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ANNUAL REPORT 2015

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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)

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Corporate Information

DIRECTORS

Executive Directors

NILL

Non-executive Directors

Mr. ZHU Jian *(Chairman)*
Mr. David Damian FRENCH *(Vice Chairman)*
Ms. SHEN Qing *(Vice Chairman)*
Mr. Steven Daryl FREZON
Mr. KANG Hui
Mr. LU Ning

Independent Non-executive Directors

Dr. CHEN Enhua
Dr. JIANG Qingtang
Mr. PU Hanhu

BOARD COMMITTEES

Audit Committee

Dr. CHEN Enhua *(Chairman)*
Dr. JIANG Qingtang
Mr. Steven Daryl FREZON
Ms. SHEN Qing

Remuneration Committee

Mr. PU Hanhu *(Chairman)*
Mr. KANG Hui

Nomination Committee

Mr. ZHU Jian *(Chairman)*
Mr. David Damian FRENCH
Dr. CHEN Enhua
Mr. PU Hanhu

Strategic Development Committee

Mr. LU Ning *(Chairman)*
Mr. David Damian FRENCH
Mr. KANG Hui
Ms. SHEN Qing
Dr. JIANG Qingtang

SUPERVISORS

Mr. Eric WANG *(Chairman)*
Mr. SUN Biyuan
Mr. DAI Kun
Ms. CHEN Yan
Mr. ZHOU Chengjie
Mr. QIN Shihui

JOINT COMPANY SECRETARIES

Mr. XIAO Weiming
Ms. MOK Mingwai

AUTHORIZED REPRESENTATIVES

Mr. XIAO Weiming
Mr. KANG Hui

EXTERNAL AUDITOR

Ernst & Young

INVESTORS AND MEDIA RELATIONS CONSULTANT

Hill+Knowlton Strategies

Corporate Information

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

Tel: (86 21) 6485 1900
Fax: (86 21) 6485 3925
Website: www.asmcs.com

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 2015: published on 5 August 2015
Annual Results for 2015: published on 16 March 2016

Annual General Meeting

1:00 p.m. on Tuesday, 17 May 2016

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 2015

Mr. ZHU Jian
Chairman

With recent completion of the re-election of members of the fifth session of the Board and the Supervisory Committee, I was truly honored and delighted to be elected as the Chairman of the fifth session of the Board of the Company. The new session of the Board of Directors and the Supervisory Committee will continue to play their roles in decision-making, supervision such as corporate business strategy and planning, risk management, internal control and compliance and business performance appraisal. On behalf of the fifth session of the Board, I would also like to express my sincere gratitude to members of the fourth session of the Board and the Supervisory Committee for their contribution to the development of the Company in their tenure.

As impacted by demand weakness in global market and traditional slow season, and the pressure of downturn facing the global economy in 2015, it resulted in weaker than expected order demand in semiconductor industry. Furthermore, China's economy entered into the growth period of "new normal state". Against this background, the Company, in response to slow recovery of market throughout the year, continued to strengthen operative management, costs and expenses control, and achieved profitable results for the sixth consecutive year. During the year under review, the Company's revenue for the year ended 31 December 2015 was RMB741.1 million, compared to RMB797.4 million for the year ended 31 December 2014. The shipments of 8-inch equivalent wafers were 414,937 units in the year ended 31 December 2015, compared to 451,599 units in the year ended 31 December 2014.

The Company's gross profit amounted to RMB98.2 million for the year ended 31 December 2015, as compared with RMB136.8 million for the year ended 31 December 2014. Its gross margin for the year ended 31 December 2015 was 13.3% compared to 17.2% for the year ended 31 December 2014, which was primarily attributable to lower capacity utilization rate and the decline in average selling price. In 2015, the Company's net profit attributable to ordinary equity holders amounted to RMB34.1 million compared to RMB48.6 million for the previous year. Basic earnings per share were RMB2.22 cents for the year ended 31 December 2015 compared to RMB3.17 cents for the year ended 31 December 2014.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

During the year under review, 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, leveraging its knowledge and capability, deepened the exploration of building up strategic industrial alliance with key IC players of major industrial chains in Chinese market to jointly design and manufacture its core products. The Company, through the effective cooperation with suppliers, key customers and business partners, wishes to join hands to form an open technology platform covering multi-tier industrial chains, where the Company will play a more important role. Therefore, the cooperative agreement of establishing strategic industrial alliance on manufacturing chips for new energy vehicle application was entered into between the Company and Shenzhen BYD Microelectronics on 21 October 2015. Moreover, the high power chips used in railway locomotive jointly manufactured by the Company and another domestic semiconductor enterprise passed the product identification by CRRC Corporation Limited on 22 October 2015. At the beginning of 2016, the strategic alliance agreement to co-operatively manufacture the chips for smart grid application was entered into between the Company and one domestic grid enterprise. We believe that there will be huge business opportunities and potential growth behind the "strategic industry alliance".

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, 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 RMB534.8 million as at 31 December 2015, an increase of 11.5% from RMB479.6 million as at 31 December 2014.

Looking ahead to 2016, although there will be no clear signs of improvement in the lack of material demand prospects in the global economy and slow recovery momentum, the recovery is likely to continue to progress. Moreover, thanks to the evolutionary process from mobile devices to internet of the things, the surge of demand of relevant applications such as smart phones, tablet computers, wearable smart devices, smart cars, home automation and smart cities, will bring more opportunities to the development of semiconductor industry. In 2014, the Chinese government published the National IC Industry Development Outlines and founded National IC Industry Investment Fund aiming to further strengthen and finance the development of Chinese semiconductor industry, with its preliminary key focus on layout of the entire IC industrial chain and bringing supportive investment in manufacturing chips to continuously promote the development of national IC industry. It is believed that Chinese semiconductor industry will be growing rapidly, which creates a favorable environment for the Company's development.

Chairman's Statement

As the Company's current business 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. However, the Company will emphasize on seizing the opportunities emerging in the growing market in the coming year. The strategic industrial alliance built today will improve the Company's business characteristics and its overall future competitiveness. The Company will actively establish its specialty processes technology platforms with self-owned intellectual property by enhancing and deepening its cooperation with major IC players in the domestic industrial chain, ultimately contribute to its sales revenue stream. 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.

In closing, on behalf of the new session 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 shown their loyalty and wisdom to the operation in the background of the semiconductor market downturn as well as our customers and business partners who have given their trust and support to the Company.

ZHU Jian
Chairman

16 March 2016

The uneven recovery of the global economy, plus with China's economy entering into the "new normal state" growth rate, has seriously weakened the demand for consumer electronics products in 2015, which eventually resulted in weaker than expected performance in the global semiconductor industry throughout the year ended 31 December 2015 (the "Reporting Period").

In 2015, the Company overcame difficulties posted by relatively flat growth of semiconductor market, actively responded to the cyclical trends and changes amid the semiconductor market, implemented a number of measures, namely operational discipline and a headcount freeze to control costs and expenses. As a result, the Company still maintained its healthy financial position and achieved profitable results for the sixth consecutive year although the Company posted lower sales and net profit in 2015 on a yearly basis.

During the Reporting Period, the Company made a significant progress in terms of the establishment of the domestic strategic industrial alliance and sparing no efforts to explore the domestic market while deepening the exploration of the international market. As a result, the strategic industrial alliance agreement between the Company and BYD Microelectronics was successfully signed, and IGBT chips for new energy vehicle application ran risk production and volume production will be expected next year. Meanwhile, the existing strategic industrial alliance projects have also been making the substantial breakthrough i.e. IGBT chips made by the Company relative to the cooperative project entered into between the Company and CRRC Corporation Limited last year (former CNR) successfully entering a test run on the train, which should not only help the Company integrate itself into the domestic IC supply chain, but also generate more revenue streams going forward.

COMPARISON BETWEEN YEARS ENDED 31 DECEMBER 2014 AND 2015

Sales

Sales decreased by 7.1% from RMB797.4 million in 2014 to RMB741.1 million in 2015. The Company's throughput of 8-inch equivalent wafers decreased from 451,602 units for the year ended 31 December 2014 to 418,371 units for the year ended 31 December 2015, while the Company's shipment of 8-inch equivalent wafers declined by 8.1% from 451,599 units for the year ended 31 December 2014 to 414,937 units for the year ended 31 December 2015.

Management Discussion and Analysis

Cost of sales and gross profit

The Company's cost of sales was RMB642.9 million in 2015, down 2.7% from RMB660.6 million in 2014. Gross profit was RMB98.2 million in 2015, a decline of 28.2% from RMB136.8 million in 2014. Its gross margin was 13.3% in 2015, compared to 17.2% in 2014, which was mainly attributable to lower utilization rate and the decline in average selling price, partially offset by the effective variable cost control.

Other income and gains

Other income and gains were RMB42.2 million in 2015 compared to RMB20.0 million in 2014. The Company's other income and gains in both 2014 and 2015 primarily comprised interest income, government grants, net foreign exchange gain and the sale of scrap materials and others.

Selling and distribution costs

Selling and distribution costs were around RMB8.0 million in 2015, up 14.3% from RMB7.0 million in 2014, due primarily to higher payroll-related expenses.

General and administrative expenses

General and administrative expenses amounted to RMB66.5 million in 2015, remained relatively flat over the previous year.

Research and development costs

Research and development costs were RMB31.8 million in 2015, down 8.4% from RMB34.7 million in 2014, which were primarily due to the decrease in research and development activities as a result of the completion of government-related projects.

Finance costs

No finance costs were recorded in 2015, compared to RMB0.5 million in 2014 as the Company's bank loans was completely repaid in 2014.

Net income

As a result of the factors above, the Company recorded net income of RMB34.1 million for the year ended 31 December 2015 compared to net income of RMB48.6 million for the year ended 31 December 2014.

Liquidity and capital resources

The Company's cash and cash equivalents were RMB534.8 million as at 31 December 2015, compared to RMB479.6 million as at 31 December 2014. The Company's net cash inflow from operating activities showed a decrease of 39.3% from RMB163.5 million for the year ended 31 December 2014 to RMB99.3 million for the year ended 31 December 2015.

The Company's net cash outflow from investing activities was RMB92.7 million as at 31 December 2015 for purchase of items of property, plant and equipment, and construction in progress and intangible assets and increase in time deposits, compared to net cash outflow of RMB86.2 million from investing activities as at 31 December 2014. Total capital expenditures amounted to RMB53.0 million for the year ended 31 December 2015, compared to RMB52.1 million for the year ended 31 December 2014. The capital expenditures incurred in 2015 were mostly allocated to the domestic strategic cooperative projects and improve overall productivities and operating efficiency associated with manufacturing facilities.

No cash flows from financing activities were recorded as at 31 December 2015 compared to net cash outflow of RMB18.3 million as at 31 December 2014.

As at 31 December 2015, the Company had no interest-bearing bank borrowings as its interest-bearing loans were completely repaid as at 31 December 2014.

As at 31 December 2015, the Company's current ratio was 4.72 when compared to 4.41 as at 31 December 2014. The Company's debt to equity ratio as at 31 December 2015 was 17.5%, compared to 17.6% as at 31 December 2014. (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 2015, the Company had 1,228 employees (2014: 1,269 employees). The remuneration and employment benefits were provided for and paid in accordance with the PRC law and regulations.

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 2015, the Company had capital commitments for property, plant and equipment amounting to RMB70.5 million (2014: RMB85.8 million), of which RMB4.2 million (2014: RMB6.7 million) was contracted but not provided for, while the remaining balance of RMB66.3 million (2014: RMB79.0 million) was authorized but not contracted for.

OPERATING RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2015

Sales for the three months ended 31 December 2015 were RMB164.8 million, down 13.4% from RMB190.4 million for the three months ended 30 September 2015 as the Company experienced the lower-than-expected order intakes from its major customers resulting from careful inventory management and the traditional slow season in the fourth quarter of the year.

Gross profit was RMB10.9 million for the three months ended 31 December 2015, a decrease of 61.6% from RMB28.4 million for the three months ended 30 September 2015. Gross margin in the fourth quarter of 2015 was 6.7% compared to 14.9% in the third quarter of 2015, 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 2015 were RMB11.5 million, compared to RMB19.8 million for the three months ended 30 September 2015. Other income and gains in the fourth quarter of 2015 primarily comprised government grants, net foreign exchange gain, interest income, sale of scrap materials and others.

Selling and distribution costs for the three months ended 31 December 2015 amounted to RMB2.1 million compared to RMB2.0 million for the three months ended 30 September 2015.

General and administrative expenses for the three months ended 31 December 2015 were RMB15.5 million compared to RMB18.2 million for the three months ended 30 September 2015, which was largely attributable to lower pay-roll related expenses and the effective control of staff over-time.

Research and development costs for the three months ended 31 December 2015 were RMB11.1 million compared to RMB9.5 million for the three months ended 30 September 2015, primarily due to more research and development activities associated with new products.

As a result of the foregoing factors, the Company recorded net loss of RMB6.3 million for the three months ended 31 December 2015 compared to net profit of RMB18.4 million for the three months ended 30 September 2015.

1. *Revenue Analysis*

For the three months ended 31 December 2015, sales from communication, computer and consumer products were basically in line with the prior quarter.

By Application	4Q15	3Q15	4Q14
Communication	34%	34%	34%
Computer	33%	33%	33%
Consumer	33%	33%	33%

For the three months ended 31 December 2015, sales to the USA, Europe and Asia Pacific accounted for 47%, 14% and 39% of total revenue respectively, compared to 50%, 25% and 25% in the previous quarter.

By Geography	4Q15	3Q15	4Q14
USA	47%	50%	51%
Europe	14%	25%	19%
Asia Pacific	39%	25%	30%

For the three months ended 31 December 2015, sales to IDM and fabless customers accounted for 26% and 74% of total revenue respectively, compared to 34% and 66% in the prior quarter.

By Customer Type	4Q15	3Q15	4Q14
IDM	26%	34%	26%
Fabless	74%	66%	74%

For the three months ended 31 December 2015, sales as a percentage of total revenue from 5-inch, 6-inch and 8-inch wafer were 8%, 33% and 58% respectively, compared to 4%, 35% and 60% in the previous quarter.

By Product	4Q15	3Q15	4Q14
5″ wafers	8%	4%	9%
6″ wafers	33%	35%	41%
8″ wafers	58%	60%	50%
Others[1]	1%	1%	0%

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

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

2-1 Utilization

Overall capacity utilization decreased by twelve percentage points from 73% for the three months ended 30 September 2015 to 61% for the three months ended 31 December 2015.

Fab	4Q15	3Q15	4Q14
Fab 1/2			
5-inch wafers	78%	35%	85%
6-inch wafers	48%	57%	66%
Fab 3			
8-inch wafers	69%	89%	69%
Overall Capacity Utilization Rate	61%	73%	68%

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.

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.

2-2 Capacity (8" Equivalent)

The capacity for the three months ended 31 December 2015 was 150,000 8-inch equivalent wafers, which was the same as that of the previous quarter and that of the fourth quarter of 2014.

Fab (wafers in thousand)	4Q15	3Q15	4Q14
Fab 1/2			
5-inch wafers	9	9	9
6-inch wafers	71	71	71
Fab 3			
8-inch wafers	70	70	70
Total Capacity	150	150	150

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 2015 remained flat at 40 days on a sequential quarterly basis.

Inventory turnover increased from 83 days for the three months ended 30 September 2015 to 86 days for the three months ended 31 December 2015.

	4Q15	3Q15	4Q14
Trade & Notes Receivables Turnover (days)	40	40	44
Inventory Turnover (days)	86	83	82

4. *Capital Expenditures*

Capital expenditures for the three months ended 31 December 2015 amounted to RMB9.3 million, which were mainly spent on IGBT related projects.

(Amount: RMB'000)	4Q15	3Q15	4Q14
Capex	9,332	17,315	23,139

PROSPECTS AND FUTURE PLANS

The world economy is likely to show slow growth rate in 2016, and the growth prospects remains diverging across regions. The slowdown in China's economy has been reducing confidence to some degree in what until recently had been viewed as a reliable engine of global growth. In addition, most global semiconductor manufacturing businesses today are faced with a quite mixed operating environment whose only consistent feature is its unpredictability, and therefore the overall macro-environment in which the Company operates remains some uncertain and challenging in 2016.

However, the Company's confidence and commitment to meeting those challenging and uncertain environment remains unchanged, it means that the Company will continue to pursue a strategy that will enhance its competitive position and form the basis for the long-term growth and development. In doing so, the Company will continue to maintain its operation efficiency and profitability for any changes and challenges in the semiconductor market so as to ensure the accomplishment of its strategic objectives. As such, the Company will continuously implement the following major initiatives internally in the coming year:

- Continuously seek its cooperation with major IC producers in the supply chain for the establishment of strategic industrial alliances, and aggressively progress the existing strategic industrial cooperative projects to generate incremental new revenue streams going forward;
- Further improve its service capabilities in areas such as operations, sales and marketing, and technology development so as to offer more cost-effective manufacturing solutions to both domestic and overseas customers;
- Leveraging its leading edges in analog IC specialty processes and designated markets, proactively explore new business and markets while working seamlessly with its existing customers;
- Aggressively enhance its research and development activities and expedite the process of building up its specialty process and technology platform with self-owned intellectual property; and
- Continuously improve operating efficiency and profitability by optimizing internal organization structure & resources and implementing a stringent budget control policy.

Notwithstanding the difficult and challenging macro-economic environment, those strategic initiatives should be well positioning the Company for its sustainable growth and development, ultimately realizing its vision for the Company.

EXECUTIVE DIRECTOR

Dr. WANG Qingyu (Resigned with effect from 8 August 2015)

Dr. WANG Qingyu, aged 56, was an Executive Director of the fourth session of the Board.

Dr. WANG was an Executive Director of the Board from 1 November 2012 to 7 August 2015. Dr. WANG was the President of the Company from 8 August 2012 to 7 August 2015. 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

Mr. ZHU Jian

Mr. ZHU Jian, aged 41, is a Non-executive Director of the fifth session of the Board.

Mr. ZHU has been a Non-executive Director of the Board since 2 March 2004. Mr. ZHU previously worked at Shanghai Waigaoqiao Free Trade Zone United Development Co., Ltd. and the Shanghai Waigaoqiao Free Trade Zone Administrative Commission. From 2001 to 2009, Mr. ZHU served as the Deputy General Manager, the General Manager and a director of Shanghai Chemical Industry Park Investment Company Limited. 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 Shanghai Chemical Industry Park (HK) Limited since 2002, an assistant to General Manager of SCIPD since 2005 and was promoted to Deputy General Manager in 2015.

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. David Damian FRENCH

Mr. David Damian FRENCH, aged 59, is a Non-executive Director of the fifth 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.

Mr. FRENCH 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 to 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 55, is a Non-executive Director of the fifth 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 Ruiin 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. Steven Daryl FREZON

Mr. Steven Daryl FREZON, aged 44, is a Non-executive Director of the fifth session of the Board.

Mr. FREZON is the Vice President of Front End Operations for NXP Semiconductors ("NXP").

Mr. FREZON joined Motorola Inc. in 1994 as a Process Engineer in Austin, Texas. Mr. FREZON was then assigned to White Oak Semiconductor in 1997, a joint venture between Motorola and Siemens in Richmond, Virginia, where he was appointed Engineering Section Manager in 1999. Here he worked on equipment selection and technology transfer from the Europe factory. In 2000, he returned to Austin in the role of Engineering Section Manager, serving in this role for 5 years and leading a team of 35. Mr. FREZON was then appointed Engineering Manager of Freescale Chandler Fab in Chandler, Arizona. Here he led a team of 150 employees in a lean manufacturing environment. Mr. FREZON was appointed Director of Operations for Freescale Chandler Fab in 2009. He led a team of 900 employees, developing fab strategy and driving operational excellence. During his tenure, he engaged in a 3-year direct partnership with Toyota Japan on implementation of the "Toyota Way".

In 2013, Mr. FREZON was appointed Vice President Front End Operations for Freescale Semiconductor and transitioned back to Austin, Texas. In this role he was responsible for the 3 internal wafer fabs plus the global facilities team. In 2015, Mr. FREZON was appointed Vice President Front End Operations for NXP following the NXP acquisition of Freescale. He is responsible for the strategy, financial performance, and operational execution of 5 internal wafer fabs. Mr. FREZON is also responsible for NXP Global Facilities, Global Security Operations, and Global Industrial Engineering.

Mr. FREZON holds a Bachelor of Science Degree in Mechanical Engineering from Rensselaer Polytechnic Institute from Troy, New York, USA.

Mr. KANG Hui

Mr. KANG Hui, aged 52, is a Non-executive Director of the fifth session of the Board.

Mr. KANG previously worked at Shanghai Coating Company Limited and Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd. From August 2000 to April 2009, Mr. KANG served at the Business, Enterprise Development and Chief Engineer's Office Department of Shanghai Chemical Industry Park Development Company Limited. From November 2001 to April 2009, Mr. KANG served as the Deputy General Manager of Shanghai Chemical Industry Park Investment Company Limited, and was promoted to the General Manager and a director of such company in April 2009. Currently Mr. Kang also serves as a director and Deputy General Manager of Shanghai Chemical Industry Park (HK) Limited.

Mr. KANG graduated from Shanghai Jiao Tong University in 1984.

Profiles of Directors, Supervisors and Senior Management

Mr. LU Ning

Mr. LU Ning, aged 53, is a Non-executive Director of the fifth session of the Board.

Mr. LU has been a Non-executive Director of the Board since 9 November 2015. From 1997 to 1998, Mr. LU served as the factory manager of MOS circuit Plant of Huajing Electronics Group Co., Ltd (Formerly the CSMC Technologies Corporation). From 2001 to 2006, Mr. LU served as the general manager and secretary of the Communist Party Committee of Huayue Microelectronics Co.,Ltd.. From 2006 to 2007, Mr. LU was appointed as the director of investment and marketing of Shanghai Belling Corp., Ltd ("Shanghai Belling"). From 2008 to 2009, Mr. LU was appointed as the vice president of marketing of Shanghai Belling. Since 2009, Mr. LU has been appointed as the vice president of operations & production safety of Shanghai Belling.

Mr. LU received his Master degree in Semiconductors Physics and Devices Engineering from Tsinghua University in 1988.

Dr. CHEN Jianming (Retired with effect from 2 March 2016)

Dr. CHEN Jianming, aged 61, was a Non-executive Director of the fourth session of the Board.

Dr. CHEN was a Non-executive Director of the Board from 1 August 2008 to 1 March 2016. 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.

Mr. Johannes AE van den BROEK (Resigned with effect from 31 December 2015)

Mr. Johannes AE van den BROEK, aged 51, was a Non-executive Director of the fourth session of the Board.

Mr. van den BROEK was a Non-executive Director of the Board from 6 November 2014 to 30 December 2015. 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 General Manager and Vice President Front-end Operations, in this role he was responsible for NXP's Waferfabs (Europe and Asia) and in charge of global facility management, was also the NXP Nijmegen Site Manager in which he was 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. XU Ding (Resigned with effect from 24 August 2015)

Mr. XU Ding, aged 53, was a Non-executive Director of the fourth session of the Board.

Mr. XU was a Non-executive Director of the Board from 2 March 2013 to 23 August 2015. 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

Dr. CHEN Enhua

Dr. CHEN Enhua, aged 53, is an Independent Non-executive Director of the fifth session of the Board.

Dr. CHEN has been an Independent Non-executive Director of the Board since 2 March 2013. From 1993 to 1999, Dr. CHEN worked for Shanghai Jinqiao EPZ Development Company, where he first served as the Deputy Director of strategic research office and Deputy Director of administration office, and was later on promoted as the Director of planning & finance department, and he has gained extensive experience in financial analysis and management. From 2000 to 2004, Dr. CHEN served as the Board Secretary, the Assistant General Manager and the Deputy General Manager in Shanghai Jinqiao EPZ development Co., Ltd. (a company listed on the Shanghai Stock Exchange). Since 2005, Dr. CHEN has been the Assistant General Manager of Shanghai Jinqiao (Group) Co. Ltd. From 2006 to 2008, Dr. CHEN also acted as director of the Board of Shanghai Jinqiao EPZ Development Co. Ltd. From 2012 to 2015, Dr. CHEN also acted as the Deputy General Manager of Shanghai Jinqiao Lingang Comprehensive Zone investment & development Co. Ltd..

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 in California State Polytechnic University.

Dr. JIANG Qingtang

Dr. JIANG Qingtang, aged 52, is an Independent Non-executive Director of the fifth 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 multiple management positions including the Fab Director of Fab 3 and the Senior Fab Director of Fab 1 in Semiconductor Manufacturing International Corporation (a company listed on the Main Board of the Stock Exchange of Hong Kong and the New York Stock Exchange in the US). 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). Since 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.

Mr. PU Hanhu

Mr. PU Hanhu, aged 65, is an Independent Non-executive Director of the fifth 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 EXEL Microelectronics Inc.. In 1994, Mr. PU joined Integrated Silicon Solution, Inc. ("ISSI", a company listed on the NASDAQ Stock Exchange) and served 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. ("Giantec") which was founded by Mr. PU with ISSI. From April 2012 to June 2014, Mr. PU was the Chairman and CEO of Giantec. From June 2014 to June 2015, Mr. PU served as the Director of the Board of Giantec. Since July 2015, Mr. PU was appointed again as the CEO of Giantec. And since September 2015, Mr. PU again served as the Director of the Board of Giantec.

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.

Mr. James Arthur WATKINS (Retired with effect from 2 March 2016)

Mr. James Arthur WATKINS, aged 70, was an Independent Non-executive Director of the fourth session of the Board.

Mr. WATKINS was an Independent Non-executive Director of the Board from 1 February 2005 to 1 March 2016. 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.

SUPERVISORS

Mr. Eric WANG

Mr. Eric WANG, aged 48, is a Shareholders Representative Supervisor of the fifth session of the Supervisory Committee of the Company (the "Supervisory Committee").

Mr. WANG has been a Shareholders Representative Supervisor of the Supervisory Committee since 4 August 2015. Mr. WANG is the General Counsel and BCC Compliance Officer for Greater China of NXP Semiconductors since May 2015. Mr. WANG began his career as an attorney in 2000. Prior to joining NXP Semiconductors, he practiced law with Testa, Hurwitz & Thibeault LLP in Boston, Kaye Scholer LLP in New York and Shanghai and Sheppard Mullin Richter & Hampton LLP in Shanghai where he counseled and assisted private and public companies in a broad range of industries as well as private equity funds in many aspects of corporate operation and development.

Mr. WANG is a member of the Massachusetts bar. He graduated magnum cum laude from Southern Connecticut State University and holds a Juris Doctor degree from Vanderbilt University School of Law.

Mr. SUN Biyuan

Mr. SUN Biyuan, aged 41, is a Shareholders Representative Supervisor of the fifth session of the Supervisory Committee.

Mr. SUN has been a Shareholders Representative 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 the listed companies. From April 2006 to January 2010, Mr. SUN served as a Finance Manager of Shanghai Chemical Industry Park Investment Company Limited ("SCIPI"). From January 2010 to November 2014, Mr. Sun was promoted to the Finance Director of SCIPI. Mr. Sun has been the Finance Manager of Shanghai Chemical Industry Park Development Company Limited since January 2014.

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

Mr. DAI Kun

Mr. DAI Kun, aged 39, is a Shareholders Representative Supervisor of the fifth session of the Supervisory Committee.

Mr. DAI previously worked at the Finance Department of Shanghai Chemical Industry Company Limited from July 2002 to April 2012, and in December 2006 was promoted to Finance Manager. From May 2012 to December 2013, Mr. DAI served at the Chief Engineer's Office Department of Shanghai Chemical Industry Park Development Company Limited. From January 2014 to December 2014, Mr. DAI served as the Finance Director of Shanghai Huayi Tianyuan Chemical Logistics Company Limited. From January 2015, Mr. DAI served in his current position as the Finance Director of Shanghai Chemical Industry Park Investment Company Limited.

Mr. DAI graduated from the Department of Accounting of Shanghai University of Finance and Economics in 2001. He received a Master of Business Administration degree from Donghua University in 2014.

Ms. CHEN Yan

Ms. CHEN Yan, aged 42, is a Shareholders Representative Supervisor of the fifth session of the Supervisory Committee.

Ms. CHEN has been a Shareholders Representative 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 promoted to the current position of Assistant General Manager of Shanghai Branch of COAMC.

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 51, is a Shareholders Representative Supervisor of the fifth session of the Supervisory Committee.

Mr. ZHOU has been a Shareholders Representative 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 Corp., Ltd ("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 2013, Mr. ZHOU has been appointed as the secretary of the Board of Directors 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. QIN Shihui

Mr. QIN Shihui, aged 44, is an Employee Representative Supervisor of the Company.

Since 2005, Mr. QIN has been the senior manager of manufacturing department in Fab 1 and Fab 2 of the Company. Mr. QIN joined the Company in August 1991, where he was appointed as photolithographic process engineer and engaged in the installation, commissioning and operation of the first production line of 5-inch of the Company. Mr. QIN also played the roles of photolithographic supervision and diffusion supervision, and served as the shift manager before taking on his current role.

In 2006, Mr. QIN graduated from China University of Petroleum-Beijing majoring in economics.

Ms. XU Chunlei (Resigned with effect from 30 April 2015)

Ms. XU Chunlei, aged 45, was a Shareholders Representative Supervisor of the fourth session of the Supervisory Committee.

Ms. XU was a Shareholders Representative Supervisor of the Supervisory Committee from 1 August 2012 to 29 April 2015. Ms. XU was holding the position of General Counsel and CoC Compliance Officer for Greater China of NXP Semiconductors from 2006 to 2015. 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 (Retired with effect from 2 March 2016)

Mr. YANG Yanhui, aged 53, was a Shareholders Representative Supervisor of the fourth session of the Supervisory Committee.

Mr. YANG was a Shareholders Representative Supervisor of the Supervisory Committee from 1 November 2012 to 1 March 2016. Mr. YANG was also a Shareholders Representative 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. SHEN Zhongyi (Retired with effect from 2 March 2016)

Mr. SHEN Zhongyi, aged 49, was an Employee Representative Supervisor of the fourth session of the Supervisory Committee.

Mr. SHEN was an Employee Representative Supervisor of the Supervisory Committee from 11 April 2014 to 1 March 2016. 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 51, 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 44, 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 49, is the Company's Vice President.

Mr. ZHOU has taken over all duties and powers of the President of the Company since 5 June 2015. 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 43, 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.

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 2015.

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 2015.

Segment information

The Company's revenue and profit for the year ended 31 December 2015 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.

Business Review

A review of the business of the Company during the year ended 31 December 2015 and a discussion on the Company's future business development are provided in the Chairman's Statement on pages 4 to 6 of this Annual Report. A description of the possible risks and uncertainties that the Company may be facing can be found in the Chairman's Statement on pages 4 to 6 of this Annual Report. Additionally, the financial risk management objectives and policies of the Company can be found in Note 17 to the financial statements. The Company has implemented a set of environmental policies to ensure the Company's compliance with the relevant environmental laws and regulations applicable to the businesses of the Company ("Environmental Policies"). During the year ended 31 December 2015, the Company is not aware of any instances of material non-compliance with any relevant environmental laws and regulations applicable to the businesses of the Company and its Environmental Policies. An analysis of the Company's performance during the year using financial key performance indicators is provided in the financial statements on pages 62 to 67 of this Annual Report. In addition, discussions on the Company's relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Company are contained in the Chairman's Statement, the Corporate Governance Report and this Directors' Report on pages 4 to 6, pages 41 to 57 and pages 27 to 38 respectively.

Results and dividends

The Company's profit for the year ended 31 December 2015 and the state of affairs of the Company at that date are set out in the financial statements on pages 62 to 64.

The Board does not recommend the payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2015 (2014: Nil).

Report of the Directors

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 39 to 40. 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 2015 are set out in note 13 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year ended 31 December 2015 are set out in notes 26 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 2015.

Reserves

Details of movements in the reserves of the Company during the year ended 31 December 2015 are set out in notes 27 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 2015, 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 2015.

Major customers and suppliers

During the year ended 31 December 2015, sales to the Company's five largest customers accounted for 64.62% of the total sales for the year and sales to the largest customer included therein amounted to 28.30%. Purchases from the Company's five largest suppliers accounted for 29.30% of the total purchases for the year and purchases from the largest supplier accounted for 9.00%.

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 2015 and up to the date of this annual report were:

Executive Director

Dr. WANG Qingyu (resigned with effect from 8 August 2015)

Non-executive Directors

Dr. CHEN Jianming, Chairman (retired with effect from 2 March 2016)
Mr. ZHU Jian, Chairman (appointed with effect from 2 March 2016)
Mr. David Damian FRENCH, Vice Chairman
Ms. SHEN Qing, Vice Chairman
Mr. KANG Hui (appointed with effect from 2 March 2016)
Mr. Johannes AE van den BROEK (resigned with effect from 31 December 2015)
Mr. Steven Daryl FREZON (appointed with effect from 2 March 2016)
Mr. XU Ding (resigned with effect from 24 August 2015)
Mr. LU Ning (appointed with effect from 9 November 2015)

Independent Non-executive Directors

Mr. James Arthur WATKINS (retired with effect from 2 March 2016)
Mr. PU Hanhu
Dr. CHEN Enhua
Dr. JIANG Qingtang

Dr. Wang Qingyu resigned as the president and the executive Director of the Company with effect from 8 August 2015 to pursue other interests.

Mr. XU Ding resigned as a non-executive Director and the Chairman of the Strategic Development Committee of the fourth session of the Board with effect from 24 August 2015 due to change of his job duties.

Report of the Directors

Mr. Johannes AE van den BROEK resigned as a Non-executive Director and the member of the Audit Committee of the fourth session of the Board with effect from 31 December 2015 due to his resignation from NXP B.V., a substantial shareholder of the Company to pursue other interests.

Directors', Supervisors' and senior management's biographies

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 15 to 26 of this annual report.

Directors' and Supervisors' service contracts

Each of the Directors, Supervisors 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 and Supervisors 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' and Supervisors' remuneration

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

Directors' and Supervisors' interest in contracts

No Director and Supervisor had a material interest, either directly and 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 2015, 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").

Directors' Indemnities

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company.

Substantial shareholders' interests and short positions

As at 31 December 2015, 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.). 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 2015, 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 2015, 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 2015, 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 2015 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. XU Chunlei resigned as a Supervisor and the Chairman of the Supervisory Committee of the Company (the "Supervisory Committee") with effect from 30 April 2015.

Mr. Eric WANG has been appointed as a Shareholders Representative Supervisor and the Chairman of the Supervisory Committee with effect from 4 August 2015.

Dr. WANG Qingyu resigned as the President and Executive Director of the Company with effect from 8 August 2015.

Mr. XU Ding resigned as a Non-executive Director and the Chairman of the Strategic Development Committee of the Company with effect from 24 August 2015.

Mr. LU Ning has been appointed as a Non-executive Director and the Chairman of the Strategic Development Committee of the Company with effect from 9 November 2015.

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

Mr. Johannes AE van den BROEK resigned as a Non-executive Director and the member of the Audit Committee of the Company with effect from 31 December 2015.

Subsequent to the balance sheet date, the Directors for the fourth session of the Board served terms until 1 March 2016. Mr. ZHU Jian, Mr. David Damian FRENCH, Ms. SHEN Qing, Mr. KANG HUi, Mr. Steven Daryl FREZON, Mr. LU Ning, Mr. PU Hanhu, Dr. CHEN Enhua and Dr. JIANG Qingtang were elected or re-elected as Directors of the fifth session (with a term of office from 2 March 2016 to 1 March 2019) of the Board at the Extraordinary General Meeting held on 25 February 2016.

Dr. CHEN Jianming and Mr. James Arthur WATKINS retired as Directors of the fourth session of the Board with effect from 2 March 2016.

Save as disclosed above, as at 31 December 2015, 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 2015

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 2015, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Types of Transactions	Actual 2015 RMB'000	Approved annual caps 2015 (disclosed in the Company's Announcement) RMB'000
Sales	102,703	215,100
Technology transfer	4,903	15,900

Specific disclosure for the continuing connected transactions conducted during the year ended 31 December 2015

As disclosed in the Company's announcement dated 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 2015:

(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 current term of the agreement will expire on 31 December 2017.

(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 current term of the agreement will expire on 31 December 2017.

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 2015 was RMB215.1 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 current term of the agreement will expire on 31 December 2017.

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 2015 was RMB15.9 million.

Within the reporting period, all requirements in respect of the said connected transactions (including all continuing 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 2015, 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 25 September 2014.

Directors' interests in competing businesses

During the year ended 31 December 2015 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. David Damian FRENCH has been a Non-executive Director of the Board since 20 May 2014. He is currently the Executive Vice President of businesses development focused on expanding NXP's semiconductors' partnerships and business interests in China, reporting directly to the CEO.

Mr. Johannes AE van den BROEK was a Non-executive Director of the Board from 6 November 2014 to 30 December 2015. During his tenure of service with the Company, he was the General Manager and Vice President Front-end Operations, which was responsible for NXP's waferfabs (Europe and Asia) and in charge of global facility management.

Mr. Steven Daryl FREZON has been a Non-executive Director of the Board since 2 March 2016. He is currently the Vice President of Front End Operations for NXP Semiconductors, he is responsible for the strategy, financial performance, and operational execution of 5 internal wafer fabs. He is also responsible for NXP Global Facilities, Global Security Operations, and Global Industrial Engineering.

Mr. XU Ding was a Non-executive Director of the Board from 2 March 2013 to 23 August 2015. During his tenure of service with the Company, he was the Deputy General Manager of Investment, M&A of Shanghai Belling.

Mr. LU Ning has been a Non-executive Director of the Board since 9 November 2015. He is currently the Vice President of operations & production safety of Shanghai Belling.

Since Mr. FRENCH, Mr. BROEK, Mr. FREZON, Mr. XU and Mr. LU 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. FRENCH, Mr. BROEK, Mr. FREZON, Mr. XU and Mr. LU 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 2016 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 2015.

BY ORDER OF THE BOARD

ZHU Jian
Chairman

Shanghai, the PRC
16 March 2016

SUMMARY OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**741,079**	797,356	722,146	853,551	950,701
Cost of sales	**(642,917)**	(660,606)	(617,915)	(734,231)	(785,019)
Gross profit	**98,162**	136,750	104,231	119,320	165,682
Other income and gains	**42,213**	19,999	25,040	35,120	20,756
Selling and distribution costs	**(7,964)**	(7,021)	(6,979)	(7,594)	(5,797)
General and administrative expenses	**(66,487)**	(65,890)	(65,001)	(63,067)	(68,973)
Research and development costs	**(31,818)**	(34,702)	(38,221)	(36,500)	(49,816)
Other expense	**—**	—	(5,890)	(1,625)	(7,374)
Finance costs	**—**	(501)	(643)	(1,124)	(3,339)
Profit before tax	**34,106**	48,635	12,537	44,530	51,139
Income tax	**—**	—	—	—	—
Profit for the year	**34,106**	48,635	12,537	44,530	51,139
Other comprehensive income for the year	**—**	—	—	—	—
Total comprehensive income for the year attributable to ordinary equity holders of the Company	**34,106**	48,635	12,537	44,530	51,139
Earnings per share (RMB)					
– Basic and diluted	**2.22 cents**	3.17 cents	0.82 cents	2.90 cents	3.33 cents

Five Year Financial Summary

SUMMARY OF STATEMENT OF FINANCIAL POSITION

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,110,641**	1,071,885	1,025,729	1,010,551	1,086,066
Total liabilities	**165,370**	160,720	163,199	160,558	280,603
Net assets/total equity	**945,271**	911,165	862,530	849,993	805,463

Report on Corporate Governance

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 2015 (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 2014 and thirty days before each of the three meetings scheduled to approve the Company's results for the three months ended 31 March 2015, the six months ended 30 June 2015 and the nine months ended 30 September 2015 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 45, 46, 48, 49, 51 and 52 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 2015 and up to the date of this annual report, the Board comprised the following directors:

Executive Director

Dr. WANG Qingyu (resigned with effect from 8 August 2015)

Non-executive Directors

Dr. CHEN Jianming, Chairman (retired with effect from 2 March 2016)
Mr. ZHU Jian, Chairman (appointed with effect from 2 March 2016)
Mr. David Damian FRENCH, Vice Chairman
Ms. SHEN Qing, Vice Chairman
Mr. KANG Hui (appointed with effect from 2 March 2016)
Mr. Johannes AE van den BROEK (resigned with effect from 31 December 2015)
Mr. Steven Daryl FREZON (appointed with effect from 2 March 2016)
Mr. XU Ding (resigned with effect from 24 August 2015)
Mr. LU Ning (appointed with effect from 9 November 2015)

Independent Non-executive Directors

Mr. James Arthur WATKINS (retired with effect from 2 March 2016)
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 21 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.

The retirement of Mr. James Arthur WATKINS, an independent non-executive director, with effect from 2 March 2016, the Board has not been able to select a suitable replacement of Mr. James Arthur WATKINS and is unable to fulfill: (i) Rule 3.10A of the Listing Rules which requires the number of Independent Non-executive Directors to be at least one-third of the Board; (ii) Rule 3.21 of the Listing Rules which requires the majority of the Audit Committee to be Independent Non-executive Directors; (iii) Rule 3.25 of the Listing Rules which requires the majority of the Remuneration Committee to be Independent Non-executive Directors; and (iv) Code Provision A.5.1 of Corporate Governance Code to the Listing Rules which requires the majority of the Nomination Committee to be Independent Non-executive Directors.

The Company considers that the failure of meeting the abovementioned requirements of the Listing Rules is temporary in nature and the Company will endeavor to select a suitable candidate to fill the vacancy by seeking approval by Shareholders in a general meeting as soon as practicable in respect of the relevant appointment to be made within three months from 2 March 2016 to meet the requirements under the Listing Rules.

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, during the Reporting Period, the Company convened an Extraordinary General Meeting on 9 November 2015, for the purpose of the election of Mr. LU Ning as a Non-executive Director of the fourth session of the Board to fill the vacancy caused by the resignation of Mr. XU Ding.

Subsequent to the balance sheet date, the Directors for the fourth session of the Board served terms until 1 March 2016. The Company convened an Extraordinary General Meeting on 25 February 2016, for the purpose of the election of the fifth session of the Board and the Supervisory Committee.

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 year ended 31 December 2015 and up to the date of this annual report, the post of the Chairman of the Board was held by Dr. CHEN Jianming (retired with effect from 2 March 2016) and Mr. ZHU Jian (appointed with effect from 2 March 2016) and the post of the President (as head of the executive management) was held by Dr. Wang Qingyu prior to the relieve of his duties and powers of the President of the Company with effect from 5 June 2015, followed by his resignation of the President and the Executive Director of the Company with effect from 8 August 2015. Following Dr. Wang being relieved of his powers and duties as the President of the Company, Mr. Zhou Weiping, the Vice President of the Company, took over the duties and powers of the President during the relieving period from 5 June 2015 until a replacement President as appointed. The segregation of the roles of the Chairman and the President 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.

During the Reporting Period, the Company has undertaken a search for a long term replacement of Dr. Wang as the President and Executive Director of the Company and will make further announcements relating to seek appointment in accordance with the Listing Rules once a suitable candidate has been found.

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 *(resigned with effect from 8 August 2015)*	2	2	0
Non-executive Directors			
Dr. CHEN Jianming	3	3	0
Mr. David Damian FRENCH	3	3	0
Ms. SHEN Qing	3	3	0
Mr. Johannes AE van den BROEK *(resigned with effect from 31 December 2015)*	2	2	0
Mr. ZHU Jian	1	1	0
Mr. XU Ding *(resigned with effect from 24 August 2015)*	2	2	0
Mr. LU Ning *(appointed with effect from 9 November 2015)*	0	0	0
Independent Non-executive Directors			
Mr. James Arthur WATKINS	3	3	0
Mr. PU Hanhu	2	2	0
Dr. CHEN Enhua	3	3	0
Dr. JIANG Qingtang	3	3	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 *(resigned with effect from 8 August 2015)*	3	3	0
Non-executive Directors			
Dr. CHEN Jianming	4	4	0
Mr. David Damian FRENCH	4	4	0
Ms. SHEN Qing	4	4	0
Mr. Johannes AE van den BROEK *(resigned with effect from 31 December 2015)*	4	2	2
Mr. ZHU Jian	4	3	1
Mr. XU Ding *(resigned with effect from 24 August 2015)*	3	2	1
Mr. LU Ning *(appointed with effect from 9 November 2015)*	1	1	0
Independent Non-executive Directors			
Mr. James Arthur WATKINS	4	3	1
Mr. PU Hanhu	4	4	0
Dr. CHEN Enhua	4	4	0
Dr. JIANG Qingtang	4	3	1

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

The Audit Committee comprises four members, including two non-executive Directors and two independent non-executive Directors. The members of the Audit Committee are Dr. CHEN Enhua (appointed as chairman with effect from 2 March 2016), Ms. SHEN Qing, Mr. Steven Daryl FREZON (appointed as member with effect from 2 March 2016) and Dr. JIANG Qingtang. Dr. CHEN Enhua serves as the chairman of the Audit Committee, he has appropriate professional qualifications and experience in financial matters. Mr. Joannes AE van den BROEK ceased to be a member of the Audit Committee with effect from 31 December 2015. Mr. James Arthur WATKINS ceased to be the chairman and member of the Audit Committee with effect from 2 March 2016.

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 2014, for the three months ended 31 March 2015, for the six months ended 30 June 2015 and for the nine months ended 30 September 2015, 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
Ms. SHEN Qing	4	4	0
Mr. Johannes AE van den BROEK *(resigned with effect from 31 December 2015)*	4	4	0
Dr. CHEN Enhua	4	4	0
Dr. JIANG Qingtang	4	3	1

Remuneration Committee

Membership

The Remuneration Committee comprises two members, including one non-executive Director and one independent non-executive Director. The members of the Remuneration Committee are Mr. PU Hanhu and Mr. KANG Hui (appointed as member with effect from 2 March 2016). Mr. PU Hanhu serves as the chairman of the Remuneration Committee. Mr. James Arthur WATKINS and Mr. ZHU Jian ceased to be members of the Remuneration Committee with effect from 2 March 2016 respectively.

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 2014 management bonuses for senior officers;

(2) review and approval of termination package for a resigned senior officer;

(3) review and approval of remuneration package of a re-appointed senior officers;

(4) review and approval of the year 2015 operation performance target for senior officers; and

(5) review and approval of the proposed terms of the service contracts for directors and supervisors of the fifth session of the Board and the Supervisory Committee, including the provision regarding remuneration, with recommendations to the Board for approval.

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

The Nomination Committee comprises four members, including two non-executive Directors and two independent non-executive Directors. The members of the Nomination Committee are Mr. ZHU Jian (appointed as chairman and member with effect from 2 March 2016), Mr. David Damian FRENCH, Dr. CHEN Enhua and Mr. PU Hanhu. Mr. ZHU Jian serves as the chairman of the Nomination Committee. Dr. CHEN Jianming ceased to be the chairman and member of the Nomination Committee with effect from 2 March 2016. Mr. James Arthur WATKINS ceased to be a member of the Nomination Committee with effect from 2 March 2016.

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 five meetings and performed, amongst other things, the following work:

(1) review and evaluation of the non-renewal of employment service contract for a senior officer upon the expiry of the present term of office;

(2) review and evaluation of the candidates for the post of the President and making proposal to the Board;

(3) review and making recommendation of the re-appointment of one Vice President of the Company to the Board;

(4) review and evaluation of the candidate for the Director and Supervisor, and make proposal to the Board on his appointment; and

(5) review and making recommendation of the candidates for directors and supervisors of the fifth session of the Board and the Supervisory Committee to the Board.

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)*	5	5	0
Mr. David Damian FRENCH	5	5	0
Mr. James Arthur WATKINS	5	4	0
Mr. PU Hanhu	5	5	0
Dr. CHEN Enhua	5	5	0

Strategic Development Committee

Membership

The Strategic Development Committee comprises five members, including four non-executive Directors and one independent non-executive Director. The members of the Strategic Development Committee are Mr. LU Ning (appointed as the chairman and member with effect from 9 November 2015), Mr. David Damian FRENCH, Ms. SHEN Qing, Mr. KANG Hui (appointed as member with effect from 2 March 2016) and Dr. JIANG Qingtang. Mr. LU Ning serves as the chairman of the Strategic Development Committee. Mr. XU Ding ceased to be the chairman and member of the Strategic Development Committee with effect from 24 August 2015. Mr. ZHU Jian ceased to be a member of the Strategic Development Committee with effect from 2 March 2016.

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 two 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)* *(resigned with effect from 24 August 2015)*	2	2	0
Mr. LU Ning *(Chairman)* *(appointed with effect from 9 November 2015)*	0	0	0
Mr. David Damian FRENCH	2	2	0
Mr. ZHU Jian	2	2	0
Ms. SHEN Qing	2	2	0
Dr. JIANG Qingtang	2	1	1

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 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 (resigned with effect from 8 August 2015), Dr. CHEN Jianming, Mr. David Damian FRENCH, Ms. SHEN Qing, Mr. Johannes AE van den BROEK (resigned with effect from 31 December 2015), Mr. ZHU Jian, Mr. XU Ding (resigned with effect from 24 August 2015), Mr. LU Ning (appointed with effect from 9 November 2015), 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 2015, 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.

Audit services	RMB1,380,000

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 2015, 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 2015 and up to the date of this annual report were:

Shareholders Representative Supervisors

Ms. XU Chunlei, Chairman (resigned with effect from 30 April 2015)
Mr. Eric WANG, Chairman (appointed with effect from 4 August 2015)
Mr. SUN Biyuan
Mr. YANG Yanhui (retired with effect from 2 March 2016)
Mr. DAI Kun (appointed with effect from 2 March 2016)
Ms. CHEN Yan
Mr. ZHOU Chengjie

Employee Representative Supervisor

Mr. SHEN Zhongyi (retired with effect from 2 March 2016)
Mr. QIN Shihui (appointed with effect from 2 March 2016)

Changes in Information of Supervisors

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

Ms. XU Chunlei resigned as a Supervisor and the Chairman of the Supervisory Committee of the Company (the "Supervisory Committee") with effect from 30 April 2015 due to pursue other interest. Mr. Eric WANG has been appointed as a Shareholders Representative Supervisor and the Chairman of the Supervisory Committee of the Company with effect from 4 August 2015.

Subsequent to 31 December 2015, the Supervisors for the fourth session of the Board served terms until 1 March 2016. Mr. Eric WANG, Mr. SUN Biyuan, Mr. DAI Kun, Ms. CHEN Yan, and Mr. ZHOU Chengjie were elected or re-elected as Shareholders Representative Supervisors of the fifth session (with a term of office from 2 March 2016 to 1 March 2019) of the Board at the Extraordinary General Meeting held on 25 February 2016. Mr. QIN Shihui was elected as Employee Representative Supervisor of the fifth session (with a term of office from 2 March 2016 to 1 March 2019) of the Supervisory Committee by the employees democratically on 21 December 2015.

Mr. YANG Yanhui retired as the Shareholders Representative Supervisor of the fourth session of the Supervisory Committee with effect from 2 March 2016. Mr. SHEN Zhongyi retired as the Employee Representative Supervisor of the fourth session of the Supervisory Committee with effect from 2 March 2016.

Report of the Supervisory Committee

During the year ended 31 December 2015, the Supervisory Committee held two meetings as follows:

At the fifth meeting of the Supervisory Committee held on 11 March 2015, the Supervisory Committee reviewed and approved the audited financial statements for the year ended 31 December 2014 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 2014, the profit distribution proposal for the year ended 31 December 2014, and the proposed appointment and terms of engagement of the Company's PRC and international auditor for 2015.

At the sixth meeting of the Supervisory Committee held on 5 August 2015, the Supervisory Committee reviewed and approved the financial statements, the preliminary results announcement and interim report for the six months ended 30 June 2015.

The independent opinions of the Supervisory Committee on its work during the year ended 31 December 2015 are summarized as follows:

1. The Supervisory Committee reviewed the Company's financial statements and interim report for the six months ended 30 June 2015 and financial statements and annual report for the year ended 31 December 2014 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 2015, 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

Eric WANG
Chairman

Shanghai, the PRC
16 March 2016

Independent Auditors' Report

EY 安永

To the members 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 62 to 118, which comprise the statement of financial position as at 31 December 2015 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 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 issued by the Hong Kong Institute of Certified Public Accountants. 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 financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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

16 March 2016

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	5	**741,079**	797,356
Cost of sales		**(642,917)**	(660,606)
Gross profit		**98,162**	136,750
Other income and gains	6	**42,213**	19,999
Selling and distribution expenses		**(7,964)**	(7,021)
General and administrative expenses		**(66,487)**	(65,890)
Research and development costs		**(31,818)**	(34,702)
Finance costs	7	**—**	(501)
Profit before tax	7	**34,106**	48,635
Income tax	10	**—**	—
Profit for the year		**34,106**	48,635
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year attributable toordinary equity holders of the Company		**34,106**	48,635
Earnings per share attributable to ordinary equity holders of the Company			
– Basic and diluted	12	**2.22 cents**	3.17 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 2015

	Notes	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	13	**323,198**	341,922
Construction in progress	14	**25,528**	17,999
Prepaid land lease payments	15	**28,925**	29,695
Intangible assets	16	**4,681**	7,269
Total non-current assets		**382,332**	396,885
Current assets			
Inventories	18	**99,207**	97,919
Accounts and note receivables	19	**70,544**	66,322
Prepayments, deposits and other receivables	20	**12,784**	15,197
Due from related companies	21	**10,927**	15,932
Cash and cash equivalents	22	**534,847**	479,630
Total current assets		**728,309**	675,000
Total assets		**1,110,641**	1,071,885
Current liabilities			
Accounts payable	23	**89,557**	99,363
Other payables and accruals		**59,473**	48,123
Due to related companies	21	**2,397**	2,451
Government grants	24	**2,963**	3,310
Total current liabilities		**154,390**	153,247
Net current assets		**573,919**	521,753
Total assets less current liabilities		**956,251**	918,638

Statement of Financial Position

31 December 2015

	Notes	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Non-current liabilities			
Government grants	24	**10,980**	7,473
Net assets		**945,271**	911,165
Equity attributable to equity holders of the Company			
Share capital	26	**1,534,227**	1,534,227
Reserves	27	**(588,956)**	(623,062)
Total equity		**945,271**	911,165

Zhu Jian
Director

Chen Enhua
Director

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

Statement of Changes in Equity

Year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
Share capital	26		
Ordinary shares of RMB1.00 each:			
At beginning and end of year		**1,534,227**	1,534,227
Capital reserve	27 (a)		
At beginning and end of year		**205,363**	205,363
Statutory surplus reserve	27 (b)		
At beginning and end of year		**19,353**	19,353
Accumulated losses	27 (c)		
At beginning of year		**(847,778)**	(896,413)
Total comprehensive income for the year		**34,106**	48,635
At end of year		**(813,672)**	(847,778)
Reserves		**(588,956)**	(623,062)
Total equity attributable to equity holders of the Company		**945,271**	911,165

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

Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit before tax		**34,106**	48,635
Adjustments for:			
Depreciation	7	**64,134**	64,103
Amortisation of intangible assets	7	**2,588**	3,178
Loss on disposal of items of property, plant and equipment		**46**	149
Amortisation of prepaid land lease payments	7	**770**	770
Reversal of impairment for doubtful debts	7	**—**	(39)
Write-down/(reversal of write-down) of inventories to net realisable value	7	**2,955**	(1,387)
Finance costs	7	**—**	501
Exchange gain		**(9,656)**	(463)
Government grants		**(14,648)**	(4,622)
Interest income		**(9,909)**	(10,764)
Operating profit before working capital changes		**70,386**	100,061
Decrease/(increase) in accounts and notes receivables		**(4,222)**	9,311
Decrease/(increase) in inventories		**(4,243)**	15,292
Decrease/(increase) in prepayments, deposits and other receivables		**4,110**	(1,452)
Decrease in balances with related companies		**4,951**	785
Increase/(decrease) in accounts payable		**(1,307)**	20,553
Increase in other payables and accruals		**11,350**	6,452
Cash generated from operations		**81,025**	151,002
Interest paid		**—**	(518)
Interest received		**8,212**	11,247
Government grants received		**10,086**	1,752
Net cash flows from operating activities		**99,323**	163,483

Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flows from investing activities			
Purchases of items of property, plant and equipment, construction in progress and intangible assets		**(53,762)**	(59,986)
Increase in non-pledged time deposits with original maturity of over three months when acquired		**(38,934)**	(26,243)
Net cash flows used in investing activities		**(92,696)**	(86,229)
Cash flows from financing activities			
Repayment of bank borrowings		**—**	(18,291)
Net cash flows used in financing activities		**—**	(18,291)
Net increase in cash and cash equivalents		**6,627**	58,963
Cash and cash equivalents at beginning of year		**184,966**	125,540
Effect of exchange rate changes on cash and cash equivalents		**9,656**	463
Cash and cash equivalents at end of year		**201,249**	184,966
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the statement of cash flows		**201,249**	184,966
Cash and bank balances	22	**201,249**	184,966
Non-pledged time deposits with original maturity of over three months when acquired	22	**333,598**	294,664
Cash and cash equivalents as stated in the statement of financial position		**534,847**	479,630
Investing activities affecting both cash and non-cash items			
Addition of items of property, plant and equipment, construction in progress and intangible assets		**(52,985)**	(52,076)
Decrease in the balance of payables for purchases of items of property, plant and equipment, construction in progress and intangible assets		**(8,499)**	(9,110)
Receipt of government grants		**7,722**	1,200
Cash flows used in purchases of items of property, plant and equipment, construction in progress and intangible assets		**(53,762)**	(59,986)

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 2018.

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 revised IFRSs for the first time for the current year's financial statements.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

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

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments are not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to IFRSs 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in the financial statements. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Company had not granted any awards during 2015. Thus, the amendment did not impact the Company's financial statements or accounting policies.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Company's current accounting policy and, thus, this amendment did not impact the Company's accounting policy.

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

Annual Improvements to IFRSs 2010-2012 Cycle *(continued)*

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The amendments also clarify that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Company has only one reportable operating segment and, thus, these amendments did not impact the Company's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments are applied retrospectively and clarify in IAS 16 and IAS 38 how the asset may be revalued. The Company adopts the cost model and, thus, the amendments did not have any impact on the Company.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. This amendment is not relevant for the Company as it does not receive any management services from other entities.

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

Annual Improvements to IFRSs 2011-2013 Cycle

These improvements are effective for annual periods beginning on or after 1 July 2014 and the Company has applied these amendments for the first time in the financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The Company is not a joint arrangement, and thus this amendment is not relevant for the Company.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and 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 IAS 39. The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

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.

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. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Cash deposits, notes receivable and trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. The Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all loans and receivables.

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

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that 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 IFRS. Since the Company's activities are not subject to rate regulation, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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

Amendments to IFRS 11 Joint Arrangements: *Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. 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 and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through 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 effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

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

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. These amendments are not expected to have any impact on the Company as the Company does not have any bearer plants.

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

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will 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 IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Annual Improvements to IFRSs 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. The amendment is not expected to have any impact on the Company.

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

Annual Improvements to IFRSs 2012-2014 Cycle *(continued)*

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment 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 the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment is not expected to have any impact on the Company.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds 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. This amendment must be applied prospectively. The amendment is not expected to have any impact on the Company.

IAS 34 Interim Financial Reporting

The amendment 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 (e.g., in the management commentary or risk report). The other 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. This amendment must be applied retrospectively. The amendment is not expected to have any impact on the Company.

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

Annual Improvements to IFRSs 2012-2014 Cycle *(continued)*

Amendments to IAS 1 Disclosure Initiative

The amendments clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. These amendments are not expected to have any impact on the Company at it is not an investment entity.

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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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 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 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 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 asset's 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 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 profit or loss in the period in which it arises.

Operating 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 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 notes 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 gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expense 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 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 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 profit or loss. The net fair value gain or loss recognised in 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 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 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 profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 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 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 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 a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to 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 are recognised as a liability when they are approved by the shareholders in a general meeting.

In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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.

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

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:

(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 the 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 People's Republic of China (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:

	2015	2014
	RMB'000	RMB'000
United States of America	**374,751**	408,937
Europe	**137,740**	147,012
Asia	**228,588**	241,407
	741,079	797,356

Information about major customers

Revenue of approximately RMB419,319,000 (2014: RMB435,824,000) was derived from sales to three customers (2014: 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:

	2015	2014
	RMB'000	RMB'000
Sale of goods	**741,079**	797,356
Others	**—**	—
	741,079	797,356

6. OTHER INCOME AND GAINS

	2015	2014
	RMB'000	RMB'000
Other income and gains		
Interest income	**9,909**	10,764
Government grants	**14,648**	4,622
Sale of scrap materials	**2,050**	3,480
Net foreign exchange gain	**15,595**	878
Others	**11**	255
	42,213	19,999

7. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	RMB'000
Cost of inventories sold	**642,917**	660,606
Depreciation	**64,134**	64,103
Amortisation of intangible assets	**2,588**	3,178
Amortisation of prepaid land lease payments	**770**	770
Research and development costs	**31,818**	34,702
Auditors' remuneration	**1,380**	1,615
Employee benefit expense (including directors', supervisors' and senior executives' remuneration as set out in note 8):		
Retirement benefits (note 9)		
– defined contribution fund	**20,609**	17,778
Accommodation benefits (note 9)		
– defined contribution fund	**6,635**	5,637
Early retirement and termination benefits	**3,130**	2,625
Salaries and other staff costs	**162,107**	153,462
	192,481	179,502
Interest on bank borrowings	**—**	501
Reversal of impairment for doubtful debts	**—**	(39)
Write-down/(reversal of write-down) of inventories to net realisable value	**2,955**	(1,387)

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	RMB'000	RMB'000
Fees	**2,602**	2,487
Other emoluments for executive directors and supervisors:		
– Salaries, allowances and other benefits	**1,254**	1,524
– Performance-related bonuses	**602**	535
– Retirement benefits	**40**	41
– Compensation for loss of office	**1,540**	—
	3,436	2,100
	6,038	4,587

(a) *Independent non-executive directors*

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

	2015	2014
	RMB'000	RMB'000
Mr. James Arthur Watkins	**209**	197
Dr. Chen Enhua	**209**	197
Dr. Jiang Qingtang	**209**	197
Mr. Pu Hanhu	**209**	197
	836	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
2015						
Executive director:						
Mr. Wang Qingyu*	—	803	533	—	1,540	2,876
	—	803	533	—	1,540	2,876
Non-executive directors:						
Dr. Chen Jianming	167	—	—	—	—	167
Mr. Zhu Jian	167	—	—	—	—	167
Ms. Shen Qing	167	—	—	—	—	167
Mr. Lu Ning**	28	—	—	—	—	28
Mr. Xu Ding*	108	—	—	—	—	108
Mr. Johannes AE van den Broek*	167	—	—	—	—	167
Mr. David Damian French	167	—	—	—	—	167
	971	—	—	—	—	971
Supervisors:						
Mr. Eric Wang**	70	—	—	—	—	70
Mr. Sun Biyuan	167	—	—	—	—	167
Ms. Chen Yan	167	—	—	—	—	167
Mr. Shen Zhongyi	—	451	69	40	—	560
Ms. Xu Chunlei*	57	—	—	—	—	57
Mr. Yang Yanhui	167	—	—	—	—	167
Mr. Zhou Chengjie	167	—	—	—	—	167
	795	451	69	40	—	1,355
	1,766	1,254	602	40	1,540	5,202

* These directors and the supervisor resigned during the year ended 31 December 2015.

** These directors and the supervisor were appointed during the year ended 31 December 2015.

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
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 and the supervisor resigned during the year ended 31 December 2014.

** These 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)*

There was no arrangement in which a director or a supervisor waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

(c) Five highest paid employees

The five highest paid individuals in the Company include one (2014: one) executive director for the year ended 31 December 2015, details of whose emoluments have been disclosed above.

The details of the emoluments for the year of the remaining four (2014: four) highest paid individuals who are neither directors nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	**3,166**	3,387
Performance-related bonuses	**1,369**	1,204
Retirement benefits	**121**	112
	4,656	4,703

The number of the four (2014: four) non-director and non-chief executive, highest paid employees, whose remuneration fell within the following bands, is as follows:

	2015 Number of Individuals	2014 Number of Individuals
Nil - HK$1,000,000	**—**	—
HK$1,000,001 - HK$1,500,000	**2**	2
HK$1,500,001 - HK$2,000,000	**2**	2
HK$2,000,001 - HK$2,500,000	**—**	—
HK$2,500,001 - HK$3,000,000	**—**	—
	4	4

During the years ended 31 December 2015 and 2014, 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 2015, compensation of RMB1,540,000 for loss of office was paid to Mr. Wang Qingyu, the resigned executive director of the Company (2014: Nil).

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

(d) Remunerations of senior management

All members of the senior management are included in directors, supervisors or five highest paid employees. Details of their emoluments have been disclosed above.

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 contribution by 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 2014 and 2015.

In accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, the provision for Mainland China current income tax has been based on a statutory rate of 25% of the assessable profits of the Company for the year. However, the Company qualifies as a "High and New Technology Enterprise" and thus was granted a preferential rate of 15% from 1 January 2014 to 31 December 2016.

Major components of income tax are as follows:

	2015 **RMB'000**	2014 RMB'000
Provision for income tax in respect of the 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:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**34,106**	48,635
Tax at the applicable tax rate of 15%	**5,116**	7,295
Tax effect of:		
– Expenses not deductible for tax purposes	**202**	242
– Temporary differences not recognised	**(6,513)**	(2,841)
– Tax loss not recognised	**1,195**	—
– Tax loss utilised from previous years	**—**	(4,696)
Income tax expense	**—**	—

11. DIVIDENDS

The board of directors recommends no payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2015 (31 December 2014: 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.

	2015	2014
Profit attributable to ordinary equity holders of the Company (RMB'000)	**34,106**	48,635
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 2015 and 2014 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 2015:					
At 31 December 2014 and at 1 January 2015:					
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
At 1 January 2015, net of accumulated depreciation and impairment	92,938	242,910	5,557	517	341,922
Transferred from construction in progress	—	43,295	2,161	—	45,456
Disposal	—	46	—	—	46
Depreciation provided during the year	5,459	56,232	2,263	180	64,134
At 31 December 2015, net of accumulated depreciation and impairment	87,479	229,927	5,455	337	323,198
At 31 December 2015:					
Cost	163,675	3,819,095	80,316	2,169	4,065,255
Accumulated depreciation and impairment	76,196	3,589,168	74,861	1,832	3,742,057
Net carrying amount	87,479	229,927	5,455	337	323,198

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 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

As at 31 December 2015, the Company has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB15,822,000 (2014: RMB16,596,000). 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 2015.

14. CONSTRUCTION IN PROGRESS

	2015 RMB'000	2014 RMB'000
At beginning of year	**17,999**	12,341
Additions	**52,985**	48,962
Transferred to property, plant and equipment	**(45,456)**	(43,304)
At end of year	**25,528**	17,999

15. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount:		
At beginning of year	**30,465**	31,235
Amortisation for the year	**(770)**	(770)
At end of year	**29,695**	30,465
Current portion included in prepayments, deposits and other receivables	**(770)**	(770)
Non-current portion	**28,925**	29,695

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

	2015 RMB'000	2014 RMB'000
Cost:		
At beginning of year	**38,070**	34,956
Addition	**—**	3,114
At end of year	**38,070**	38,070
Accumulated amortisation:		
At beginning of year	**(30,801)**	(27,623)
Amortisation for the year	**(2,588)**	(3,178)
At end of year	**(33,389)**	(30,801)
Net book value:	**4,681**	7,269

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	
	2015 **RMB'000**	2014 RMB'000
Accounts and note receivables	**70,544**	66,322
Financial assets included in prepayments, deposits and other receivables	**4,823**	2,953
Due from related companies	**10,927**	15,932
Cash and cash equivalents	**534,847**	479,630
	621,141	564,837

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

Financial liabilities

	Financial liabilities measured at amortised cost	
	2015	2014
	RMB'000	RMB'000
Accounts payable	**89,557**	99,363
Financial liabilities included in other payables and accruals	**36,175**	32,905
Due to related companies	**2,397**	2,451
	128,129	134,719

The Company's principal financial instrument is cash and cash equivalents. The Company has various other financial assets and liabilities such as accounts and notes 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 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)*

Foreign currency risk

The Company operates in Mainland China 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 and payables 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
2015	**+5%**	**10,836**
	-5%	**(10,836)**
2014	+5%	8,927
	-5%	(8,927)

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:

	2015 RMB'000	2014 RMB'000
Financial assets		
Cash and cash equivalents:		
US$	**200,710**	126,145
Others	**93**	84
	200,803	126,229
Accounts and notes receivables:		
US$	**41,195**	57,384
Due from related companies:		
US$	**10,927**	15,932
Financial liabilities		
Accounts payable:		
US$	**31,215**	34,760
Others	**1,895**	1,699
	33,110	36,459
Other payables and accruals:		
US$	**3,230**	2,590
Others	**534**	522
	3,764	3,112

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 20% (2014: 18%) and 56% (2014: 66%) 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 notes 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 36% (2014: 38%) of its cash and cash equivalents are deposited with one bank.

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 USD15,000,000 and RMB 100,000,000 that will expire in November 2016 and October 2018, respectively.

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

Liquidity risk *(continued)*

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
2015				
Accounts payable	**38,615**	**50,942**	**—**	**89,557**
Other payables and accruals	**36,175**	**—**	**—**	**36,175**
Due to related companies	**—**	**2,397**	**—**	**2,397**
	74,790	**53,339**	**—**	**128,129**
2014				
Accounts payable	49,192	50,024	147	99,363
Other payables and accruals	32,905	—	—	32,905
Due to related companies	—	2,451	—	2,451
	82,097	52,475	147	134,719

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 2015.

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.

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

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

	2015	2014
	RMB'000	RMB'000
Raw materials	**27,448**	23,786
Spare parts and consumables	**24,171**	29,503
Work in progress	**34,383**	34,392
Finished goods	**13,205**	10,238
Total inventories at the lower of cost and net realisable value	**99,207**	97,919

19. ACCOUNTS AND NOTES RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Accounts receivable	**64,876**	57,225
Notes receivable	**5,669**	9,098
	70,545	66,323
Impairment	**(1)**	(1)
	70,544	66,322

19. ACCOUNTS AND NOTES RECEIVABLES *(continued)*

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 notes receivables are non-interest-bearing.

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

	2015	2014
	RMB'000	RMB'000
Outstanding balances with ageing:		
Within 30 days	**45,170**	50,812
Between 31 and 90 days	**23,680**	12,514
Between 91 and 180 days	**1,541**	2,871
Between 181 and 365 days	**153**	125
Over 365 days	**—**	—
	70,544	66,322

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

	2015	2014
	RMB'000	RMB'000
At beginning of year	**1**	40
Charged for the year	**184**	—
Unutilised amount reversed	**(184)**	(39)
At end of year	**1**	1

19. ACCOUNTS AND NOTES RECEIVABLES *(continued)*

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

	Total	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 2015	**70,544**	**46,820**	**23,585**	**139**	**—**	**—**
31 December 2014	66,322	59,318	6,827	51	126	—

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 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

	2015	2014
	RMB'000	RMB'000
Prepayments	**6,095**	4,229
Deposits	**106**	106
Input value-added tax	**—**	6,384
Sundry debtors	**6,583**	4,478
	12,784	15,197

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

	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**201,249**	184,966
Non-pledged time deposits	**333,598**	294,664
	534,847	479,630

At the end of the reporting period, the cash and bank balances of the Company denominated in Renminbi ("RMB") amounted to RMB334,044,000 (2014: RMB353,401,000). 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.

As at 31 December 2015, non-pledged time deposits with an original maturity of over three months when acquired amounting to Rmb333,598,000 (31 December 2014: Rmb294,664,000) are included in cash and cash equivalents in the statement of financial position. The Company has classified the transactions related to those non-pledged time deposits as investing activities in the statement of cash flows, whereas in the prior year they were classified in the statement of cash flows as cash equivalents. The comparative information for cash and cash equivalents in the statement of cash flows has been reclassified to conform to the current year' s presentation.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Non-pledged time deposits are made for varying periods 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 ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, was as follows:

	2015	2014
	RMB'000	RMB'000
Outstanding balances:		
Within 30 days	**81,598**	90,295
Between 31 and 90 days	**4,405**	7,070
Between 91 and 180 days	**3,002**	1,656
Between 181 and 365 days	**552**	264
Over 365 days	**—**	78
	89,557	99,363

24. GOVERNMENT GRANTS

	2015	2014
	RMB'000	RMB'000
At beginning of year	**10,783**	12,453
Received during the year	**17,808**	2,952
Recognised in profit or loss	**(14,648)**	(4,622)
At end of year	**13,943**	10,783
Current	**2,963**	3,310
Non-current	**10,980**	7,473

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. DEFERRED TAX

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

	2015 RMB'000	2014 RMB'000
Tax losses	**159,180**	207,395
Temporary differences due to impairment of plant and machinery	**594**	8,430
Temporary differences due to allowance for inventories	**42,242**	39,287
Temporary differences due to provision for accrual expense	**24,497**	29,528
Temporary differences due to allowance for accounts and notes receivables	**1**	1
Depreciation difference of plant and machinery between IFRSs and PRC tax regulations	**627**	717
	227,141	285,358

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.

26. SHARE CAPITAL

	Notes	31 December 2015 Number of shares '000	31 December 2014 Number of shares '000	31 December 2015 RMB'000	31 December 2014 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.

26. SHARE CAPITAL *(continued)*

(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.

(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.

27. 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) 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 earnings recorded in the financial statements prepared in accordance with the PRC accounting standards and IFRSs.

28. COMMITMENTS

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

	2015 **RMB'000**	2014 RMB'000
Capital commitments in respect of property, plant and equipment:		
– contracted, but not provided for	**4,235**	6,727
– authorised, but not contracted for	**66,265**	79,026
	70,500	85,753

29. 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	**2015** **RMB'000**	2014 RMB'000
Sales	(i)	**102,703**	106,197
Purchase of equipment	(ii)	**—**	6,097
Technology transfer fees	(iii)	**4,903**	5,406

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 transaction set out in Note (ii) constitutes a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the transactions set out in Note (i) and (iii) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, their details are disclosed on pages 33 to 37 in the Report of the Directors.

30. COMPARATIVE AMOUNTS

As further explained in Note 22 to the financial statements, certain comparative figures in the statement of cash flows have been reclassified to conform to the current year's presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2016.