. David Damian FRENCH, Vice Chairman (appointed on 20 May 2014)
Ms. SHEN Qing, Vice Chairman
Mr. ZHU Jian
Mr. Johannes AE van den BROEK (appointed on 6 November 2014)
Ms. WU Yi (resigned on 28 February 2014)
Mr. XU Ding

Independent Non-executive Directors

Mr. James Arthur WATKINS
Mr. PU Hanhu
Dr. CHEN Enhua
Dr. JIANG Qingtang

Report of the Directors

Directors' and senior management's biographies

Biographical details of the directors and the senior management of the Company are set out on pages 15 to 24 of this annual report.

Directors' service contracts

Each of the directors of the Company has entered into a service contract with the Company with effect from the date of appointment of the respective director, for a term of no more than three years.

None of the directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Company.

Directors' interest in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company was a party during the year.

Directors', supervisors' and chief executives' interests and short positions

As at 31 December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Substantial shareholders' interests and short positions

As at 31 December 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 Acqusition 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 AlpInvest 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 31 December 2014, the Company had no share option scheme within the meaning of Chapter 17 of the Listing Rules.

Directors', supervisors' and chief executives' rights to acquire shares or debenture

During the year ended 31 December 2014, none of the directors, supervisors or chief executives of the Company was granted options to subscribe for shares or debenture of the Company. During the year ended 31 December 2014, none of the directors or supervisors or chief executives nor their spouses or minor children had any right to acquire shares or debenture of the Company or had exercised any such right.

Furthermore, at no time during the year ended 31 December 2014 was the Company a party to any arrangements to enable the directors, supervisors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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. David Damian FRENCH also has been appointed as a member of the nomination committee, the strategic development committee and vice chairman with effect from 6 November 2014.

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.

Mr. Winfried Lodewijk PEETERS resigned as a non-executive director, the member of the nomination committee and strategic development committee, and the vice chairman of the board of the Company with effect from 6 November 2014.

Changes in Information of Directors and Supervisors *(continued)*

Mr. Johannes AE van den BROEK has been appointed as a non-executive director and a member of the audit committee of the Company with effect from 6 November 2014 by the shareholders' approval at the extraordinary general meeting of the Company held on 5 November 2015.

Save as disclosed above, as at 31 December 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.

Connected transactions

General disclosure for the continuing connected transactions during the year ended 31 December 2014

The Company had the following material continuing connected transactions with NXP B.V., a connected person of the Company by virtue of being the substantial shareholder of the Company, and its subsidiaries and associates (having the meanings ascribed to them in the Listing Rules) ("NXP Group") during the year ended 31 December 2014, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Types of Transactions	Actual 2014 RMB'000	Approved annual caps 2014 (disclosed in the Company's Announcement) RMB'000
Sales	106,197	310,600
Technology transfer	5,406	21,500

Specific disclosure for the continuing connected transactions conducted during the year ended 31 December 2014

As disclosed in the Company's announcement dated 18 July 2011 and on 22 July 2014 in compliance with Chapter 14A of the Listing Rules, the Company entered into the following agreements in respect of the continuing connected transactions conducted during the year ended 31 December 2014:

(A) Sales

(i) NXP Foundry Services Agreement

On 1 January 2002, the Company (as the seller) and Philips Semiconductors B.V. ("Philips Semiconductors") (as the buyer), the predecessor of NXP Semiconductors Netherlands B.V. ("NXP Semiconductors"), a member of NXP Group, entered into the Philips Foundry Services Agreement, the former title of the NXP Foundry Services Agreement, whereby the Company manufactured and sold licensed products and identification products to the NXP Group (previously Philips Group) by using the manufacturing process and other design rules and proprietary information provided by the buyer. Pursuant to the agreement, prices for finished semiconductor wafers were initially stated in the agreement and were reviewed quarterly and adjusted by mutual agreement between the parties with reference to the then prevailing materials, supply and process costs and market prices of the products. Prices for good dies (packaged and unpackaged) were agreed separately between the parties. The term of the agreement expired on 31 December 2014 and thereafter has been automatically renewed for a further period of three years upon such renewal being approved at the Company's extraordinary general meeting held on 25 September 2014.

(ii) NXP Cooperation Agreement

On 29 May 2002, the Company (as the seller) and Philips Semiconductors (as the buyer), the predecessor of NXP Semiconductors, a member of NXP Group, entered into the Philips Cooperation Agreement, the former title of the NXP Cooperation Agreement, whereby the Company manufactured and sold licensed products to the NXP Group by using the technology and know-how transferred to the Company by the buyer. Pursuant to the agreement, prices for the licensed products and identification products sold by the Company under the NXP Cooperation Agreement and the payment terms were determined in accordance with the provisions of the NXP Foundry Services Agreement. The term of the agreement expired on 31 December 2014 and thereafter has been automatically renewed for a further period of three years upon such renewal being approved at the Company's extraordinary general meeting held on 25 September 2014.

NXP B.V. is a connected person of the Company by virtue of it being a substantial shareholder of the Company. Sine NXP Semiconductors is a subsidiary of NXP B.V., it is an associate of NXP B.V. and a connected person of the Company.

The applicable annual cap for the transactions under the NXP Foundry Services Agreement and the NXP Cooperation Agreement for the year ended 31 December 2014 was RMB310.6 million.

(B) Technology Transfer

(i) Technology Transfer and Cooperation Agreement

On 12 January 2005, the Company (as the buyer) and Philips Semiconductors International B.V. (as the supplier), the predecessor of NXP B.V., entered into the Technology Transfer and Cooperation Agreement for a period of 10 years from 2 March 2004 to 1 March 2014 and thereafter was automatically renewed for a further period of 10 years from 2 March 2014 to 1 March 2024 following such renewal being approved at the Company's extraordinary general meeting held on 20 September 2011, pursuant to which the supplier agreed (a) to transfer to the Company the relevant knowledge and experience relating to foundry manufacturing service, (b) to grant to the Company a license to manufacture at its production facility in the People's Republic of China and to sell the licensed products, (c) to provide the Company with technical assistance for the manufacture, testing and assembly of the licensed products and (d) to provide technical trainings to the Company's engineers. The Company agreed to pay a consideration equivalent to 3% of the net selling price of each product the Company sold to the supplier and its other customers.

(ii) NXP Identification Licensing Agreement

On 29 May 2002, the Company (as the buyer) and Royal Philips (as the supplier) entered into the Philips Identification Licensing Agreement, the former title of the NXP Identification Licensing Agreement, whereby Royal Philips agreed to grant the Company a non-exclusive and non-transferable license over certain intellectual property rights relating to non-volatile memory and the EEPROM process technology for use in manufacturing the identification products. On 28 September 2006, Royal Philips assigned all its rights and obligations under the agreement to a NXP Group member NXP Semiconductors. Pursuant to the agreement, the Company agreed to pay a consideration equivalent to 10% of the net selling price of each product the Company produced by using the technology under the agreement and sold to its customers. The term of the agreement expired on 31 December 2014 and thereafter has been automatically renewed for a further period of three years upon such renewal being approved at the Company's extraordinary general meeting held on 25 September 2014.

NXP B.V. is a connected person of the Company by virtue of it being a substantial shareholder of the Company. Sine NXP Semiconductors is a subsidiary of NXP B.V., it is an associate of NXP B.V. and a connected person of the Company.

The applicable annual cap for the transactions under the Technology Transfer and Cooperation Agreement and the NXP Identification Licensing Agreement for the year ended 31 December 2014 was RMB21.5 million.

Specific disclosure for the connected transactions conducted during the year ended 31 December 2014

As disclosed in the Company's announcement dated 17 February 2014 in compliance with Chapter 14A of the Listing Rules, the Company entered into the following agreement in respect of the connected transaction conducted during the year ended 31 December 2014.

(C) Purchase of Equipment

(i) Equipment Sale Agreement

On 28 January 2014, the Company (as the purchaser) and NXP Semiconductors (as vendor), a subsidiary of NXP B.V., entered into the Equipment Sale Agreement, pursuant to which the Company agreed to purchase semiconductors manufacturing equipment (the "Equipment") from the vendor for a total consideration of US$1,000,000. For the year ended 31 December 2014, consideration was paid by the Company under the Equipment Sale Agreement, and the full rights and title in the Equipment had been transferred from the vendor to the Company.

Within the reporting period, all requirements in respect of the said connected transactions under Chapter 14A of the Listing Rules have been complied with by the Company.

Opinion of the Independent Non-executive Directors of the Company

The Independent Non-executive Directors of the Company have reviewed all the continuing connected transactions set out above and have confirmed that during the year ended 31 December 2014, these continuing connected transactions were all conducted and entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing the terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Opinion of the Company's auditor

The auditor of the Company have carried out procedures on the continuing connected transactions that have been disclosed by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The work consisted of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures and testing transactions on a sample basis where the auditor of the Company considered appropriate. The work was substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor of the Company to obtain assurance that the auditor of the Company would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor of the Company do not express an audit opinion on the disclosed continuing connected transactions.

Furthermore, due to the nature of connected persons and transactions, it was not practicable for the auditor of the Company to determine whether the disclosed continuing connected transactions and the books and records of the Company include all continuing connected transactions. It was impracticable for the auditor of the Company to quantify the potential impact of this on the disclosures of continuing connected transactions in the Company's annual report. Accordingly, the auditors' report on continuing connected transactions relates solely to the continuing connected transactions that have been disclosed to the auditor of the Company and in the books and records of the Company made available to the auditor of the Company.

Based on the foregoing, in respect of the disclosed continuing connected transactions:

a. nothing has come to the attention of the auditor of the Company that causes the auditor of the Company to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Company, nothing has come to the attention of auditor of the Company that causes the auditor of the Company to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the attention of the auditor of the Company that causes the auditor of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the auditor of the Company that causes the auditor of the Company to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value approved by the shareholders of the Company in the Extraordinary General Meeting held on 20 September 2011.

Directors' interests in competing businesses

During the year ended 31 December 2014 and up to the date of this annual report, save as disclosed below, none of the directors of the Company had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company.

Mr. Winfried Lodewijk PEETERS was a Non-executive Director of the Board from 1 November 2010 to 6 November 2014. During his tenure of service with the Company, He was the Vice President of Operations and Quality of NXP in the Business Unit of Industrial and Infrastructure.

Mr. David Damian FRENCH has been a Non-executive Director of the Board since 20 May 2014. He is currently the Executive Vice President and General Manager of High-Performance Mixed-Signal businesses focused on the portable and computing markets at NXP semiconductors.

Ms. WU Yi was a Non-executive Director of the Board from 2 March 2013 to 28 February 2014. During her terms of service with the Company, she was the Regional Controller (Greater China) of Global Sales and Marketing of NXP.

Mr. Johannes AE van den BROEK has been a Non-executive Director of the Board since 6 November 2014. He is currently the General Manager and Vice President Front-end Operations, which is responsible for NXP's waferfabs (Europe and Asia) and in charge of global facility management.

Mr. XU Ding has been a Non-executive Director of the Board since 2 March 2013. He is currently the Deputy General Manager of Investment, M&A of Shanghai Belling.

Since Mr. PEETERS, Mr. FRENCH, Ms. WU, Mr. BROEK and Mr. XU were not directly involved in managing the Company during the period for which they were the directors of the Company, the Board is of the view that the Company is capable of carrying on its businesses independent of, and at arm's length from, the competing businesses. When making decisions on the matters related to the Company, Mr. PEETERS, Mr. FRENCH, Ms. WU, Mr. BROEK and Mr. XU have acted and, where applicable, will continue to act in the best interest of the Company.

Auditor

The financial statements of the Company have been audited by Ernst & Young. A resolution for their reappointment as auditor of the Company for the year ending 31 December 2015 will be proposed at the forthcoming annual general meeting.

Public float

On the basis of information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has complied with the public float requirements of the Listing Rules throughout the year ended 31 December 2014.

BY ORDER OF THE BOARD

CHEN Jianming
Chairman

Shanghai, the PRC
11 March 2015

SUMMARY OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**797,356**	722,146	853,551	950,701	978,493
Cost of sales	**(660,606)**	(617,915)	(734,231)	(785,019)	(758,095)
Gross profit	**136,750**	104,231	119,320	165,682	220,398
Other income and gains	**19,999**	25,040	35,120	20,756	12,862
Selling and distribution costs	**(7,021)**	(6,979)	(7,594)	(5,797)	(4,882)
General and administrative expenses	**(65,890)**	(65,001)	(63,067)	(68,973)	(61,951)
Research and development costs	**(34,702)**	(38,221)	(36,500)	(49,816)	(29,153)
Other expense	**—**	(5,890)	(1,625)	(7,374)	(10,730)
Finance costs	**(501)**	(643)	(1,124)	(3,339)	(6,846)
Profit before tax	**48,635**	12,537	44,530	51,139	119,698
Income tax	**—**	—	—	—	—
Profit for the year	**48,635**	12,537	44,530	51,139	119,698
Other comprehensive income for the year	**—**	—	—	—	—
Total comprehensive income for the year attributable to ordinary equity holders of the Company	**48,635**	12,537	44,530	51,139	119,698
Earnings per share (RMB)					
– Basic and diluted	**3.17 cents**	0.82 cents	2.90 cents	3.33 cents	7.80 cents

Five Year Financial Summary

SUMMARY OF STATEMENT OF FINANCIAL POSITION

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,071,885**	1,025,729	1,010,551	1,086,066	1,098,318
Total liabilities	**160,720**	163,199	160,558	280,603	343,994
Net assets/total equity	**911,165**	862,530	849,993	805,463	754,324

CORPORATE GOVERNANCE PRACTICES

The Board fully acknowledges its responsibilities to act in the best interests of all shareholders and to maximise shareholders' value. The Board also attaches great importance to a continuing improvement in the Company's corporate governance policies and practices. The Company has established a range of policies and practices consistent with those required by the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules in relation to, amongst others, the appointment, removal and remuneration of the directors, responsibilities, composition and meetings of the Board and its committees, segregation of duties between the chairman of the Board and the president who is the head of the executive management.

The Company has fully complied with Corporate Governance Code (the "Governance Code") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2014 (the "Reporting Period").

In some areas, such policies and practices exceed the mandatory requirements of the Governance Code. For instance, to enhance transparency of its operation and performance, the Company has volunteered to announce its financial results on a quarterly basis since it became listed on the main board of the Stock Exchange on 7 April 2006. Additionally, in order to regulate both corporate and individual behaviour for the purpose of ensuring achievement of corporate goals, the Board has adopted a set of general business principles and a code of conduct which are applicable to all employees of the Company and require all employees above certain grades to certify their compliance therewith annually.

SECURITIES TRANSACTIONS

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

In addition, the Company has adopted an employee share dealing code to regulate securities transactions by the management and other relevant employees who, because of their office or employment, are likely to be in possession of unpublished inside information of the Company.

Sixty days before the meeting scheduled to approve the Company's results for the year ended 31 December 2013 and thirty days before each of the three meetings scheduled to approve the Company's results for the three months ended 31 March 2014, the six months ended 30 June 2014 and the nine months ended 30 September 2014 respectively, the company secretary notified the directors, supervisors, management and other relevant employees of the restricted period for securities transactions.

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 Reporting Period.

Report on Corporate Governance

BOARD OF DIRECTORS

Board Process and Effectiveness

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each director has a duty to act in good faith and in the best interests of the Company. The directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The Board operates mainly by way of regular meetings which are held at least four times a year and supplemented by interim meetings and circulated written resolutions as and when necessary. In the Reporting Period, the Board held four Board meetings. Details of directors' attendance at the shareholders' general meetings and the meetings of the Board and its committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, held during the Reporting Period are set out in tables on pages 43, 44, 45, 46, 47 and 48 of this annual report respectively.

The types of decisions which are to be taken by the Board include those relating to the Company's strategic direction, objectives, business plans, audited or unaudited financial statements, profit distribution proposals, proposals of appointment or reappointment of external auditor, proposals of changes to the share capital, proposals of amendments to the Articles of Association, as well as the appointment and remuneration of senior officers. The management is responsible for the implementation of the overall strategy of the Company and its daily operations and administration in accordance with the business plans approved by the Board from time and time. The Board has adopted detailed rules concerning authority delegated to the management and a list of matters reserved for its own decision.

In particular, the directors fully acknowledge their responsibility for reviewing and approving the accounts prepared by the management for each financial period, which shall give a true and fair view of the state of affairs of the Company and of the results and cash flows for that period. The directors are currently not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the reporting period, the Company also provides all members of the Board with monthly updates on the Company's performance, position and prospects.

The Board has access to the management of the Company to discuss enquiries, to the joint company secretaries on regulatory and compliance matters and to external professionals for advice when necessary. The joint company secretaries continuously advise all directors on the continuing obligations under the Listing Rules and other applicable laws and regulations to ensure the Company's compliance therewith.

The Company has arranged appropriate liability insurance to indemnity the Directors of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD COMPOSITION

During the year ended 31 December 2014 and up to the date of this annual report, the Board comprised the following directors:

Executive Director

Dr. WANG Qingyu

Non-executive Directors

Dr. CHEN Jianming, Chairman
Mr. Winfried Lodewijk PEETERS (resigned on 6 November 2014)
Mr. David Damian FRENCH, Vice Chairman (appointed on 20 May 2014)
Ms. SHEN Qing
Mr. ZHU Jian
Mr. Johannes AE van den BROEK (appointed on 6 November 2014)
Ms. WU Yi (resigned on 28 February 2014)
Mr. XU Ding

Independent Non-executive Directors

Mr. James Arthur WATKINS
Mr. PU Hanhu
Dr. CHEN Enhua
Dr. JIANG Qingtang

The Non-executive Directors bring a wide range of business and financial experience to the Board, which contributes to the effective direction of the Company. Their participation in the Board promotes critical review and control of the management process.

Biographic details of all directors in office are given on pages 15 to 20 of this annual report. Relationships (including financial, business, family or other material/relevant relationships), if any, among members of the Board are also disclosed. There is no such relationship as between the chairman of the Board and the president of the Company.

During the Reporting Period, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing more than one-third of the Board and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each Independent Non-Executive Director a confirmation of his independence, and the Company considers such directors to be independent in accordance with each and every guideline set out in Rule 3.13 of the Listing Rules.

NOMINATION AND APPOINTMENT OF DIRECTORS

Pursuant to the PRC company law and the Company's Articles of Association, directors shall be elected at the Company's general meetings each for a term of three years and upon expiry of their term, may offer themselves for re-election.

To comply strictly with this statutory requirement and safeguard the shareholders' right in this respect, the Company convened an annual general meeting on 20 May 2014, for the purpose of, amongst other things, the election of Mr. David Damian FRENCH as a Non-executive Director of the fourth session of the Board to fill the vacancies caused by the resignation of Ms. WU Yi, and an extraordinary general meeting on 5 November 2014 for the purpose of the election of Mr. Johannes AE van den BROEK as a Non-executive Director of the fourth session of the Board to fill the vacancy caused by the resignation of Mr. Winfried Lodewijk PEETERS.

The Company has established a Nomination Committee. Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee is responsible for studying the selection criteria and procedure for the nomination of Directors and senior management; evaluating the suitability of candidates; and making relevant proposals to the Board. Please refer to the section entitled "Nomination Committee" for the details of the functions of the committee.

CHAIRMAN AND PRESIDENT

During the Reporting Period, the post of the chairman of the Board was held by Dr. CHEN Jianming and the post of the president (as head of the executive management) was held by Dr. WANG Qingyu. This segregation ensures a clear distinction between the chairman's responsibility to manage the Board and the president's responsibility to manage the Company's business. The respective responsibilities of the chairman and president are set out in the Company's Articles of Association.

NON-EXECUTIVE DIRECTORS

Each of the Non-executive Directors of the Company has been appointed for a term of no more than three years and is subject to re-election or removal at the Company's general meetings in accordance with the Articles of Association of the Company.

SHAREHOLDERS' GENERAL MEETINGS

The table below sets out the details of general meetings (annual general meeting and extraordinary general meetings) attendance of each Director during the Reporting Period.

Directors	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Executive Director			
Dr. WANG Qingyu	3	3	0
Non-executive Directors			
Dr. CHEN Jianming	3	3	0
Mr. Winfried Lodewijk PEETERS *(retired on 6 November 2014)*	2	2	0
Mr. David Damian FRENCH *(appointed on 20 May 2014)*	1	1	0
Ms. SHEN Qing	3	3	0
Mr. Johannes AE van den BROEK *(appointed on 6 November 2014)*	0	0	0
Mr. ZHU Jian	2	1	1
Ms. WU Yi *(resigned on 28 February 2014)*	0	0	0
Mr. XU Ding	3	2	1
Independent Non-executive Directors			
Mr. James Arthur WATKINS	2	2	0
Mr. PU Hanhu	2	2	0
Dr. CHEN Enhua	2	2	0
Dr. JIANG Qingtang	2	2	0

BOARD MEETINGS

The table below sets out the details of board meeting attendance of each director during the Reporting Period.

Directors	**Number of meetings requiring attendance**	**Number of meetings attended in person**	**Number of meetings attended by proxy**
Executive Director			
Dr. WANG Qingyu	4	4	0
Non-executive Directors			
Dr. CHEN Jianming	4	4	0
Mr. Winfried Lodewijk PEETERS *(retired on 6 November 2014)*	4	2	2
Mr. David Damian FRENCH *(appointed on 20 May 2014)*	3	3	0
Ms. SHEN Qing	4	4	0
Mr. Johannes AE van den BROEK *(appointed on 6 November 2014)*	0	0	0
Ms. WU Yi *(resigned on 28 February 2014)*	0	0	0
Mr. ZHU Jian	4	3	1
Mr. XU Ding	4	4	0
Independent Non-executive Directors			
Mr. James Arthur WATKINS	4	4	0
Mr. PU Hanhu	4	4	0
Dr. CHEN Enhua	4	4	0
Dr. JIANG Qingtang	4	4	0

BOARD COMMITTEES

The Board has appointed four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic Development Committee, to oversee particular aspects of the Company's affairs.

Audit Committee

Membership

During the Reporting Period, the members of the Audit Committee comprised Mr. James Arthur WATKINS (Chairman), Mr. David Damian FRENCH (from 20 May 2014 to 5 November 2014), Mr. Johannes AE van den BROEK (subsequent to 6 November 2014), Ms. SHEN Qing, Ms. WU Yi (prior to 28 February 2014), Dr. CHEN Enhua and Dr. JIANG Qingtang.

All of its members were appointed from the Independent Non-executive Directors and Non-executive Directors, Dr. CHEN Enhua having appropriate professional qualifications and experience in financial matters. A majority of the members of the Audit Committee were Independent Non-executive Directors.

Role and Function

The terms of reference of the Audit Committee are aligned with those set out in code provision C.3.3 of the Governance Code, including monitoring of the Company's relationship with its external auditor, review of financial information of the Company and oversight of the Company's financial reporting system and internal control procedures. The detailed terms of reference are disclosed on the Stock Exchange's website and the Company's website.

It is the practice of the Audit Committee to meet in person immediately preceding each of the meetings of the full Board scheduled to consider and approve financial results. Special meetings may be called at the discretion of the chairman of the Audit Committee to review significant control or financial issues.

Work

During the Reporting Period, the Audit Committee met on four occasions and discharged its responsibilities in its review of the Company's financial information and system of internal controls, and its other duties as set out in its terms of reference. The work performed by the Audit Committee included, amongst other things:

(1) review of the Company's financial results, respectively, for the year ended 31 December 2013, for the three months ended 31 March 2014, for the six months ended 30 June 2014 and for the nine months ended 30 September 2014, with recommendations to the Board for approval;

(2) review of presentations and management letters from the Company's external auditor concerning matters arising from their audit or review of the financial results for the respective financial periods; and

(3) review of reports from the management concerning finance matters, internal control, risk management and compliance.

Meeting

The table below sets out the details of meeting attendance of each member of the Audit Committee during the Reporting Period.

Directors	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. James Arthur WATKINS *(Chairman)*	4	4	0
David Damian FRENCH *(from 20 May 2014 to 5 November 2014)*	2	2	0
Ms. SHEN Qing	4	4	0
Mr. Johannes AE van den BROEK *(subsequent to 6 November 2014)*	0	0	0
Ms. Wu Yi *(prior to 28 February 2014)*	0	0	0
Dr. Chen Enhua	4	4	0
Dr. Jiang Qingtang	4	4	0

Remuneration Committee

Membership

During the Reporting Period, the members of the Remuneration Committee comprised Mr. PU Hanhu (Chairman), Mr. James Arthur WATKINS and Mr. ZHU Jian.

All of its members were appointed from the Independent Non-executive Directors and Non-executive Directors. A majority of the members of the Remuneration Committee were Independent Non-executive Directors.

Role and Function

The terms of reference of the Remuneration Committee are aligned with those set out in code provision B.1.2 of the Governance Code, including making recommendations on the Company's policy and structure for remuneration of the directors, supervisors and management, determining specific remuneration packages of the senior officers, and reviewing and approving performance-based remuneration by reference to corporate goals and objectives. The detailed terms of reference are disclosed on the websites of Stock Exchange and Company.

It is the practice of the Remuneration Committee to hold meetings by way of correspondence to discharge its duties under its terms of reference.

Work

During the Reporting Period, the Remuneration Committee held three meetings by way of correspondence and performed, amongst other things, the following work:

(1) review and approval of the year 2013 management bonuses for senior officers;

(2) review and approval of the year 2014 operation performance target for senior officers; and

(3) review and approval of the proposed terms of the service contracts for two newly appointed directors of the fourth session of the Board.

Meeting

The table below sets out the details of meeting attendance of each member of the Remuneration Committee during the Reporting Period.

Directors	**Number of meetings requiring attendance**	**Number of meetings attended by way of correspondence**	**Number of meetings attended by proxy**
Mr. PU Hanhu *(Chairman)*	3	3	0
Mr. James Arthur WATKINS	3	3	0
Mr. ZHU Jian	3	3	0

Nomination Committee

Membership

During the Reporting Period, the members of the Nomination Committee comprised Dr. CHEN Jianming (Chairman), Mr. Winfried Lodewijk PEETERS (prior to 6 November 2014), Mr. David Damian FRENCH (subsequent to 6 November 2014), Mr. James Arthur WATKINS, Mr. PU Hanhu and Dr. CHEN Enhua.

All of its members were appointed from the Independent Non-executive Directors and Non-executive Directors. A majority of members of the Nomination Committee were Independent Non-executive Directors.

Role and Function

The terms of reference of the Nomination Committee are aligned with those set out in code provision A.5.2 of the Governance Code, including studying the selection criteria and procedure for the nomination of Directors and senior management and making proposals to the Board; establishing proper succession plans for Directors and senior management and regularly reviewing the plans to meet the needs of the Company; as well as evaluating the suitability of candidates for Directors and senior management and making proposals to the Board. The detailed terms of reference are disclosed on the Stock Exchange's website and the Company's website.

Work

During the Reporting Period, the Nomination Committee held two meetings and performed, amongst other things, the following work:

(1) evaluate the candidates for directors and make proposal to the Board on their appointment according to the board diversity policy of the Company.

Meeting

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the Reporting Period.

Directors	**Number of meetings requiring attendance**	**Number of meetings attended in person or by way of correspondence**	**Number of meetings attended by proxy**
Dr. CHEN Jianming *(Chairman)*	2	2	0
Mr. Winfried Lodewijk PEETERS *(prior to 6 November 2014)*	1	1	0
Mr. David Damian FRENCH *(subsequent to 6 November 2014)*	1	1	0
Mr. James Arthur WATKINS	2	2	0
Mr. PU Hanhu	2	2	0
Dr. CHEN Enhua	2	2	0

Strategic Development Committee

Membership

During the Reporting Period, the members of the Strategic Development Committee comprised Mr. XU Ding (Chairman), Mr. Winfried Lodewijk PEETERS (prior to 6 November 2014), Mr. David Damian FRENCH (subsequent to 6 November 2014), Mr. ZHU Jian, Ms. SHEN Qing, and Dr. JIANG Qingtang.

All of its members were appointed from the Independent Non-executive Directors and Non-executive Directors.

Role and Function

The terms of reference of the Strategic Development Committee have been formulated under the authorization of the Board, including studying and reviewing the Company's proposals on major projects such as investment, capital deployment, operation of assets and financing plans and providing opinions thereon which shall be approved by the Board in accordance with the Articles of Association of the Company; investigating, studying and reviewing the Company's long-term development strategy; and providing proposals on major issues that will affect the Company's development. The detailed terms of reference are disclosed on the Stock Exchange's website and the Company's website.

Work

During the Reporting Period, the Strategic Development Committee held three meetings and performed, amongst other things, the following work:

(1) review and consideration of strategic development outline; and

(2) review and consideration of relevant report in relation to ongoing business growth strategy for both domestic and overseas market development.

Meeting

The table below sets out the details of meeting attendance of each member of the Strategic Development Committee during the Reporting Period.

Directors	Number of meetings requiring attendance	Number of meetings attended in person or by way of correspondence	Number of meetings attended by proxy
Mr. XU Ding *(Chairman)*	3	3	0
Mr. Winfried Lodewijk PEETERS *(prior to 6 November 2014)*	3	3	0
Mr. David Damian FRENCH *(subsequent to 6 November 2014)*	0	0	0
Mr. ZHU Jian	3	3	0
Ms. SHEN Qing	3	3	0
Dr. JIANG Qingtang	3	3	0

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for ensuring that the Company establishes good corporate governance practices and procedures. The Company developed the terms of reference for the Board on corporate governance function which are aligned with those set out in code provision D.3.1 of the Governance Code, including developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors. The detailed terms of reference are disclosed on the Stock Exchange's website and the Company's website. During the Reporting Period, the Board had performed the duties under D.3.1 of the Governance Code on corporate governance functions, including executing its Board Diversity Policy to align with the new code provision A.5.6 of the Governance Code.

BOARD DIVERSITY POLICY

Summary of the Company's board diversity policy is set out below:

The Company commits to selecting the best candidates to serve as members of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

Pursuant to the Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, the Company has provided an induction programme to newly appointed directors after their respective appointments. The Company has provided regular briefings and updates to the directors on the Company's business, operations, risk management and corporate governance matters, and it has also provided written training materials to the directors on the latest developments of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities (the "Trainings") from time to time.

All directors of the Company namely, Dr. WANG Qingyu, Dr. CHEN Jianming, Mr. Winfried Lodewijk PEETERS(retired on 6 November 2014), Mr. David Damian FRENCH (appointed on 20 May 2014), Ms. SHEN Qing, Mr. Johannes AE van den BROEK (appointed on 6 November 2014), Mr. ZHU Jian, Ms. WU Yi (resigned on 28 February 2014), Mr. XU Ding, Mr. James Arthur WATKINS, Mr. PU Hanhu, Dr. CHEN Enhua and Dr. JIANG Qingtang have received the Trainings during the Reporting Period and the Company has also requested all directors of the Company to provide the Company with their respective training records in relation to any relevant training each of them has received during the Reporting Period pursuant to the Governance Code.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

A Pursuant to Article 80 of the Company's Articles of Association, shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

(a) Two (2) or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign one (1) or more counterpart requisitions stating the object of the meeting and requiring the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof. The Board shall as soon as possible proceed to convene the extraordinary general meeting of shareholders or a class meeting thereof after receipt of such requisition(s). The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition(s).

(b) If the Board fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of the requisition(s), the requisitionists may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' meetings are convened by the Board) within four (4) months from the date of receipt of the requisition(s) by the Board.

B Any reasonable expenses incurred by the requisitionists by reason of failure by the Board to duly convene a meeting shall be repaid to the requisitionists by the Company and any sum so repaid shall be set-off against sums owed by the Company to the defaulting directors.

C The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

Procedures for Proposing Resolutions to the Agenda of General Meetings

A Pursuant to Article 60 of the Company's Articles of Association, shareholder(s) holding in aggregate 3% or above of the total issued share capital of the Company shall in writing propose resolutions to the agenda of the general meetings to the convener of the general meetings 10 days before the date of the general meetings.

B The convener shall despatch a circular and announcement setting out the proposed resolutions to all the shareholders within two days after the date on which the written proposal is received by the convener and shall place the proposed resolutions on the agenda for such general meeting for shareholders' consideration.

Shareholders' Enquiries to the Board

Shareholders may at any time make enquiry to the Board or make request for the Company's information to the extent such information is publicly available, through the following contact information:

Contact person:	The Company Secretary
Place of business in the PRC:	385 Hong Cao Road, Shanghai 200233, the PRC
Tel:	+86 (21) 6485 1900
Fax:	+86 (21) 6485 3925
Email:	ir@asmc.com.cn

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

During the Reporting Period, there has been no change to the Company's Articles of Association.

COMPANY SECRETARY

Mr. XIAO Weiming ("Mr. XIAO"), the company secretary, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. MOK Ming Wai ("Ms. MOK"), director of KCS Hong Kong Limited (a company secretarial service provider), as its joint company secretary to assist Mr. XIAO to discharge his duties as company secretary of the Company. The primary corporate contact person at the Company is Mr. XIAO, the company secretary of the Company.

During the year ended 31 December 2014, Mr. XIAO and Ms. MOK have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

EXTERNAL AUDITORS' REMUNERATION

The Company's external auditor are Ernst & Young. During the Reporting Period, total remuneration paid or payable to Ernst & Young, amounting to RMB1,380,000 was related to their audit services, and RMB235,000 was related to their non-audit transaction advisory services.

Audit services	RMB1,380,000
Non-audit services	RMB235,000
Total	RMB1,615,000

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained, which includes a defined management structure with specified limits of authority, to achieve business objectives and safeguard assets against unauthorised use or disposition; to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and to ensure compliance with the relevant legislations and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than eliminate risks of failure in operational systems, and to ensure achievement of the Company's objectives.

Internal Control Framework

The Company operates within an established framework of internal controls, which is consistent with the principles outlined in the Committee of Sponsoring Organisations of the Treadway Commission (the COSO) framework and encompasses five inter-related components, including control environment, risk assessment, control activities, information and communication, and monitoring. The internal control framework also serves as criteria for the effectiveness of the internal control system in supporting the achievement of objectives in the three separate but overlapping areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

Under our framework, the management is primarily responsible for the design, implementation, and maintenance of internal controls, while the Board and its Audit Committee oversee the actions of the management and monitor the effectiveness of the controls that have been put in place.

General Business Principles and Code of Conduct

The Board has adopted a set of General Business Principles and a Code of Conduct for employees. The Company gives frequent orientation and refreshing trainings on the General Business Principles and Code of Conduct to all employees, and requires all employees above certain grades to certify their compliance therewith annually.

In respect of the Code of Conduct, the Company has established procedures for handling employees' complaints and alerts of wrongdoings. Complaints may be submitted on an anonymous basis. Such complaints should normally be reported or directed to the Internal Audit Manager and, in the event of involvement of any member of senior management, to the Audit Committee directly. Any employee who in good faith reports a breach (or alleged breach) by another employee of the Code of Conduct will be protected from retaliation.

The Role of the Audit Committee

The Audit Committee, primarily through the agency of the internal audit department, is responsible for ensuring the existence and effectiveness of internal controls and discharges its responsibilities mainly by receiving and reviewing periodic reports from the external auditor, the financial management, internal auditor and compliance officer.

The Role of the Internal Audit Department

The Company has established an Internal Audit Department. It plays an important role in monitoring the internal governance of the Company. Its tasks include:

- access without restriction to review all aspects of the Company's activities, records, information and assets which it considers necessary to fulfil its responsibilities;
- review the effectiveness of material internal controls on a regular basis to ensure that the internal controls are carried out appropriately and function as intended;
- conduct special reviews of areas of concern identified by the management or the Audit Committee; and
- provide the Audit Committee with its findings and recommendations for improving the internal control system of the Company.

The department also conducts special investigations in relation to the violations of the Company's General Business Principles and Code of Conduct. Any breaches identified are appropriately disciplined together with corrective actions taken by the management, and reported to the Audit Committee.

The internal audit manager reports directly to the Audit Committee on audit matters and to the President of the Company on administrative matters. The internal audit manager has the right to consult the Audit Committee without reference to management.

Review of System of Internal Controls

The Internal Audit Department schedules its internal audit programmes annually, which are reviewed by the Audit Committee and are based on an annual risk assessment at the beginning of each year.

During the Reporting Period and up to the date of this annual report, the Internal Audit Department conducted reviews of internal control systems, both at the entity level and also the various processes/transactions levels, and issued reports to the Audit Committee and management for the findings observed.

The Audit Committee, primarily through the agency of the Internal Audit Department, has conducted a review of the internal controls to ensure that the controls in place are adequate and effective. The Audit Committee also has conducted a review to consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. Such reviews are reported to the Board at least annually.

Conclusion

Management, aided by the Internal Audit Department, is working continually to ensure that clear, practical and effective internal controls are in place throughout the Company's business operations, to identify and correct any perceived deficiencies and to monitor and enforce compliance with those controls. The Board supports the actions of management, in cooperation with the Internal Audit Department, in enhancing the Company's system of internal controls throughout its business. The Board is not aware of any material adverse effect on the Company resulting from any inadequacy of internal controls or any failure in their observance.

Report of the Supervisory Committee

During the year ended 31 December 2014, all members of the Supervisory Committee discharged their duties in compliance with the applicable requirements of the Company Law of the PRC, the Securities Law of the PRC, the Listing Rules, and the Articles of Association of the Company and proactively protected the interests of the Company and its shareholders.

The supervisors of the Supervisory Committee during the year ended 31 December 2014 and up to the date of this annual report were:

Shareholders Representative Supervisors

Ms. XU Chunlei, Chairman
Mr. SUN Biyuan
Mr. YANG Yanhui
Ms. CHEN Yan
Mr. ZHOU Chengjie

Employee Representative Supervisor

Mr. PAN Guojin (retired on 11 April 2014)
Mr. SHEN Zhongyi (subsequent to 11 April 2014)

The supervisors for the fourth session of the Supervisory Committee served terms until 1 March 2016. Ms. XU Chunlei, Mr. YANG Yanhui, Mr. SUN Biyuan, Ms. CHEN Yan and Mr. ZHOU Chengjie were elected or re-elected as shareholders representative supervisors of the fourth session (with a term of office from 2 March 2013 to 1 March 2016) of the Supervisory Committee at the Company's extraordinary general meeting held on 20 December 2012. Mr. SHEN Zhongyi was elected as employee representative supervisor of the fourth session (with a term of office from 11 April 2014 to 1 March 2016) of the Supervisory Committee by the employees democratically on 25 March 2014.

During the year ended 31 December 2014, the Supervisory Committee held two meetings as follows:

At the third meeting of the Supervisory Committee held on 19 March 2014, the Supervisory Committee reviewed and approved the audited financial statements for the year ended 31 December 2013 prepared in accordance with IFRS and PRC GAAP, the preliminary results announcement and annual report (including the Report of the Supervisory Committee) for the year ended 31 December 2013, the profit distribution proposal for the year ended 31 December 2013, and the proposed appointment and terms of engagement of the Company's PRC and international auditor for 2014.

At the fourth meeting of the Supervisory Committee held on 6 August 2014, the Supervisory Committee reviewed and approved the financial statements, the preliminary results announcement and interim report for the six months ended 30 June 2014.

Report of the Supervisory Committee

The independent opinions of the Supervisory Committee on its work during the year ended 31 December 2014 are summarized as follows:

1. The Supervisory Committee reviewed the Company's financial statements and interim report for the six months ended 30 June 2014 and financial statements and annual report for the year ended 31 December 2013 and is of the view that they were true and reliable and that the external auditor engaged by the Company gave objective and fair opinions on the financial statements.

2. The Supervisory Committee oversaw the annual assessment by the Audit Committee of the Company's system of internal control and is of the view that it is effective and adequate.

3. The Supervisory Committee monitored the discharge of duties by the Directors and managers of the Company and is of the view that during the year ended 31 December 2014, all the Directors and managers had diligently and faithfully discharged their duties under the Articles of Association of the Company, worked towards maximising the interests of the shareholders and the Company, and dedicated to promoting the development of the Company. The Supervisory Committee was not aware of any act of the Directors or managers during their discharge of duties that were in contradiction to the laws or regulations of the PRC or the Articles of Association of the Company or detrimental to the interests of shareholders of the Company.

BY ORDER OF THE SUPERVISORY COMMITTEE

XU Chunlei
Chairman

Shanghai, the PRC
11 March 2015

Independent Auditors' Report

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

We have audited the accompanying financial statements of Advanced Semiconductor Manufacturing Corporation Limited (the "Company") set out on pages 60 to 116, which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of the Company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

11 March 2015

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Revenue	5	**797,356**	722,146
Cost of sales		**(660,606)**	(617,915)
Gross profit		**136,750**	104,231
Other income and gains	6	**19,999**	25,040
Selling and distribution expenses		**(7,021)**	(6,979)
General and administrative expenses		**(65,890)**	(65,001)
Research and development costs		**(34,702)**	(38,221)
Other expense	6	**—**	(5,890)
Finance costs	7	**(501)**	(643)
Profit before tax	7	**48,635**	12,537
Income tax	10	**—**	—
Profit for the year		**48,635**	12,537
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year attributable to ordinary equity holders of the Company		**48,635**	12,537
Earnings per share attributable to ordinary equity holders of the Company – Basic and diluted	12	**3.17 cents**	0.82 cents

Details of the dividends proposed for the year are disclosed in note 11 to the financial statements.

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	13	**341,922**	362,870
Construction in progress	14	**17,999**	12,341
Prepaid land lease payments	15	**29,695**	30,465
Intangible assets	16	**7,269**	7,333
Total non-current assets		**396,885**	413,009
Current assets			
Inventories	18	**97,919**	111,824
Accounts and note receivables	19	**66,322**	75,594
Prepayments, deposits and other receivables	20	**15,197**	14,228
Due from related companies	21	**15,932**	17,113
Cash and cash equivalents	22	**479,630**	393,961
Total current assets		**675,000**	612,720
Total assets		**1,071,885**	1,025,729
Current liabilities			
Accounts payable	23	**99,363**	87,920
Other payables and accruals		**48,123**	41,688
Due to related companies	21	**2,451**	2,847
Government grants	24	**3,310**	4,779
Interest-bearing bank borrowings	25	**—**	18,291
Total current liabilities		**153,247**	155,525
Net current assets		**521,753**	457,195
Total assets less current liabilities		**918,638**	870,204

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Statement of Financial Position

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
Non-current liabilities			
Government grants	24	**7,473**	7,674
Net assets		**911,165**	862,530
Equity attributable to equity holders of the Company			
Share capital	27	**1,534,227**	1,534,227
Reserves	28	**(623,062)**	(671,697)
Total equity		**911,165**	862,530

Chen Jianming
Director

Wang Qingyu
Director

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Share capital	27		
Ordinary shares of RMB1.00 each:			
At beginning and end of year		**1,534,227**	1,534,227
Capital reserve	28 (a)		
At beginning and end of year		**205,363**	205,363
Statutory surplus reserve	28 (b)		
At beginning and end of year		**19,353**	19,353
Accumulated losses	28 (c)		
At beginning of year		**(896,413)**	(908,950)
Total comprehensive income for the year		**48,635**	12,537
At end of year		**(847,778)**	(896,413)
Reserves		**(623,062)**	(671,697)
Total equity attributable to equity holders of the Company		**911,165**	862,530

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Cash flows from operating activities			
Profit before tax		**48,635**	12,537
Adjustments for:			
Depreciation	7	**64,103**	62,337
Amortisation of intangible assets	7	**3,178**	2,618
Loss on disposal of property, plant and equipment		**149**	—
Amortisation of prepaid land lease payments	7	**770**	770
Reversal of impairment for doubtful debts	7	**(39)**	(68)
Write-down/(reversal of write-down) of inventories to net realisable value	7	**(1,387)**	1,461
Finance costs	7	**501**	643
Exchange loss/(gain)		**(463)**	4,062
Government grants		**(4,622)**	(9,630)
Interest income		**(10,764)**	(8,523)
Operating profit before working capital changes		**100,061**	66,207
Decrease/(increase) in accounts and note receivables		**9,311**	(1,862)
Decrease/(increase) in inventories		**15,292**	(4,811)
Decrease/(increase) in prepayments, deposits and other receivables		**(1,452)**	6,068
Decrease in balances with related companies		**785**	110
Increase in accounts payable		**20,553**	15,057
Increase/(decrease) in other payables and accruals		**6,452**	(1,547)
Cash generated from operations		**151,002**	79,222
Interest paid		**(518)**	(646)
Interest received		**11,247**	6,570
Government grants received		**1,752**	4,371
Net cash flows from operating activities		**163,483**	89,517

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Statement of Cash Flows

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from investing activities			
Purchases of items of property, plant and equipment, construction in progress and intangible assets		**(59,986)**	(105,002)
Net cash flows used in investing activities		**(59,986)**	(105,002)
Cash flows from financing activities			
New bank borrowings		**—**	18,291
Repayment of bank borrowings		**(18,291)**	(18,857)
Net cash flows used in financing activities		**(18,291)**	(566)
Net increase/(decrease) in cash and cash equivalents		**85,206**	(16,051)
Cash and cash equivalents at beginning of year		**393,961**	414,074
Effect of exchange rate changes on cash and cash equivalents		**463**	(4,062)
Cash and cash equivalents at end of year		**479,630**	393,961
Analysis of balances of cash and cash equivalents			
Cash and bank balances	22	**184,966**	125,540
Non-pledged time deposits	22	**294,664**	268,421
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**479,630**	393,961
Investing activities affecting both cash and non-cash items			
Addition of items of property, plant and equipment, construction in progress and intangible assets		**(52,076)**	(102,045)
Decrease in the balance of payables for purchases of items of property, plant and equipment, construction in progress and intangible assets		**(9,110)**	(2,957)
Receipt of government grants		**1,200**	—
Cash flows used in purchases of items of property, plant and equipment, construction in progress and intangible assets		**(59,986)**	(105,002)

The accompanying notes form an integral part of the financial statements.

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 (the "Stock Exchange").

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 silicon wafers.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Interpretations of the Standing Interpretation Committee approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. The financial statements are prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise stated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised IFRSs for the first time for the current year's 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
- Improvements to IFRSs – 2010-2012 Cycle: Amendment to IFRS 13 – Short-term Receivables and Payables
- Improvements to IFRSs – 2011-2013 Cycle: Amendment to IFRS 1 – Meaning of Effective IFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The principal effects of adopting these new and revised IFRSs are as follows:

Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, since none of the entities in the Company qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 Financial Instruments: Presentation

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since none of the entities in the Company has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 Financial Instruments: Recognition and Measurement

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Company are consistent with the requirements of IFRIC 21 in prior years.

Improvements to IFRSs – 2010-2012 Cycle: Amendment to IFRS 13 – Short-term Receivables and Payables

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Improvements to IFRSs – 2011-2013 Cycle: Amendment to IFRS 1 – Meaning of Effective IFRSs

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

Disclosure Initiative – Amendments to IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 to further encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. The amendments to IAS 1 include narrow-focus improvements in the five areas of materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments may be applied immediately and become mandatory for annual periods beginning on or after 1 January 2016. The amendments are not expected to have any impact on the financial position or performance of the Company upon adoption on 1 January 2016.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Company expects to adopt IFRS 9 from 1 January 2018. The Company expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Company's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Company expects to adopt the amendments from 1 January 2016.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures

In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28. The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments clarify exemption from preparing consolidated financial statements applies to parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiaries at fair value. The amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2016.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Company upon adoption on 1 January 2016.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss. The standard requires disclosures on the nature of, and risk associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The standard is not expected to have impact on the Company as the Company is not a first time adopter of IFRSs.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Company expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Company upon adoption on 1 January 2016 as the Company has not used a revenue-based method for the calculation of depreciation of its non-current assets.

Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41

The IAS 16 and IAS 41 Amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of IAS 16 instead of IAS 41. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost before maturity. After the bearer plants mature, they will be measured either using the cost model or revaluation model in accordance with IAS 16. The amendments also require that produce growing on the bearer plants will remain in the scope of IAS 41 and is measured at fair value less costs to sell. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The Company expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any impact on the Company as the Company does not have any bearer plants.

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

The IAS 19 Amendments apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The Company expects to adopt the amendments from 1 January 2015.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

Equity Method in Separate Financial Statements – Amendments to IAS 27

The IAS 27 Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments will not be applicable to the Company's consolidated financial statements.

Amendments under Annual Improvements to IFRSs 2010-2012 Cycle

Except for that described in note 2.2, the Company expects to adopt the amendments from 1 January 2015. None of the amendments is expected to have a significant financial impact on the Company. Details of the amendment most applicable to the Company are as follows:

- IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarifies that an asset revaluation can be performed in one of the following ways:

  (i) Adjusting the gross carrying amount of the asset to market value; or

  (ii) Determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

  In addition, it clarifies that the accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount of the asset.

- IAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

Amendments under Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle issued in December 2013 sets out amendments to a number of IFRSs. The Company expects to adopt the amendments from 1 January 2015 except for that described in note 2.2. None of the amendments is expected to have a significant financial impact on the Company. Details of the amendments are as follows:

- IFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is to be applied prospectively.
- IFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is to be applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied.
- IAS 40 Investment Property: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is to be applied prospectively for acquisitions of investment properties.

Amendments under Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle issued in September 2014 sets out amendments to a number of IFRSs. The Company expects to adopt the amendments from 1 January 2016. None of the amendments is expected to have a significant financial impact on the Company. Details of the amendments are as follows:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification of the non-current assets or disposal Company held for sale. The amendment is to be applied prospectively.
- IFRS 7 Financial Instruments: Disclosures: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the IFRS 7 disclosures are required.
- IFRS 7 Financial Instruments: Disclosures: Clarifies that the disclosures in respect of the offsetting of financial assets and financial liabilities in IFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

Amendments under Annual Improvements to IFRSs 2012-2014 Cycle (continued)

- IAS 19 Employee Benefits: Clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 Interim Financial Reporting: Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The amendments also specify that the information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the property, plant and equipment are as follows:

Buildings	30 years
Plant and machinery	5~10 years
Office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress

Construction in progress represents buildings, plant and machinery and other fixed assets under construction or installation, which is stated at cost less accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing, and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to ten years, commencing from the date when the products are put into commercial production.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. Where an indication of impairment exists, or when annual impairment testing for an asset is required, the assets' recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Company's financial assets include cash and bank balances, accounts and note receivables and other receivables and amounts due from related companies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gain in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expense in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net off directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, amounts due to related companies and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, and an appropriate proportion of overheads. Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Company which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Company is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

The functional and presentation currency of the Company is RMB.

Foreign currency transactions recorded by the Company are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

(a) Impairment of assets

In determining if an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing:

(i) whether an event has occurred that may affect asset value or such event affecting the asset value has not been in existence;

(ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continuing use of the asset or derecognition; and

(iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(b) Deferred tax assets

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidences. Recognition primarily involves judgement regarding the future performance of the Company. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised.

(c) Provision for obsolete and slow-moving inventories

The Company's inventories are stated at the lower of cost and net realisable value. The Company makes provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolescence provisions, if appropriate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are discussed below:

(a) Impairment test of assets

Management determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(b) Deferred tax assets

The carrying amount of deferred tax assets and related financial models and budgets are reviewed by management at the end of each reporting period. To the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow the utilisation of the tax losses carried forward, the asset balance will not be recognised.

(c) Provision for slow-moving inventories

Provision for slow-moving inventories is made based on the age and estimated net realisable value of inventories. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which such estimate has been made.

(d) Impairment on accounts receivable

Impairment on accounts receivable is made based on assessment of the recoverability of the trade receivables and other receivables. The identification of impairment on accounts receivable requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, any such differences will have an impact on the carrying value of the receivables and impairment expenses/write-back in the period in which the estimate has been made.

4. SEGMENT INFORMATION

The Company's revenue and profit were mainly derived from the sale of silicon 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 locations of customers is presented as follows:

	2014	2013
	RMB'000	RMB'000
United States of America	**408,937**	362,309
Europe	**147,012**	156,572
Asia	**241,407**	203,265
	797,356	722,146

Information about major customers

Revenue of approximately RMB435,824,000 (2013: RMB404,637,000) was derived from sales to three customers (2013: three) which individually accounted for more than 10% of the Company's total revenue during the year. Sales to a particular customer include sales to a group of entities which are known to be under common control with that customer.

5. REVENUE

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

An analysis of revenue is as follows:

	2014	2013
	RMB'000	RMB'000
Sale of goods	**797,356**	722,146
Others	**—**	—
	797,356	722,146

6. OTHER INCOME AND GAINS AND OTHER EXPENSE

	2014 RMB'000	2013 RMB'000
Other income and gains		
Interest income	**10,764**	8,523
Government grants	**4,622**	9,630
Sale of scrap materials	**3,480**	5,073
Others	**1,133**	1,814
	19,999	25,040
Other expense		
Net foreign exchange loss	**—**	(5,890)
	—	(5,890)

7. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Cost of inventories sold	**660,606**	617,915
Depreciation	**64,103**	62,337
Amortisation of intangible assets	**3,178**	2,618
Amortisation of prepaid land lease payments	**770**	770
Research and development costs	**34,702**	38,221
Auditors' remuneration	**1,615**	1,480
Employee benefit expense (including directors', supervisors' and senior executives' remuneration as set out in note 8):		
Retirement benefits (note 9)		
– defined contribution fund	**17,778**	18,612
Accommodation benefits (note 9)		
– defined contribution fund	**5,637**	5,445
Early retirement and termination benefits	**2,625**	2,271
Salaries and other staff costs	**153,462**	153,494
	179,502	179,822
Interest on bank borrowings	**501**	643
Reversal of impairment for doubtful debts	**(39)**	(68)
Write-down/(reversal of write-down) of inventories to net realisable value	**(1,387)**	1,461

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2014 RMB'000	2013 RMB'000
Fees	**2,487**	2,515
Other emoluments for executive directors and supervisors:		
– Salaries, allowance and other benefits	**1,524**	1,347
– Performance-related bonuses	**535**	589
– Retirement benefits	**41**	36
– Compensation for loss of office	**—**	—
	2,100	1,972
	4,587	4,487

(a) Independent non-executive directors

The fees paid or payable to independent non-executive directors during the year were as follows:

	2014 RMB'000	2013 RMB'000
Mr. James Arthur Watkins	**197**	197
Dr. Chen Enhua	**197**	164
Dr. Jiang Qingtang	**197**	164
Mr. Pu Hanhu	**197**	197
Mr. Thaddeus Thomas Beczak	**—**	33
Dr. Shen Weijia	**—**	33
	788	788

There were no other emoluments payable to the independent non-executive directors during the year.

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and supervisors

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Performance-related bonuses RMB'000	Retirement benefits RMB'000	Compensation for loss of office RMB'000	Total remuneration RMB'000
2014						
Executive director:						
Mr. Wang Qingyu	—	1,125	500	—	—	1,625
	—	1,125	500	—	—	1,625
Non-executive directors:						
Dr. Chen Jianming	157	—	—	—	—	157
Mr. Zhu Jian	157	—	—	—	—	157
Ms. Shen Qing	157	—	—	—	—	157
Mr. Winfried Lodewijk Peeters*	137	—	—	—	—	137
Ms. Wu Yi*	26	—	—	—	—	26
Mr. Xu Ding	157	—	—	—	—	157
Mr. Johannes AE van den Broek**	25	—	—	—	—	25
Mr. David Damian French**	98	—	—	—	—	98
	914	—	—	—	—	914
Supervisors:						
Mr. Sun Biyuan	157	—	—	—	—	157
Ms. Chen Yan	157	—	—	—	—	157
Mr. Pan Guojin*	—	82	34	12	—	128
Mr. Shen Zhongyi**	—	317	1	29	—	347
Ms. Xu Chunlei	157	—	—	—	—	157
Mr. Yang Yanhui	157	—	—	—	—	157
Mr. Zhou Chengjie	157	—	—	—	—	157
	785	399	35	41	—	1,260
	1,699	1,524	535	41	—	3,799

* These directors resigned during the year ended 31 December 2014.

** The directors and the supervisor were appointed during the year ended 31 December 2014.

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(b) *Executive directors, non-executive directors and supervisors* *(continued)*

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Performance-related bonuses RMB'000	Retirement benefits RMB'000	Compensation for loss of office RMB'000	Total remuneration RMB'000
2013						
Executive director:						
Mr. Wang Qingyu	—	1,112	551	—	—	1,663
	—	1,112	551	—	—	1,663
Non-executive directors:						
Dr. Chen Jianming	157	—	—	—	—	157
Mr. Zhu Jian	157	—	—	—	—	157
Ms. Shen Qing	157	—	—	—	—	157
Mr. Winfried Lodewijk Peeters	157	—	—	—	—	157
Ms. Wu Yi**	131	—	—	—	—	131
Mr. Xu Ding***	157	—	—	—	—	157
Mr. Li Zhi*	26	—	—	—	—	26
Mr. David Siu Kee Kiang*	26	—	—	—	—	26
	968	—	—	—	—	968
Supervisors:						
Mr. Sun Biyuan	157	—	—	—	—	157
Ms. Chen Yan	157	—	—	—	—	157
Mr. Pan Guojin	—	235	38	36	—	309
Ms. Xu Chunlei	157	—	—	—	—	157
Mr. Yang Yanhui	157	—	—	—	—	157
Mr. Zhou Chengjie**	131	—	—	—	—	131
	759	235	38	36	—	1,068
	1,727	1,347	589	36	—	3,699

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and supervisors *(continued)*

* These directors and the supervisor resigned during the year ended 31 December 2013.

** The director and the supervisor were appointed during the year ended 31 December 2013.

*** The supervisor resigned from the supervisor's position and was appointed as non-executive director during the year ended 31 December 2013.

There was no arrangement in which a director or a supervisor waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2014.

(c) Five highest paid employees

The five highest paid individuals in the Company include one (2013: one) executive director for the year ended 31 December 2014, details of whose emoluments have been disclosed above.

The details of the emoluments for the year of the remaining four (2013: four) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**3,387**	3,202
Performance-related bonuses	**1,204**	938
Retirement benefits	**112**	96
	4,703	4,236

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(c) *Five highest paid employees (continued)*

The number of the four (2013: four) non-director and non-chief executive, highest paid employees, whose remuneration fell within the following bands, is as follows:

	2014	2013
Nil - HK$1,000,000	**—**	—
HK$1,000,001 - HK$1,500,000	**2**	3
HK$1,500,001 - HK$2,000,000	**2**	1
HK$2,000,001 - HK$2,500,000	**—**	—
HK$2,500,001 - HK$3,000,000	**—**	—
	4	4

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Company to any of the directors, supervisors and non-director and non-chief executive highest paid employees of the Company as an inducement to join or upon joining the Company. During the year ended 31 December 2014, no compensation for loss of office was paid to the resigned executive director of the Company (2013: Nil).

(d) *Remunerations of senior management*

The details of the emoluments of one member of the senior management, who is not directors, supervisors, or five highest paid employees, are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**611**	542
Performance-related bonuses	**250**	178
Retirement benefits	**37**	36
	898	756

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(d) Remunerations of senior management (continued)

Details of the remuneration by band of the one member of the senior management of the Company, whose biography is set out on page 23 of this annual report, for the year ended 31 December 2014 are set out below:

	2014 Number of Individual	2013 Number of Individual
HK$ Nil - HK$1,000,000	**—**	1
HK$1,000,001 - HK$1,500,000	**1**	—
HK$1,500,001 - HK$2,000,000	**—**	—
HK$2,000,001 - HK$2,500,000	**—**	—
HK$2,500,001 - HK$3,000,000	**—**	—
	1	1

9. RETIREMENT BENEFITS AND ACCOMMODATION

Retirement benefits

As stipulated by PRC law and regulations, the Company participates in a defined contribution retirement plan. All local employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Company is required to make contributions to the Labour and Social Security Bureau of the Shanghai Government at a rate of 21% of the employees' salaries and wages of the previous year for its local employees, limited to a ceiling amount of three times of the previous year's average basic salaries within the geographical area where the local employees are under employment with the Company.

The Company has no obligation for the payment of pension benefits beyond the annual contributions to the Labour and Social Security Bureau of the Shanghai Government as set out above.

Accommodation benefits

According to the relevant rules and regulations of the PRC, the Company and each of its local Chinese employees are required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the Provident Fund Management Centre. There are no further obligations on the part of the Company except for these contributions to the accommodation fund. The accommodation benefits do not apply to expatriate employees.

10. 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 years ended 31 December 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 obtained the renewal of "High and New Technology Enterprise" ("HNTE") status with a valid period from 1 January 2014 to 31 December 2016 and was recognized by the in-charge tax authority to apply the preferential Corporate Income Tax rate at 15%, which shall also be subject to the fulfillment on those conditions required for HNTE on a yearly basis.

Major components of income tax are as follows:

	2014 **RMB'000**	2013 RMB'000
Provision for income tax in respect of profit for the year	**—**	—
Deferred tax credit	**—**	—
Income tax expense	**—**	—

A numerical reconciliation between income tax expense and profit before tax multiplied by the applicable tax rate is as follows:

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**48,635**	12,537
Tax at the applicable tax rate of 15%	**7,295**	1,881
Tax effect of:		
– Expenses not deductible for tax purposes	**242**	794
– Temporary differences not recognised	**(2,841)**	(5,184)
– Tax loss not recognised	**—**	2,509
– Tax loss utilised from previous years	**(4,696)**	—
Income tax expense	**—**	—

11. DIVIDENDS

The board of the directors does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2014 (31 December 2013: Nil).

12. 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 year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to ordinary equity holders of the Company (RMB'000)	**48,635**	12,537
Weighted average number of ordinary shares in issue ('000)	**1,534,227**	1,534,227

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2014:					
At 31 December 2013 and at 1 January 2014:					
Cost	**163,740**	**3,847,053**	**78,920**	**2,910**	**4,092,623**
Accumulated depreciation and impairment	**65,298**	**3,589,298**	**72,945**	**2,212**	**3,729,753**
Net carrying amount	**98,442**	**257,755**	**5,975**	**698**	**362,870**
At 1 January 2014, net of accumulated depreciation and impairment	**98,442**	**257,755**	**5,975**	**698**	**362,870**
Transferred from construction in progress	**—**	**41,516**	**1,785**	**3**	**43,304**
Disposal	**40**	**104**	**5**	**—**	**149**
Depreciation provided during the year	**5,464**	**56,257**	**2,198**	**184**	**64,103**
At 31 December 2014, net of accumulated depreciation and impairment	**92,938**	**242,910**	**5,557**	**517**	**341,922**
At 31 December 2014:					
Cost	**163,675**	**3,866,957**	**78,520**	**2,764**	**4,111,916**
Accumulated depreciation and impairment	**70,737**	**3,624,047**	**72,963**	**2,247**	**3,769,994**
Net carrying amount	**92,938**	**242,910**	**5,557**	**517**	**341,922**

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2013:					
At 31 December 2012 and at 1 January 2013:					
Cost	157,122	3,825,226	79,416	3,419	4,065,183
Accumulated depreciation and impairment	59,938	3,610,832	72,935	2,970	3,746,675
Net carrying amount	97,184	214,394	6,481	449	318,508
At 1 January 2013, net of accumulated depreciation and impairment	97,184	214,394	6,481	449	318,508
Transferred from construction in progress	6,618	98,051	1,628	402	106,699
Depreciation provided during the year	5,360	54,690	2,134	153	62,337
At 31 December 2013, net of accumulated depreciation and impairment	98,442	257,755	5,975	698	362,870
At 31 December 2013:					
Cost	163,740	3,847,053	78,920	2,910	4,092,623
Accumulated depreciation and impairment	65,298	3,589,298	72,945	2,212	3,729,753
Net carrying amount	98,442	257,755	5,975	698	362,870

As at 31 December 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 RMB16,596,000 (2013: RMB17,371,000). Until the certificates are received, 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 31 December 2014.

14. CONSTRUCTION IN PROGRESS

	2014 RMB'000	2013 RMB'000
At beginning of year	**12,341**	18,888
Additions	**48,962**	100,152
Transferred to property, plant and equipment	**(43,304)**	(106,699)
At end of year	**17,999**	12,341

15. PREPAID LAND LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
Carrying amount:		
At beginning of year	**31,235**	32,005
Amortisation for the year	**(770)**	(770)
At end of year	**30,465**	31,235
Current portion included in prepayments, deposits and other receivables	**(770)**	(770)
Non-current portion	**29,695**	30,465

The leasehold land is located in Mainland China and is held under a long term lease of 50 years from 9 August 2004 to 9 August 2054.

16. INTANGIBLE ASSETS

	2014 RMB'000	2013 RMB'000
Cost:		
At beginning of year	**34,956**	33,063
Addition	**3,114**	1,893
At end of year	**38,070**	34,956
Accumulated amortisation:		
At beginning of year	**(27,623)**	(25,005)
Amortisation for the year	**(3,178)**	(2,618)
At end of year	**(30,801)**	(27,623)
Net book value:	**7,269**	7,333

The intangible assets are computer software.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

Financial assets

	Loans and receivables	
	2014 RMB'000	2013 RMB'000
Accounts and note receivables	**66,322**	75,594
Financial assets included in prepayments, deposits and other receivables	**2,953**	3,738
Due from related companies	**15,932**	17,113
Cash and cash equivalents	**479,630**	393,961
	564,837	490,406

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Financial liabilities

	Financial liabilities measured at amortised cost	
	2014	2013
	RMB'000	RMB'000
Accounts payable	**99,363**	87,920
Financial liabilities included in other payables and accruals	**32,905**	29,680
Due to related companies	**2,451**	2,713
Interest-bearing bank borrowings	**—**	18,291
	134,719	138,604

The Company's principal financial instruments comprised cash and cash equivalents and interest-bearing bank borrowings. The Company has various other financial assets and liabilities such as accounts and note receivables, other receivables, current accounts with related companies, accounts payable, as well as other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of the risks and they are summarised below:

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to its United States dollar interest-bearing bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in United States dollar interest rate, with all other variables held constant, of the Company's profit before tax.

	Increase/ decrease in basis points	Effect on profit before tax RMB'000
2014		
US$	**+20**	**—**
US$	**-15**	**—**
2013		
US$	+20	(36)
US$	-15	27

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Foreign currency risk

The Company operates in the PRC and its principal activities are transacted in RMB, the functional currency of the Company. However, the Company has transactional currency exposures. This exposure mainly arises from sales in United States dollars and other currencies.

The Company's financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, receivables, payables and loans denominated in United States dollars. Therefore, the fluctuations in the exchange rate of RMB against US$ could affect the Company's results of operations. Whilst the Company did not engage in forward foreign exchange transactions or other hedging activities, it took steps to minimise its exposure to exchange risk by immediate sale of foreign currency balances.

The following table demonstrates the sensitivity to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in US$ rate	**Effect on profit before tax RMB'000**
2014	**+5%**	**8,927**
	-5%	**(8,927)**
2013	+5%	7,334
	-5%	(7,334)

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Foreign currency risk *(continued)*

The foreign currency profile of the financial assets and liabilities denominated in currencies other than the functional currency of the Company at the end of the reporting period was as follows:

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Cash and cash equivalents:		
US$	**126,145**	129,989
Others	**84**	84
	126,229	130,073
Accounts and note receivables:		
US$	**57,384**	47,034
Due from related companies:		
US$	**15,932**	17,113
Financial liabilities		
Interest-bearing bank borrowings:		
US$	**—**	18,291
Accounts payable:		
US$	**34,760**	27,968
Others	**1,699**	4,502
	36,459	32,470
Other payables and accruals:		
US$	**2,590**	83
Others	**522**	422
	3,112	505
Due to related companies:		
US$	**—**	300
	—	300

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Credit risk

The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise cash and cash equivalents, amounts due from related companies and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Company minimises its exposure to credit risk by only dealing with counterparties with acceptable credit ratings.

At the end of the reporting period, the Company had certain concentrations of credit risk as 18% (2013: 21%) and 66% (2013: 72%) of the Company's trade receivables were due from the Company's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Company's exposure to credit risk arising from accounts and note receivables are disclosed in note 19 to the financial statements.

The Company is exposed to concentration of credit risk on its cash and cash equivalents as approximately 38% (2013: 40%) of its cash and cash equivalents are deposited with one bank.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Liquidity risk

The working capital requirements and cash flows of the Company have historically been and continue to be subject to quarterly and yearly fluctuations, depending on a number of factors including the level of sales, the collection of receivables and the servicing of financing obligations. If the Company is unable to manage fluctuations in cash flows, its business, operating results and financial condition may be materially adversely affected.

The Company monitors its risk of shortage of funds to ensure the ability of the Company to meet its liabilities as and when they fall due. The liquidity reserve of the Company comprises the bank borrowing facility and cash and cash equivalents (note 22) available as at each month end in meeting its liabilities. The Company maintained flexibility through cash generated from operating activities and credit facilities from banks which include unutilised revolving short term loan facilities of RMB25,000,000, RMB40,000,000, USD10,000,000, RMB100,000,000, USD15,000,000 and USD11,000,000 that will expire in February 2015, February 2015, April 2015, November 2015, December 2015 and December 2015, respectively.

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
2014				
Accounts payable	**80,000**	**19,216**	**147**	**99,363**
Other payables and accruals	**32,905**	**—**	**—**	**32,905**
Due to related companies	**—**	**2,451**	**—**	**2,451**
	112,905	**21,667**	**147**	**134,719**
2013				
Accounts payable	39,561	48,195	164	87,920
Other payables and accruals	29,680	—	—	29,680
Due to related companies	—	2,713	—	2,713
Interest-bearing bank borrowings	—	165	18,565	18,730
	69,241	51,073	18,729	139,043

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Capital management

The primary objective of the Company's capital management is to ensure that it maintains sufficient capital to support its continuing business and to maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2014.

The Company monitors capital by using net debt over tangible net assets ratio which is the net debt divided by the tangible net assets. The Company's policy is to maintain the net debt over tangible net assets ratio of not more than one. Net debt includes interest-bearing bank borrowings less cash and cash equivalents. Tangible net assets include total equity plus reserves, less intangible assets. The net debt over tangible net assets ratio as at the end of the reporting period was as follows:

	2014 **RMB'000**	2013 RMB'000
Interest-bearing bank borrowings	**—**	18,291
Less: Cash and cash equivalents	**(479,630)**	(393,961)
Net debt	**(479,630)**	(375,670)
Tangible net assets	**903,896**	855,197
Net debt over tangible net assets ratio	**(0.53)**	(0.44)

Fair value

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the financial assets and liabilities of the Company at the end of the reporting year approximated to their fair values.

18. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**23,786**	29,627
Spare parts and consumables	**29,503**	32,593
Work in progress	**34,392**	36,663
Finished goods	**10,238**	12,941
Total inventories at the lower of cost and net realisable value	**97,919**	111,824

19. ACCOUNTS AND NOTE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Accounts receivable	**57,225**	63,460
Note receivables	**9,098**	12,174
	66,323	75,634
Impairment	**(1)**	(40)
	66,322	75,594

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Credit terms granted by the Company to its customers generally range from 30 to 60 days. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Accounts and note receivables are non-interest-bearing.

19. ACCOUNTS AND NOTE RECEIVABLES *(continued)*

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

	2014	2013
	RMB'000	RMB'000
Outstanding balances with ageing:		
Within 30 days	**50,812**	37,616
Between 31 and 90 days	**12,514**	28,478
Between 91 and 180 days	**2,871**	9,500
Between 181 and 365 days	**125**	—
Over 365 days	**—**	—
	66,322	75,594

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

	2014	2013
	RMB'000	RMB'000
At beginning of year	**40**	491
Reversed impairment losses provided	**(39)**	(68)
Written off impairment losses	**—**	(383)
At end of year	**1**	40

19. ACCOUNTS AND NOTE RECEIVABLES *(continued)*

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

	Total	Neither past due nor impaired	Past due but not impaired			
			<60 days	61-180 days	181-365 days	>365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014	**66,322**	**59,318**	**6,827**	**51**	**126**	**—**
31 December 2013	75,594	59,022	16,414	158	—	—

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of those customers and that the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	RMB'000	RMB'000
Prepayments	**4,229**	6,386
Deposits	**106**	106
Input value-added tax	**6,384**	2,622
Sundry debtors	**4,478**	5,114
	15,197	14,228

21. BALANCES WITH RELATED PARTIES

The Company is under the significant influence of NXP B.V., which holds 27.47% of the equity interest of the Company. Therefore, the companies controlled by NXP B.V. were considered to be the Company's related parties during the year.

The amounts due from/to related companies, which are subsidiaries of NXP B.V., are unsecured and interest-free. All the balances with related companies arose from trade transactions in the ordinary course of business of the Company.

22. CASH AND CASH EQUIVALENTS

	2014 **RMB'000**	2013 RMB'000
Cash and bank balances	**184,966**	125,540
Non-pledged time deposits	**294,664**	268,421
	479,630	393,961

At the end of the reporting period, the cash and bank balances of the Company denominated in Renminbi ("RMB") amounted to RMB353,401,000 (2013: RMB263,888,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Non-pledged time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Company, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. ACCOUNTS PAYABLE

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

	2014	2013
	RMB'000	RMB'000
Outstanding balances:		
Within 30 days	**90,295**	70,389
Between 31 and 90 days	**7,070**	13,010
Between 91 and 180 days	**1,656**	1,983
Between 181 and 365 days	**264**	1,508
Over 365 days	**78**	1,030
	99,363	87,920

24. GOVERNMENT GRANTS

	2014	2013
	RMB'000	RMB'000
At beginning of year	**12,453**	18,312
Received during the year	**2,952**	4,371
Recognised in the statement of profit or loss and other comprehensive income	**(4,622)**	(9,630)
Payable to a co-development company	**—**	(600)
At end of year	**10,783**	12,453
Current	**3,310**	4,779
Non-current	**7,473**	7,674

Various grants have been received from the government to support the Company's operation. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value of the grant is recorded as deferred government grant and will be amortised over the useful life of the related assets once all attaching conditions are complied with.

25. INTEREST-BEARING BANK BORROWINGS

	2014		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Unsecured bank borrowings repayable within one year	**—**	**—**	**—**

	2013		
	Effective interest rate (%)	Maturity	RMB'000
Unsecured bank borrowings repayable within one year	3.67	2014	18,291

The carrying amounts of the Company's current borrowings approximate to their fair values.

26. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following deductible temporary differences:

	2014	2013
	RMB'000	RMB'000
Tax losses	**207,395**	510,822
Temporary differences due to impairment of plant and machinery	**8,430**	27,453
Temporary differences due to allowance for inventories	**39,287**	42,789
Temporary differences due to provision for accrual expense	**29,528**	25,814
Temporary differences due to allowance for accounts and note receivables	**1**	40
Depreciation difference of plant and machinery between IFRSs and PRC tax regulations	**717**	807
	285,358	607,725

The above tax losses are available for offsetting against future taxable profits of the Company before the expiry of the five year period. Deferred tax assets have not been recognised in respect of the above deductible temporary differences as it is not considered probable that sufficient taxable profits will be available against which the above items can be utilised.

27. SHARE CAPITAL

	Notes	31 December 2014 Number of shares '000	31 December 2013 Number of shares '000	31 December 2014 RMB'000	31 December 2013 RMB'000
Authorised		**1,534,227**	1,534,227	**1,534,227**	1,534,227
Issued and fully paid:					
Non-listed Foreign Shares	(a)	**12,643**	12,643	**12,643**	12,643
Domestic Shares	(b)	**390,250**	390,250	**390,250**	390,250
H-shares	(c)	**1,131,334**	1,131,334	**1,131,334**	1,131,334
Total		**1,534,227**	1,534,227	**1,534,227**	1,534,227

According to the relevant regulations of the PRC, Domestic Shares, Non-listed Foreign Shares and H-shares are ordinary shares in the Company's share capital. The holders of ordinary shares are entitled to receive dividends declared by the Company, and are entitled to voting rights without restriction.

(a) Non-listed Foreign Shares

Although currently there are no applicable PRC laws or regulations governing the rights of Non-listed Foreign Shares, and the Company's Articles of Association contain no express provisions as to whether Non-listed Foreign Shares constitute a different class of shares from the H-shares, Jingtian & Gongcheng, the Company's legal advisor as to PRC law, has confirmed that the subsistence of Non-listed Foreign Shares does not contravene any PRC laws or regulations, and until new laws or regulations are introduced, the holders of Non-listed Foreign Shares shall be treated as being in the same class as the holders of Domestic Shares and enjoy the same rights as the holders of Domestic Shares, plus the following rights:

- to request the Company to pay dividends in foreign currencies;
- to request the Company distribute its assets upon the winding-up of the Company in foreign currencies and remit them out of the PRC, subject to the applicable foreign exchange control regulations; and
- may resolve disputes with holders of Domestic Shares or H-shares by way of arbitration.

(b) Domestic Shares

Domestic Shares may only be subscribed for by, and traded between, legal or natural persons of Mainland China and must be subscribed for and traded in RMB. The Domestic Shares held by Shanghai Chemical Industry Park Investment Enterprise Co., Ltd., Shanghai Belling Co., Ltd. and China Orient Asset Management Corporation are not admitted for listing on any stock exchange and no arrangement has been made for the Domestic Shares to be traded or dealt with on any other authorised trading facility in Mainland China.

27. SHARE CAPITAL *(continued)*

(c) H-shares

H-shares may only be subscribed for in Hong Kong dollars by, and traded between, legal or natural persons of Hong Kong, Macau, Taiwan or any country other than Mainland China.

28. RESERVES

(a) Capital reserve

Capital reserve mainly consists of share premium less share issuance expenses in the Global Offering. On 7 April 2006, pursuant to the Global Offering, a share premium of RMB287,930,000 was created. Share issue expenses of RMB82,606,000 in relation to the Global Offering had been offset against the share premium.

(b) Statutory surplus reserve

Following the re-registration of the Company as a foreign invested joint stock limited company, and in accordance with the Company Law of the PRC and the Articles of Association of the Company, the Company is required to allocate 10% of its profit after tax determined under PRC accounting standards to the statutory surplus reserve until such reserve reaches 50% of the authorised share capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC, part of this reserve may be converted to increase the share capital, provided that the remaining balance after the capitalisation is not less than 25% of the authorised share capital.

(c) Retained earnings/accumulated losses

The amount which the Company can legally distribute by way of a dividend is determined based on the lower of the Company's retained profits recorded in the financial statements prepared in accordance with the PRC accounting standards and IFRSs.

29. COMMITMENTS

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

	2014 **RMB'000**	2013 RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	**6,727**	2,827
– authorised, but not contracted for	**79,026**	64,500
	85,753	67,327

30. RELATED PARTY TRANSACTIONS

As set out in note 21 to the financial statements, the companies controlled by NXP B.V. are considered to be related to the Company.

The Company had the following material transactions with the companies controlled by NXP B.V. during the year:

	Notes	**2014** **RMB'000**	2013 RMB'000
Sales	(i)	**106,197**	119,235
Purchase of equipment	(ii)	**6,097**	—
Technology transfer fees	(iii)	**5,406**	5,994

Notes:

(i) Sales to the related companies were carried out on terms equivalent to those that prevail in arm's length transactions.

(ii) Purchase of equipment from related companies was made at prices determined according to the agreement signed by both parties.

(iii) 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 the agreement signed by both parties.

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

Details of directors', supervisors' and senior management's emoluments are disclosed in note 8 to the financial statements.

The above related party transactions set out in Note (ii) constitutes connected transaction as defined in Chapter 14A of the Listing Rules and Note (i) and (iii) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, their details are disclosed on pages 31 to 35 in the Report of the Directors.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2015.