



HGrace | 華虹宏力

HUA HONG SEMICONDUCTOR LIMITED
華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(於香港註冊成立之有限公司)

(Stock Code: 1347)

(股份代號：1347)

ANNUAL REPORT 2017 年度報告

新時代
芯
征程
Sailing On A New Journey



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DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Annual General Meeting” or “AGM”	an annual general meeting of the Company to be held on 10 May 2018 at 2:00 p.m. at the Island Shangri-La Hong Kong, Pacific Place, Supreme Court, Hong Kong;
“Board”	the board of Directors of the Company;
“Capital Increase Agreement”	the Capital Increase and Subscription Agreement dated 3 January 2018 entered into by the Company, HHGrace, HH-Wuxi, China Integrated Circuit and Wuxi Xi Hong Lian Xin;
“CEC”	China Electronics Corporation (中國電子信息產業集團有限公司), a company incorporated in the PRC in May 1989 and a substantial shareholder of Huahong Group;
“China Integrated Circuit”	China Integrated Circuit Industry Investment Fund Co., Ltd., a company incorporated in the PRC on 26 September 2014; its shareholders include the Ministry of Finance, the enterprises in the Integrated Circuit Industry Cluster, large-scale state-owned enterprises, certain financial institutions and private enterprises. It mainly focuses on the manufacturing of semiconductor wafers and takes into account the upstream and downstream links covering wafer and IC design, package test, equipment and materials et alia;
“China” or “the PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context otherwise requires, references in this annual report to “China” and the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
“Company” or “our Company”	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability on 21 January 2005 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries;
“Company Secretary”	the company secretary of the Company;
“Director(s)”	the director(s) of the Company;
“EPS”	earnings per share;
“Executive Director(s)”	the executive director(s) of our Company;
“Grace Cayman”	Grace Semiconductor Manufacturing Corporation, an exempted company with limited liability incorporated in the Cayman Islands on 5 October 1999 and a wholly-owned subsidiary of our Company;
“Grace Shanghai”	Shanghai Grace Semiconductor Manufacturing Corporation (上海宏力半導體製造有限公司), a company incorporated in the PRC on 20 December 2000 and a wholly-owned subsidiary of our Company;

“Group”	our Company and our subsidiaries or, in respect of the period before our Company became the holding company of our present subsidiaries (or became such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be);
“HHGrace”	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a company incorporated in the PRC on 24 January 2013 and a wholly-owned subsidiary of our Company;
“HHNEC”	Shanghai Hua Hong NEC Electronics Co., Ltd. (上海華虹NEC電子有限公司), a company incorporated in the PRC on 17 July 1997 and a wholly-owned subsidiary of our Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong Microelectronics Co., Ltd. and renamed as Shanghai Huahong (Group) Co., Ltd. in 1998, and a controlling shareholder of our Company;
“Huahong Real Estate”	Shanghai Huahong Real Estate Co., Ltd. (上海華虹置業有限公司), a company incorporated in the PRC on 28 October 2011 and a wholly-owned subsidiary of Huahong Technology Development;
“Huahong Technology Development”	Shanghai Huahong Technology Development Co., Limited (上海華虹科技發展有限公司), a connected person, a company incorporated in the PRC on 10 May 2010, and a company 50% held by and consolidated with Huahong Group and 50% held by HHNEC;
“HH-Wuxi”	Hua Hong Semiconductor (Wuxi) Limited, a company incorporated in the PRC on 10 October 2017. Upon such incorporation, HH-Wuxi was held as to 100% by HHGrace, a wholly-owned subsidiary of the Company, and will continue to be a member of the Group following the completion of the transactions contemplated under the JV Agreement and the Capital Increase Agreement. Upon completion of the capital injection under the JV Agreement and the Capital Increase Agreement, HH-Wuxi will be held as to approximately 51.0% by the Company, of which 22.2% will be held directly by the Company and 28.8% will be held indirectly by the Company through HHGrace; China Integrated Circuit and Wuxi Xi Hong Lian Xin will hold approximately 29.0% and 20.0% of HH-Wuxi, respectively;
“Independent Non-Executive Director(s)”	the independent non-executive director(s) of our Company;
“INESA”	INESA (Group) Co., Ltd. (上海儀電(集團)有限公司), formerly known as INESA Holding Group (上海儀電控股(集團)有限公司), a state-owned company incorporated in the PRC in December 1993, and a controlling shareholder of our Company;
“JV Agreement”	the JV Agreement dated 3 January 2018 entered into by the Company, HHGrace, HH-Wuxi, China Integrated Circuit and Wuxi Xi Hong Lian Xin;

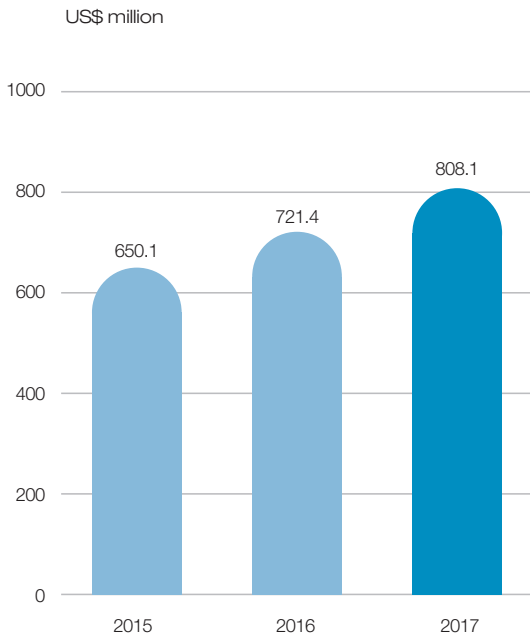


DEFINITIONS

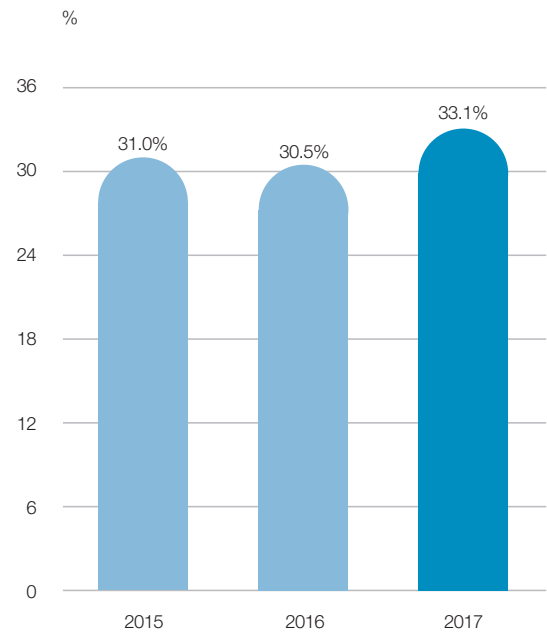
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
“Merger”	the merger of Grace Cayman and Hua Hong Semiconductor (Cayman) Inc., an exempted company established by the Company in the Cayman Islands;
“NEC”	NEC Corporation, a company incorporated in Japan and founded in 1899 as Nippon Electric Company, Limited;
“Non-Executive Director(s)”	the non-executive director(s) of our Company;
“QST”	QST Corporation (上海矽睿科技有限公司), a company incorporated in the PRC on 13 September 2012 and a connected person;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAIL”	Shanghai Alliance Investment Ltd (上海聯和投資有限公司), a company incorporated in the PRC on 26 September 1994, and a controlling shareholder of our Company;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“Shanghai Huali”	Shanghai Huali Microelectronics Co., Ltd (上海華力微電子有限公司), a company incorporated in the PRC on 18 January 2010 and a connected person;
“Shareholders”	holders of ordinary shares in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Wuxi Xi Hong Lian Xin”	Wuxi Xi Hong Lian Xin Investment Co., Ltd., a professional investment company incorporated in the PRC on 19 December 2017, jointly established by municipal and district-level state-owned enterprises.

KEY FINANCIALS

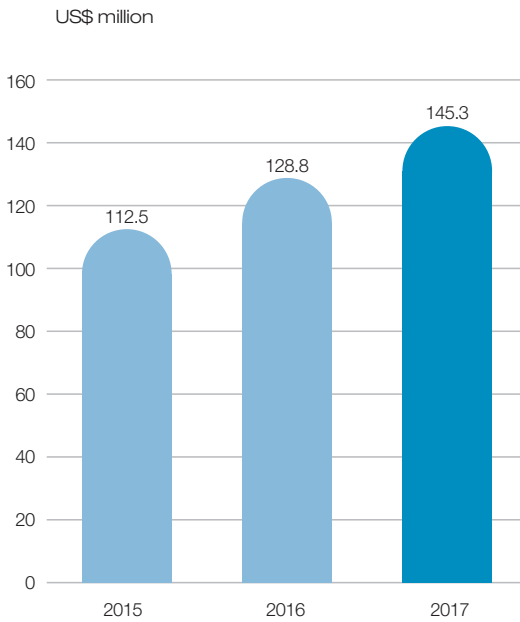
Revenue



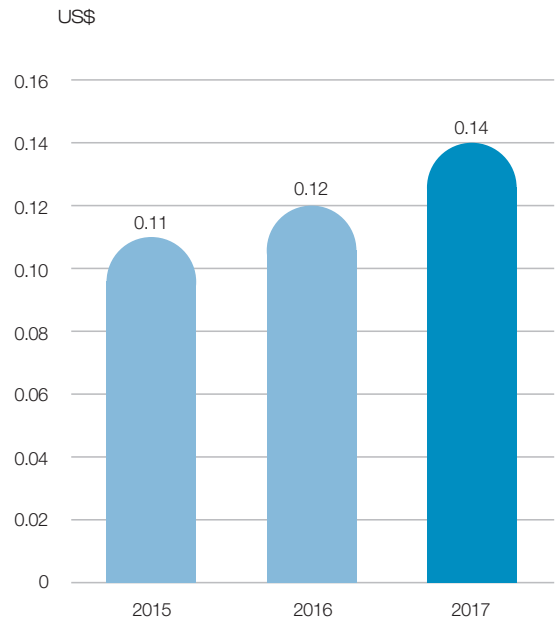
Gross Profit Margin



Net Profit



EPS





LETTER TO SHAREHOLDERS



A group photo of members of the Board and the Secretary to the Board of the Company

(From left to right) Yuchuan Ma, Jianbo Chen, Kwai Huen Wong, Takayuki Morita, Suxin Zhang (Chairman & Executive Director), Long Fei Ye, Stephen Tso Tung Chang, Jun Ye, Yu Wang (President & Executive Director) and Daniel Yu-Cheng Wang (Secretary)



LETTER TO SHAREHOLDERS

Dear Shareholders,

The global semiconductor market grew by more than 20% in 2017. Contributing significantly to this growth, China's integrated circuit industry was a leader in terms of scale and growth, driven by markets, capital and policy.

The Group mustered all its strengths and made technological and marketing breakthroughs, achieving record results thanks to the efforts of all employees and the support of all shareholders. Moreover, we began implementation of strategic plans to enable future growth, laying a solid foundation for the Group to be an even stronger and more successful global leader in pure-play wafer fabrication in the future.

In the previous fiscal year, we successfully accomplished our objectives, and achieved an outstanding level of performance. The capacity of the three fabs was expanded in a prudent and orderly fashion, with the output successively breaking previous record highs, reaching a monthly total capacity of 168,000 wafers as at the end of 2017. The Group's revenue, gross margin and net profit for the year all hit new highs, greatly exceeding those in 2016: Revenue grew to US\$808 million, an increase of 12%; gross margin was 33.1%, an increase of 2.6 percentage points; net profit amounted to US\$145 million, an increase of 12.8%. We are justifiably proud of the fact that the Group has been profitable for 28 consecutive quarters.

Clearly defined strategies guide our sustained, viable growth. Judicious implementation of four of these strategies – continuous expansion + innovation of differentiated technologies + global market + evolving strategy – resulted in improvements in scale, quality, R&D capability, overall benefit and market competitiveness. With the spirit of craftsmanship, we maintained a leading position in multiple technical fields, such as embedded non-volatile memory (eNVM), power discrete, analog and power management (PM), logic and RF SOI. Based on our corporate orientation of *high technology, high growth and high profit*, we achieved remarkable success in our core businesses. Our strong product performance covers virtually all related fields, especially financial IC and ID cards, as well as deep-trench super-junction (DT-SJ), IGBT and PM ICs.

While strengthening innovation, we have also consolidated our leading position in segment markets by relying on a wide, flexible global layout. As the world's largest provider of 200mm pure-play foundry services for power-discrete, we have shipped about 5.7 million 200mm power discrete wafers. Through close cooperation with our top-class customers, the Group's total shipments of financial card ICs also hit another new high, with a year-on-year increase of more than 200% in 2017. Furthermore, the shipment of smart card ICs with a payment function, such as pure financial IC cards, social security cards and resident health cards, reached circa 430 million. Shipment of Micro Controller Unit (MCU) ICs exceeded 300,000 200mm wafers and continues to grow steadily.

By virtue of our innovative R&D, we have received several awards for our core technologies, including among others the "2017 CITE Innovative Products and Application Award", the "First Prize of Scientific and Technological Progress Award in Pudong New Area" and recognition as having the "2017 Excellent MCU Manufacturing Process Platform". Our strength and directed ambition led to us being honored as one of "China Top Ten Semiconductor Manufacturers" and "Most Recognized Foundry Category of the Greater China IC Design Achievement Awards". In recognition of our responsibility and compassion, we were included as a member of the "Top 50 Enterprises for Social Contributions in the Chinese Electronics Information Industry".

We have no intention of resting on our laurels. We moved to concretely realize a bright future by resolutely deciding to build a strong foundation for greatly expanded growth. On 14 February 2018, the Company and Shanghai Huahong Grace Semiconductor Manufacturing Corporation ("HHGrace"), together with China Integrated Circuit Industry Investment Fund Co., Ltd. ("China Integrated Circuit") and Wuxi Xi Hong Lian Xin Investment Co., Ltd. ("Wuxi Xi Hong Lian Xin") formed a joint venture for a 300mm-wafer fab – *Hua Hong Semiconductor (Wuxi) Limited* (HH-Wuxi). This project, with an investment of US\$2.5 billion, has been formally kicked off in the Wuxi High-tech Industrial Development Zone.



LETTER TO SHAREHOLDERS

We decided to set this new course, catching the wave of emerging innovative applications such as the Internet of Things (IoT), artificial intelligence (AI), 5G, new energy automobiles, etc., all of which will cause significant, revolutionary changes in our social life. Semiconductors are the basic technology of the digital and information era and will accordingly experience another round of development high tides. China's semiconductor industry has already shown a flourishing trend attributable to the interaction and mutual enhancement of "Made in China 2025" and "Internet+". An even greater increase is expected to follow soon due to the recent decision by the 13th National People's Congress to rank semiconductors as the number one priority in a "real economy". The semiconductor industry has definitely entered a prosperous era with huge demand, and the Group will steer our ship to keep pace with the trend, staying in a leading position and growing our market share accordingly.

With this rising tide, 2018 is the right time for us to set sail to new shores and focus more attention on key fields such as smart control, 5G, automobile electronics, IoT and green energy. At the same time, we must persist in our differentiated innovation strategy, accelerate R&D and optimization of process platforms and supporting IP, and consolidate our leading position in existing advantageous fields. The spirit of the new era will guide us as we implement the 300mm wafer foundry project with prudent, compliant strategies while remaining flexible in mechanisms and actions. We will maintain our market sensitivity and insight to intensify the long-term success of our 200mm wafer business and grow and strengthen the potential of HH-Wuxi. We will take a more pro-active stance to cope with global market competition and make substantial contributions to the leapfrog development of China's semiconductor industry.

We genuinely express our sincere gratitude and best wishes to all our valued shareholders, customers, partners and employees. New technologies ignite innovation, while innovation lights the path ahead. Following this guiding light, the Group is running under full sail toward the promising horizon. We will successfully navigate the currents, reach new shores and extend our performance to satisfy all stakeholders on our journey through 2018.

Mr. Suxin Zhang

Chairman and Executive Director

Mr. Yu Wang

President and Executive Director

Hong Kong
29 March 2018

CORPORATE INFORMATION

Corporate Culture



Vision

We empower our customers through continuous innovation



Mission

Creating value for shareholders, customers and employees through collaboration, innovation and being a good corporate citizen



Spirit

Disruptive Innovation, Confidence, Initiative and Teamwork



CORPORATE INFORMATION

Board of Directors

Executive Directors

Suxin Zhang (*Chairman*)

Yu Wang (*President*)

Non-Executive Directors

Jianbo Chen

Yuchuan Ma

Takayuki Morita

Jun Ye

Independent Non-Executive Directors

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye

Company Secretary

Xiaojun Wang (*Solicitor*)

Authorized Representatives

Yu Wang

Xiaojun Wang (*Solicitor*)

Audit Committee

Stephen Tso Tung Chang (*Chairman*)

Long Fei Ye

Jun Ye

Remuneration Committee

Kwai Huen Wong, JP (*Chairman*)

Long Fei Ye

Jianbo Chen

Nomination Committee

Suxin Zhang (*Chairman*)

Kwai Huen Wong, JP

Long Fei Ye

Website

www.huahonggrace.com

Auditor

Ernst & Young

Certified Public Accountants

22nd Floor, CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

Legal Advisor

Herbert Smith Freehills

23/F, Gloucester Tower

15 Queen's Road Central

Hong Kong

Principal Banks

Shanghai Pudong Development Bank Shanghai Branch

No. 12, Zhongshan East 1st Road

Shanghai, PRC

Industrial and Commercial Bank of China Shanghai Branch

No. 9, Pudong Avenue

Pudong New Area

Shanghai, PRC

China Construction Bank Shanghai Branch

No. 900, Lujiazui Ring Road

Pudong New Area

Shanghai, PRC

Bank of Communications Shanghai Branch

No. 188, Yincheng Middle Road

Shanghai, PRC

China Development Bank Shanghai Branch

No. 68, Puming Road

Shanghai, PRC

China Construction Bank Corporation Hong Kong Branch

28/F, CCB Tower, 3 Connaught Road, Central

Hong Kong

Bank of Communications Co., Ltd. Hong Kong Branch

20 Pedder Street, Central

Hong Kong

China Development Bank Jiangsu Branch

No. 232, Middle Jiangdong Road

Nanjing, Jiangsu, PRC

Agricultural Bank of China Wuxi Xinwu Branch

No. 26, Hefeng Road

Xinwu District

Wuxi, Jiangsu, PRC

Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Room 2212, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Principal Place of Business and Head Office

288 Halei Road
Zhangjiang Hi-Tech Park
Shanghai 201203, PRC

Stock Code

1347



DIRECTORS AND SENIOR MANAGEMENT TEAM

Board of Directors

As of the date of this report, the Board consisted of nine Directors, including two Executive Directors, four Non-Executive Directors and three Independent Non-Executive Directors. They are:

Mr. Suxin Zhang, aged 54, was appointed on 11 March 2016 as an Executive Director and chairman of our Company and a member of and chairman of the nomination committee of the Company. Mr. Zhang is currently chairman and secretary of the communist party of Huahong Group. He is also chairman of Shanghai Huali Microelectronics Co., Ltd and the legal representative and chairman of HH-Wuxi. Mr. Zhang has extensive experience in hi-tech strategic development, energy strategy research and the power equipment industry. Mr. Zhang held various positions, including president of Shanghai Turbine Co., Ltd., executive vice president of Shanghai Electric Power Generation Group, chairman of Siemens Gas Turbine Parts Co., Ltd., executive director of Shanghai Electric Group Company Limited, vice president of Shanghai Electric (Group) Corporation, secretary of the communist party and general manager of Shanghai Jinqiao (Holdings) Limited, chairman and secretary of the communist party of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. and deputy director of both the Shanghai Municipal Development and Reform Commission and the Administration Commission of Shanghai Hi-Tech Industrial Parks. Mr. Zhang graduated from Tsinghua University with a bachelor's degree in engineering, and is a professor-level senior engineer.

Mr. Yu Wang, aged 45, has been an Executive Director and president of our Company since February 2012. He is currently director and general manager of Hua Hong Semiconductor (Wuxi) Limited. He started his career at Shanghai Hua Hong Microelectronics Co., Ltd. in 1997. From January 1998 to October 2003, he served as the financial department manager and director of HHNEC. From October 2003 to March 2010, Mr. Wang served as vice president and chief financial officer of HHNEC, during which period he contributed to the setup from construction to production of the first 200mm wafer semiconductor production line in Mainland China. In March 2010, Mr. Wang joined Grace Shanghai first as vice president and was subsequently appointed president in September 2010. As president, he was instrumental in the successful consummation of the Merger and restructuring of HHNEC and Grace Shanghai. Mr. Wang holds a bachelor's degree in international trade and a master's degree in international finance from Shanghai University of Finance and Economics.

Mr. Jianbo Chen, aged 53, has been a Non-Executive Director of our Company since February 2012. Mr. Chen is also vice president of Huahong Group, vice chairman of Huahong Technology Development and a director of Hua Hong Semiconductor (Wuxi) Limited. Mr. Chen has over 15 years of experience in electronics engineering. Mr. Chen held various positions, including deputy general manager of Shanghai Science and Technology Investment, the general manager of Shanghai Zhangjiang (Group) Co., Ltd., and office manager of Zhangjiang Innovation Park, president of the Shanghai Integrated Circuit Research & Development Center Limited and chairman of Shanghai Huahong Jitong Smart System Co., Ltd. (Stock Code: 300330.SZ). Mr. Chen obtained a bachelor's degree in electronics engineering, a master's degree in electromagnetics and microwave technology, a doctorate degree in communications and electronics systems from Shanghai Jiao Tong University, and a master's degree in business administration from China Europe International Business School.

Mr. Yuchuan Ma, aged 52, has been a Non-Executive Director of our Company since May 2014. Mr. Ma has over 20 years of experience in the electronics and information industry. Mr. Ma is currently vice general manager of Huada Semiconductor Co., Ltd. and also serves as a director of the following companies: Shanghai Belling Co., Ltd (Stock Code: 600171. SH), China Electronics Corporation Holdings Company Limited (Stock Code: 00085.HK), Nanjing Weimeng Electronics Co., Ltd. and CEC Huahong International Co., Ltd.. Mr. Ma held various positions in CEC, including vice general manager of the integrated circuit business group and the deputy general manager of the planning, science & technology department. Mr. Ma graduated from Zhejiang University with a bachelor's degree in semiconductor physics and devices.

DIRECTORS AND SENIOR MANAGEMENT TEAM

Mr. Takayuki Morita, aged 58, has been a Non-Executive Director of our Company since July 2009. Mr. Morita joined NEC in April 1983. From 1983 to 2011, he held various positions in NEC, including manager of the international planning division, and senior vice president and executive general manager of the corporate business development unit. Mr. Morita is currently the executive vice president and the chief global officer at NEC and has held this position since April 2016. He also served as an auditor at Japan Aviation Electronics Industry Ltd from 24 June 2008 to 26 June 2012. He currently has board representation in NEC as well as in Japan Aviation Electronics. Mr. Morita graduated with a bachelor's degree in law from the University of Tokyo.

Mr. Jun Ye, aged 45, has been a Non-Executive Director of our Company since February 2012. Mr. Ye has 20 years of experience in finance and investment. Since 1996, Mr. Ye has held various positions within the business development and investment banking divisions of Shanghai Alliance Investment Ltd. In December 2009, he was promoted to his current position as vice president. Mr. Ye is also a director at Huahong Group, Shanghai Huali, Bank of Shanghai and Sino-US United MetLife Insurance Company Limited. Mr. Ye also serves as the chairman of Shanghai Zhaoxin Semiconductor Ltd. and Sino Therapeutics Inc. Mr. Ye obtained a bachelor's degree in industrial and international trade and a master's degree in business administration from Shanghai Jiao Tong University.

Mr. Stephen Tso Tung Chang, aged 69, is an Independent Non-Executive Director of our Company. Mr. Chang has extensive experience in accounting, auditing and financial management. He was a certified public accountant in Hong Kong and a member of the Hong Kong Society of Accountants from 1978 to the end of 2003. Mr. Chang was also a fellow member of the Institute of Chartered Accountants in England and Wales since January 1983, and he held various positions at Ernst & Young starting in 1976. He became a management committee member of Ernst & Young in 1989 and was actively involved in establishing and monitoring the firm's internal control and risk management policy and procedures. Prior to his promotion to managing partner of the professional services department, he was chairman of Ernst and Young's audit and advisory business services for four years. He was a partner of Ernst and Young and the chairman of Ernst and Young China and Hong Kong prior to his retirement in 2003. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Fudan University Education Development Foundation (overseas). He is also an independent non-executive director of three Hong Kong listed companies, China Cinda Asset Management Co., Ltd. (stock code: 1359.HK), Kerry Properties Limited (stock code: 683.HK), and China Life Insurance Company Ltd. (stock code: 2628. HK). He was formerly an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (stock codes: 601601.SH and 2601.HK). Mr. Chang obtained a bachelor's of science degree in food science and chemistry from the University of London.



DIRECTORS AND SENIOR MANAGEMENT TEAM

Mr. Kwai Huen Wong, BBS, JP, aged 66, is an Independent Non-Executive Director of our Company. Mr. Wong was admitted to practice as a solicitor in Hong Kong in October 1985 and in England & Wales in July 1989. He was admitted as a fellow member of the Chartered Institute of Arbitrators in June 1999 and was the chairman of the Hong Kong International Arbitration Centre in 2011 to 2013. Mr. Wong has been a council member of the Law Society of Hong Kong from 2000 until now and president of the council from 2009 to 2011. From 2011 to the present, he was the chairman of the Copyright Tribunal of Hong Kong. He has been a council member of the Hong Kong Institute of Directors and the deputy chairman of the Inland Revenue Board of Review. He was also a board member of the Hong Kong Airport Authority and Competition Committee from 2012 to 2017 and was the chairman of the Communications Authority of Hong Kong from March 2017 to February 2018 and is currently a member of the Hong Kong Hospital Authority and the Hong Kong Mortgage Corporation Limited. He was appointed as the managing partner for China operations of Fried, Frank, Harris, Shriver & Jacobson from November 2006 to February 2011, and has held the position of managing partner to that firm since March 2011. Mr. Wong is currently an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (stock codes: 000039.SZ and 2039.HK), China Oilfield Services Limited (stock codes: 2883.HK and 601808.SZ) and Vinda International Holdings Limited (stock codes: 3331.HK). Since December 2015, Mr. Wong has been serving as honorary consultant for Financial Reporting Council. Mr. Wong graduated with a bachelor's degree in arts from Chinese University of Hong Kong, a bachelor's degree in Law and a solicitor certificate from the University of London and British Law School, and also with a certificate in PRC Law issued by the China Law Society.

Mr. Long Fei Ye, aged 76, is an Independent Non-Executive Director of our Company. Mr. Ye held various positions in the Shanghai Municipal Government. Mr. Ye was relocated to Hong Kong in 1991, and served until 1995 as the chief executive of the "Shanghai Desk", which was a cooperation arrangement for promoting Shanghai between the Shanghai government and Arthur Andersen & Co. He then joined Kerry Holdings Limited in 1995, and served as the chairman and deputy chairman of Shangri-La Asia Limited from October 2000 to August 2003 and August 2003 to March 2007, respectively. He was an advisor to Shangri-La Asia Limited from March 2007 to February 2018. Mr. Ye obtained a bachelor's and master's degree, both in physics from Fudan University.

Senior Management

As of the date of this report, the Company's senior management includes:

Mr. Suxin Zhang, aged 54, was appointed as an Executive Director and Chairman of our Company on 11 March 2016. For more information about Mr. Zhang's past experience and academic background, see the section headed "Directors and Senior Management Team – Board of Directors".

Mr. Yu Wang, aged 45, is an Executive Director and the president of our Company. For more information about Mr. Wang's past experience and academic background, see the section headed "Directors and Senior Management Team – Board of Directors".

Mr. Wei Xu, aged 60, is an executive vice president of our Company and secretary to the communist party committee. He is responsible for manufacturing and engineering, human resources, administrative, and security management of our Group. Mr. Xu participated in the startup of HHNEC in July 1997 and made significant contributions to the set-up of the first 200mm wafer semiconductor production line in Mainland China. He has since held various positions at HHNEC in manufacturing, technology and quality control. From June 2012 to October 2013, Mr. Xu was the acting president of HHNEC. Prior to joining HHNEC, Mr. Xu worked with Wuxi Huajing Electronics Group. Mr. Xu graduated from Xi'an Jiaotong University majoring in semiconductor physics and devices with a bachelor's degree in engineering. He further enrolled in post-graduate studies at Tsinghua University, and he is a professor-level senior engineer.

DIRECTORS AND SENIOR MANAGEMENT TEAM

Mr. Heng Fan, aged 56, is an executive vice president of our Company and is responsible for Sales and Marketing. Prior to joining our Group at the end of 2014, Mr. Fan was director and president of Shanghai Huahong Jitong Smart System Co. Ltd from 2003 to 2014. Before this, he held various positions including research analyst/deputy director of Shanghai Institute of Microsystem and Information Technology, Chinese Academy of Science, and vice president of Shanghai Huahong Integrated Circuit Co. Ltd. Mr. Fan received his bachelor's degree in microelectronics from the Electronic Engineering Department of Fudan University and his master's degree in Semiconductor Physics and Semiconductor Device Physics from Shanghai Institute of Microsystem and Information Technology, Chinese Academy of Science.

Mr. Daniel Yu-Cheng Wang, aged 55, is an executive vice president of our Company and oversees finance, information technology, listed company affairs, and international human resources for our Group. He joined Grace Shanghai in April 2001 and played a central leadership role in each stage of Grace Shanghai's development and in the preparation for and implementation of the Merger and the successful initial public offering of the Company. Mr. Wang has been secretary of the Board of the Company since February 2012. Prior to joining Grace Shanghai, Mr. Wang worked at LSI Logic Corporation in Silicon Valley, U.S. from August 1995 to March 2001 as the division controller in the broadband entertainment division. Before joining LSI Logic Corporation, Mr. Wang was employed by Franklin Templeton Investments in the U.S.. Mr. Wang obtained a bachelor's of science degree in industrial engineering and operations research from College of Engineering, University of California, Berkeley, and a master's of business administration in finance and banking from the University of San Francisco.

Dr. Weiran Kong, aged 54, is an executive vice president of our Company and is in charge of technology development. He joined Grace Shanghai in March 2003 and has 20 years' experience in the semiconductor industry, with a proven track record of driving innovations in the area of NOR Flash, Logic and embedded Flash. Before joining Grace Shanghai, Dr. Kong was based in the U.S. and has worked for Sun Microsystems, Inc., LSI Logic Corporation and ISSI. He obtained a bachelor's degree in physics from Nankai University in Tianjin and graduated with a master's of science degree in electrical engineering and a doctorate degree in applied physics from Oregon Graduate Institute of Science & Technology in the U.S.. Dr. Kong holds 13 U.S. patents, 49 PRC patents and co-authored over 20 technical papers.

Mr. Weiping Zhou, age 51, joined the Company at the beginning of 2018 as an executive vice president. Prior to joining the Company, Mr. Zhou was the executive vice president of Shanghai Belling Corporation Limited, the general manager of Ningbo Shanshan Ulica Solar Technology Developing Company Limited, the general manager of Shanghai Belling Microelectronics Manufacturing Company Limited, the deputy secretary to the communist party committee, president, chief executive officer, secretary to the communist party committee and vice president of Advanced Semiconductor Manufacturing Corporation Limited. Mr. Zhou graduated from East China Normal University with a bachelor's degree in solid state electronic technology, and subsequently obtained a master's degree in business administration from Fudan University.

Dr. Qi Li, aged 55, is a vice president of our Company and is currently responsible for purchasing, logistics, testing, quality assurance, and planning. Dr. Li has over 20 years of professional working experience and joined Grace Shanghai in January 2003. Prior to that, he was the senior engineering manager at Applied Materials, Inc., in the U.S. from 1995 to 2002. Dr. Li received a bachelor's degree in physics from Peking University and his master's and doctorate degrees in physics from the University of Maryland.



DIRECTORS AND SENIOR MANAGEMENT TEAM

Mr. Tony Chen, aged 59, was a vice president of our Company throughout 2017 and was responsible for regional sales and customer support until he resigned in December 2017. Mr. Chen has over 20 years of experience in the semiconductor industry and joined Grace Shanghai in March 2006. Prior to that, he worked for Chartered Semiconductor Manufacturing Ltd (which was later acquired by Global Foundry) from January 1994 to February 2006 and was the chief representative for Chartered Semiconductor Manufacturing Ltd.'s China Representative Office from August 2002 until February 2006. Mr. Chen received his bachelor's degree in semiconductor physics from the Sun Yat-Sen University. He obtained his master's degrees of Science (M.Sc.) and University Administration (M.U.A.) from the University of Glasgow.

Dr. Steven Lin, aged 56, is a vice president of our Company and currently leads regional sales for North America and Japan. He worked in various non-volatile memory technology development roles at several leading semiconductor companies in the U.S. and joined Grace Shanghai in August 2006. Dr. Lin received his bachelor's of science and master's of science degrees in electrical engineering from Massachusetts Institute of Technology, and a doctorate degree in electrical engineering from the California Institute of Technology.

Mr. Bill Lin, aged 49, is a vice president of our Company and is currently responsible for our Fab 3 operations. He has over 20 years of working experience in the semiconductor industry and joined Grace Shanghai in August 2000. Before joining Grace Shanghai, he worked for Texas Instruments-Acer Inc. (later merged with Taiwan Semiconductor Manufacturing Company Limited) from 1995 to August 2000. Mr. Lin received his master's degree in chemical engineering from the National Taiwan University of Science and Technology (previous known as National Taiwan Institute of Technology in Taiwan).

Mr. Mirko Sonntag, aged 41, is a vice president of our Company and is currently responsible for the Company's sales operations and customer service in Europe. His expertise encompasses demand and supply chain planning and business operations, with a strong foundation in business development. Mr. Sonntag joined Grace Shanghai in October 2008. Prior to that, he worked at Infineon Technologies AG in Germany. Mr. Sonntag obtained a diploma in process engineering and economics from the University of Applied Sciences Berlin and School of Economics Berlin, Germany.

Ms. Ying Chen, aged 45, is a vice president of our Company and currently responsible for general administration, corporate image communication, compliance and listed company affairs. Ms. Chen joined Grace Shanghai in April 2001 and has 20 years of administrative experience. Prior to this, Ms. Chen worked at Shanghai Fudan Forward Science and Technology Co., Ltd.. Ms Chen graduated from Fudan University with a bachelor's degree in law, and subsequently obtained a master's degree in business administration from Renmin University of China and is a senior economist.

Mr. Guangping Hua, aged 51, is a vice president of our Company and is currently responsible for our Fab 1 operations. He has over 20 years of working experience in the semiconductor industry and joined HHNEC in July 2007. Before joining HHNEC, Mr. Hua has worked for Chartered Semiconductor Manufacturing Limited (Singapore) and Advanced Semiconductor Manufacturing Corporation Limited. Mr. Hua graduated from Tsinghua University with a master's degree in microelectronics engineering.

Mr. Liang Yao, aged 53, is a vice president of our Company and is currently responsible for our Fab 2 operations. He has nearly 30 years of working experience in the semiconductor industry and joined HHNEC in August 1997. Before joining HHNEC, he worked for China Huajing Electronics Group Co., Ltd. from 1987 to October 1996. Mr. Yao received his bachelor's degree in metal materials studies from Nanjing Institute of Technology.

DIRECTORS AND SENIOR MANAGEMENT TEAM



Company Secretary

Mr. Xiaojun Wang, aged 63, was our joint Company Secretary from June 2014, and has been appointed as our Company Secretary since June 2016. He is a practicing solicitor admitted in the PRC, Hong Kong and England and Wales. He joined The Stock Exchange of Hong Kong Limited in 1992 and worked at Richards Butler, Peregrine Capital Limited and ING Barings Securities (Hong Kong) Limited. In 2001, he established X. J. Wang & Co. that was merged with Jun He Law Offices in 2009. He is currently a partner of Jun He Law Offices. From 2011 to 2012, Mr. Wang was a managing director of CCB International (Holdings) Limited. He was an independent non-executive director of Guangzhou Shipyard International Company Limited (stock codes: 317.HK and 600685.SH) from 2005 to 2011. From 2008 to 2014, Mr. Wang served as an independent non-executive director of NORINCO International Company Limited (stock code: 000065.SZ). He was an independent non-executive director of Yanzhou Coal Mining Company Limited (stock codes: 1171.HK, 600188.SH and YZC) from 2011 to 2017. Mr. Wang also serves as an independent non-executive director of OP Financial Investments Limited (stock code: 1140.HK), China Aerospace International Holdings Limited (stock code: 31.HK), and Livzon Pharmaceutical Group Inc. (stock codes: 1513.HK and 000513.SZ). Mr. Wang obtained a bachelor's degree in laws from the Renmin University of China and a master of laws degree from the Chinese Academy of Social Sciences.



CORPORATE GOVERNANCE REPORT





CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the year ended 31 December 2017.

Corporate Governance Practices

The Company diligently practises good corporate governance and has established corporate governance procedures that comply with the principles in the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules.

Compliance with the Code Provisions

During the year ended 31 December 2017, the Company complied with the Code.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 31 December 2017, complied with the required standards set out therein.

Board of Directors

The Board is entrusted with the overall responsibility of managing the Company’s business and affairs and has the ultimate responsibility for the day-to-day management of the Company, which is delegated to the chairman and the management.

The Board currently comprises a total of nine Directors, with two Executive Directors, Mr. Suxin Zhang (chairman) and Mr. Yu Wang (president); four Non-Executive Directors, Mr. Jianbo Chen, Mr. Yuchuan Ma, Mr. Takayuki Morita and Mr. Jun Ye; and three Independent Non-Executive Directors, Mr. Stephen Tso Tung Chang, Mr. Kwai Huen Wong, JP and Mr. Long Fei Ye. More details of the Directors are disclosed on pages 12 to 14 of this annual report. The Company publishes and maintains on its website and on the Stock Exchange’s website an updated list of the Directors identifying their roles and functions.

Each of the Non-Executive Directors of the Company is appointed for a specific term of three years and is subject to re-nomination and re-election by the Company in general meetings unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director’s service contract.

The Board meets regularly throughout the year. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

The Board is responsible for setting the strategic direction and policies of the Group and supervising management. Some functions are reserved by the Board, including, inter alia, the monitoring and approval of material transactions; matters involving a conflict of interest with a Director or a substantial shareholder of the Company; the approval of the quarterly, interim and final results; other disclosures to the public or regulators; and the internal control system. Decisions relating to such matters shall be subject to formal decisions of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to management under the supervision of the respective Director(s) and the leadership of the chairman.



CORPORATE GOVERNANCE REPORT

The chairman is responsible for formulating business strategies and provides leadership to the Board, ensuring effective running of the Board, including that all appropriate issues are discussed by the Board in a timely manner. The chairman ensures that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

The roles of the chairman and the president are separate. The chairman is responsible for the overall management and operations of the Company and for proposing and reviewing the corporate directions and strategies of the Company. The president is responsible for the day-to-day management of the Company's business and operations as well as the implementation of the Company's business strategies.

During the year ended 31 December 2017, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors representing at least one-third of the Board; one of the Independent Non-Executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Directors' and Officers' Liabilities Insurance

Appropriate insurance cover has been arranged by the Company to cover potential liabilities of Directors and officers of the Company regarding legal actions against said Directors and officers of the Company, or its subsidiaries, arising out of corporate activities of the Company.

Board Operation

During the year ended 31 December 2017, the Board held seven Board meetings. The attendance record of each Board member at Board meetings and the attendance of the respective members at meetings of the audit committee, the nomination committee and the remuneration committee is set out below:

	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings
Executive Directors				
Suxin Zhang	7	N/A	1	N/A
Yu Wang	7	N/A	N/A	N/A
Non-Executive Directors				
Jianbo Chen	6	N/A	N/A	1
Yuchuan Ma	7	N/A	N/A	N/A
Takayuki Morota	7	N/A	N/A	N/A
Jun Ye	5	4	N/A	N/A
Independent Non-Executive Directors				
Stephen Tso Tung Chang	7	5	N/A	N/A
Kwai Huen Wang, JP	7	N/A	1	1
Long Fei Ye	7	5	1	1

In place of physical meetings, the Board may circulate written resolutions for approval by the relevant members of the Board except for matters where a substantial shareholder or a Director has a conflict of interest that the Board has determined to be material in compliance with Code Provision A.1.7.

The Board, having considered the attendance records of the Directors, is satisfied that each Director spends sufficient time performing his responsibilities.

Continuous Professional Development

Directors shall keep abreast of their responsibilities as Directors and of the conduct, business activities and development of the Company.

Under Code Provision A.6.5 the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2017, all Directors were provided with timely updates on the Company's performance, financial position, prospects, and materials on new or salient changes to laws and regulations applicable to the Group, to enable the Board as a whole and each Director to discharge their duties. Internally-facilitated briefings for the Directors will be arranged in the next financial year and reading material on relevant topics will be issued to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") currently comprises one Non-Executive Director, Mr. Jianbo Chen, and two Independent Non-Executive Directors, Mr. Kwai Huen Wong, JP and Mr. Long Fei Ye. The chairman of the Remuneration Committee is Mr. Kwai Huen Wong, JP. The roles and functions of the Remuneration Committee include the determination of the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and making recommendations to the Board in connection with the remuneration of the Non-Executive Directors. The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. A copy of the terms of reference of the Remuneration Committee is available from the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once a year.

During the year ended 31 December 2017, one meeting of the Remuneration Committee was held to review the share option scheme of the Company which was approved by an extraordinary general meeting of the Company held on 1st September 2015.

Details of the emoluments of the Directors are set out in note 8 to the Financial Statements.



CORPORATE GOVERNANCE REPORT

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") currently comprises one Executive Director, Mr. Suxin Zhang, and two Independent Non-Executive Directors, Mr. Kwai Huen Wong, JP and Mr. Long Fei Ye. The chairman of the Nomination Committee is Mr. Suxin Zhang. The role and function of the Nomination Committee are to review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with due regard to the board diversity policy, identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of Independent Non-Executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the president, and monitor the implementation of the board diversity policy and review such policy, as appropriate, to ensure its effectiveness. The Nomination Committee has established a specific written committee charter which deals clearly with its authority and duties. A copy of the terms of reference of the Nomination Committee is available from the Company's website and the Stock Exchange's website. The Nomination Committee shall meet at least once a year.

During the year ended 31 December 2017, one meeting of the Nomination Committee was held.

Pursuant to the articles of association of the Company (the "Articles"), any person appointed as a Director to fill a casual vacancy of the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the relevant general meeting and any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at the relevant general meeting. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Articles. The Articles also allow for removal of a Director by an ordinary resolution.

Auditor's Remuneration

During the year ended 31 December 2017, the remuneration paid and payable to the auditors of the Company, Ernst & Young, for the provision of audit services and non-audit related services was US\$0.49 million and US\$0.13 million, respectively. Details of significant non-audit related services include tax and risk management advisory services.

Audit Committee

At least one of the members of the audit committee of the Company (the “Audit Committee”) has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company’s existing external auditors within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company. The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the Code.

The Audit Committee of the Company currently comprises one Non-Executive Director, Mr. Jun Ye, and two Independent Non-Executive Directors, Mr. Stephen Tso Tung Chang and Mr. Long Fei Ye. The chairman of the Audit Committee is Mr. Stephen Tso Tung Chang. The primary duties of the Audit Committee include the reviewing of the Company’s financial reporting system, the nature and scope of audit review as well as the effectiveness of the system of internal control procedures and risk management. The Audit Committee is also responsible for making recommendations in relation to the appointment, reappointment and removal of the external auditors, and the reviewing and monitoring of the independence and objectivity of the external auditors. In addition, the Audit Committee discusses matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented. A copy of the terms of reference of the Audit Committee is available from the Company’s website and the Stock Exchange’s website. The Audit Committee shall meet at least twice a year. Reference is also made to the revised terms of reference of the Audit Committee dated 29 December 2015 which came into effect on 1 January 2016.

During the year ended 31 December 2017, the Audit Committee held five meetings and a majority of the committee members were present at the meetings. In these meetings, the Audit Committee reviewed and approved the Company’s financial statements for each of the four quarters of 2017, the six months ended 30 June 2017 and for the year ended 31 December 2017.

Summary of the Board Diversity Policy

The Board adopted a diversity policy (the “Policy”) in compliance with Code provision A.5.6 on 22 September 2014.

The Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the board and the employees of any subsidiary of the Company. The Company sees increasing diversity at the Board level as an essential element in maintaining the Company’s competitive advantage. In designing the Board’s composition, Board diversity will be considered from several aspects, including without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company’s business growth.



CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the functions set out in provision D.3.1 of the Code.

The Board reviewed the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

Investor Relations

The Company maintains a website at www.huahonggrace.com with information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of Directors for election, Shareholder rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information. Information on the Company's website will be updated from time to time.

Company Secretary

The Company Secretary, Mr. Xiaojun Wang, is responsible to the Board for ensuring that the Board procedures are followed and that the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Company and facilitating the induction and professional development of Directors.

The Company Secretary reports to the chairman and the president, plays an essential role in the relationship between the Company and its Shareholders, and assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules.

During the year ended 31 December 2017, Mr. Xiaojun Wang attended relevant professional seminars to update his skills and knowledge and has complied with Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training.

Shareholder Rights

The Company uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include quarterly, interim and annual reports, announcements and circulars.

The general meetings of the Company are a primary forum for communication between the Shareholders and the Board. The Company encourages its Shareholders to attend and participate in general meetings to ensure a high level of accountability and to keep Shareholders informed of the Company's strategy and goals. The chairman of the Board, other Board members and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer any questions from the Shareholders.



Procedures for Shareholders to Convene an Extraordinary General Meeting

Extraordinary general meetings may be convened by the Directors on requisition of Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company or by such Shareholder(s) who made the requisition (the Requisitionist(s)) (as the case may be) pursuant to sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “Companies Ordinance”). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in sections 580 to 583 of the Companies Ordinance for convening an extraordinary general meeting.

Procedures for Putting Forward Proposals at Shareholders’ Meetings and Directing Enquiries from Shareholders to the Board

Shareholders may at any time send their written requests, proposals, enquiries and concerns to the Company for the attention of chairman of the Board or the Company Secretary whose contact details are as follows:

288 Halei Road, Zhangjiang Hi-Tech Park, Shanghai 201203, China
Tel: (86) 21 38829909
Fax: (86) 21 50809999
Email: IR@hhgrace.com

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll.

Risk Management and Internal Monitoring

Risk Management and Internal Monitoring Objectives

Risk Management Objective

From a compliance perspective, the Hong Kong Stock Exchange revised the Corporate Governance Code with respect to risk management, effective from 1 January 2016. The Company made commensurate adjustments to relevant processes to ensure the compliance with the revised CG Code in a timely manner.

From the perspective of operations, the Company’s management team well understands the potential risks that may be confronted by the Company as it undertakes future development. Therefore, the Company’s risk management objective is threefold: to first constantly be on guard to identify and assess risks, and then take appropriate countermeasures to evade a risk entirely if possible, otherwise to manage these risks to reduce their impact and keep them under control. The Company has constructed a robust risk control system, established a risk management system, clarified risk management mechanisms, built UP a risk map and carried out an annual risk evaluation. We have developed a concise, scientific, practical and efficient risk management and control model in line with the Company’s specific, evolving circumstances.



CORPORATE GOVERNANCE REPORT

Internal Control System Objective

The Company's internal control system has fully implemented the requirements for a risk management framework as set out by COSO (Committee of Sponsoring Organizations of the Treadway Commission) as well as the guidelines of Hong Kong Institute of Certified Public Accountants for risk management. We refined the three tiers of risk map in the processes and built risk-oriented internal control evaluation by considering the Company's ongoing operational circumstances and business characteristics. The objective is to evaluate the effectiveness and applicability of our internal monitoring system and provide reasonable guarantees for the effectiveness of the Company's operating activities, the reliability of financial reports, and compliance with laws and regulations.

Risk Management and Internal Monitoring System

To ensure our risk management work develops efficiently and forms a long-term mechanism, the Company has established a risk management monitoring system comprising "three lines of defense". It covers the roles and duties of many different aspects as follows:

1st Line of Defense	Business Departments
	<ul style="list-style-type: none">• Establish and maintain various departmental risk management mechanisms;• Ongoing collection of risk data while performing day-to-day department tasks;• Assist Risk Management Level (see below) in carrying out risk management work, including providing necessary documents and samples, identify major risks related to the department, and determine major risk countermeasures.
2nd Line of Defense	Risk Management Level
	<ul style="list-style-type: none">• Formulate/revise the Company's risk management systems and provisions, and submit them to the Company's business management team and the Audit Committee for deliberation;• Set/update standardized risk management language terms to assure common understanding of the risk management process, with timely acceptance and implementation among relevant risk management departments;• Based on annual risk assessment results, define the major risk factors and relevant response responsibilities, organize and guide each department in making and implementing response plans for major risks in its area, and follow up on the implementation.
3rd Line of Defense	Internal Audit Level
	<ul style="list-style-type: none">• Independently inspect and supervise risk management activities conducted by the Business Departments and the Risk Management Level, and evaluate whether the Company's risk management mechanism is implemented effectively and efficiently;• Urge departments or agencies to rectify problems discovered during the auditing process, and monitor the ongoing status of the rectification work;• Report the auditing results to the Company's Audit Committee.

Risk Management and Internal Monitoring Statement

The Board designated the Internal Auditing Department to perform the internal auditing function and granted it full independent responsibility and authority. The internal auditors audited the effectiveness of the Company's risk management and internal monitoring system according to the approved auditing scope and in accordance with the provisions in C.2 of the Corporate Governance Code, and no material deficiency was found.

Based on audits by the Internal Auditing Department, the Board believes that the Company's risk management and internal monitoring system is trustworthy and operates effectively. However, one must recognize that the Company's risk management and internal monitoring framework can only manage rather than completely eliminate risks that may affect the Company's ability to accomplish its business objectives. Therefore, it provides a reasonable but not an absolute guarantee for the avoidance of serious risk-related impact.

General

The Directors acknowledge their responsibility in preparing the Company's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditors' Report on pages 165 and 172 of this annual report.

On behalf of the Board

Mr. Suxin Zhang

Chairman

DIRECTORS' REPORT





The Directors present herewith the annual report and the audited financial statements of the Company for the calendar year ended 31 December 2017 (the “Financial Statements”).

Principal Activities

The Company is presently a pure-play 200mm wafer foundry. As mentioned in the Letter to Shareholders above, and further elucidated in this Directors' Report below, as of the end of 2019 the Company is expected to begin delivering products on 300mm wafers. We primarily focus on manufacturing semiconductors for specialty applications. The activities of our principal subsidiaries are set out in note 1 to the Financial Statements.

Business Review

Revenue Analysis

Revenue of the company in 2017 was US\$808.1 million (this is a record high for our company), an increase of 12% over from 2016, which represents “best in class” performance in the top 10 pure-play wafer foundries. 2017 was also the sixth consecutive year of increasing gross profit and the third consecutive year of keeping gross margin above 30%. These achievements were driven by an increasing demand for and continuous product mix optimization of our overall differentiated technology platforms for consumer electronics, industrial & automotive application markets.

	Revenue by service					
	2017 US\$'000	2017 %	2016 US\$'000	2016 %	YoY Change US\$'000	YoY Change %
Wafers	790,680	97.8%	704,510	97.7%	86,170	12.2
Others	17,468	2.2%	16,918	2.3%	550	3.3
Total	808,148	100.0%	721,428	100.0%	86,720	12.0

- 97.8% of our revenue was from the sale of semiconductor wafers.

	Revenue by customer					
	2017 US\$'000	2017 %	2016 US\$'000	2016 %	YoY Change US\$'000	YoY Change %
Systems and Fabless companies	622,027	77.0%	551,614	76.5%	70,413	12.8
IDMs	186,121	23.0%	169,814	23.5%	16,307	9.6
Total	808,148	100.0%	721,428	100.0%	86,720	12.0

- Revenue from systems and fabless companies was US\$622.0 million in 2017, an increase of 12.8% over 2016.
- Revenue from IDMs was US\$186.1 million in 2017, an increase of 9.6% compared to 2016.

DIRECTORS' REPORT

Revenue by geography

	2017 US\$'000	2017 %	2016 US\$'000	2016 %	YoY Change US\$'000	YoY Change %
China	446,699	55.2%	378,030	52.4%	68,669	18.2
United States	141,356	17.5%	141,186	19.6%	170	0.1
Other Asia	95,853	11.9%	91,175	12.6%	4,678	5.1
Europe	64,792	8.0%	68,468	9.5%	(3,676)	(5.4)
Japan	59,448	7.4%	42,569	5.9%	16,879	39.7
Total	808,148	100.0%	721,428	100.0%	86,720	12.0

- China remained our largest market, with revenue of US\$446.7 million contributing 55.2% to our total revenue, up by 18.2% from 2016. The growth was primarily due to increased demand for smart card, discrete, and MCU products.
- Revenue from the United States was US\$141.4 million, slightly up from 2016, mainly due to increased MCU and standalone NVM, which were partially offset by logic & RF products.
- Revenue from Other Asia was US\$95.9 million, an increase of 5.1% compared to 2016, mainly due to higher demand for discrete, analog and power management, logic & RF products.
- Revenue from Europe was US\$64.8 million, down by 5.4% from 2016, mainly due to weaker demand for smart cards.
- Revenue from Japan was US\$59.4 million, an increase of 39.7% compared to 2016, mainly due to strong demand for MCU, standalone NVM, logic & RF, discrete products.

Revenue by technology platform

	2017 US\$'000	2017 %	2016 US\$'000	2016 %	YoY Change US\$'000	YoY Change %
eNVM	312,040	38.6%	265,425	36.8%	46,615	17.6
Discrete	220,923	27.3%	197,168	27.3%	23,755	12.0
Analog & PM	150,791	18.7%	139,969	19.4%	10,822	7.7
Logic & RF	95,905	11.9%	93,996	13.0%	1,909	2.0
Standalone NVM	26,515	3.3%	22,740	3.2%	3,775	16.6
Others	1,974	0.2%	2,130	0.3%	(156)	(7.3)
Total	808,148	100.0%	721,428	100.0%	86,720	12.0

- Revenue from eNVM was US\$312.0 million, an increase of 17.6% compared to 2016, mainly due to increased demand for both smart cards and MCU products.
- Revenue from discrete was US\$220.9 million, an increase of 12.0% compared to 2016, primarily due to increased demand for and product mix optimization of our deep trench super-junction MOSFET and IGBT technologies.
- Revenue from Analog & PM was US\$150.8 million, an increase of 7.7% compared to 2016, due to increased demand mainly from the industrial applications market.



- Revenue from logic & RF products was US\$95.9 million, an increase of 2.0% compared to 2016, mainly due to increased demand for mobile-related applications such as optical image stabilizers.
- Revenue from standalone NVM was US\$26.5 million, an increase of 16.6% compared to 2016, mainly due to increased demand for standalone NOR flash products used in industrial and automotive applications.

	Revenue by Technology Node					
	2017 US\$'000	2017 %	2016 US\$'000	2016 %	YoY Change US\$'000	YoY Change %
≤0.13μm	270,650	33.5%	242,690	33.6%	27,960	11.5
0.15μm & 0.18μm	139,226	17.2%	120,644	16.7%	18,582	15.4
0.25μm	16,802	2.1%	17,702	2.5%	(900)	(5.1)
≥0.35μm	381,470	47.2%	340,392	47.2%	41,078	12.1
Total	808,148	100.0%	721,428	100.0%	86,720	12.0

- Revenue from 0.13μm and below technology nodes was US\$270.7 million, an increase of 11.5% compared to 2016, due to increased demand for smart cards and MCU products.
- Revenue from 0.15μm & 0.18μm was US\$139.2 million, an increase of 15.4% compared to 2016, due to increased demand for MCU, standalone NOR flash, analog and power management IC products.
- Revenue from 0.25μm was US\$16.8 million, a decrease of 5.1% compared to 2016, due to capacity constraint.
- Revenue from the 0.35μm and above technology nodes was US\$381.5 million, an increase of 12.1% over 2016, largely driven by discrete, analog and power management IC products.



DIRECTORS' REPORT

	Revenue by End Market					
	2017 US\$'000	2017 %	2016 US\$'000	2016 %	YoY Change US\$'000	YoY Change %
Consumer Electronics	558,168	69.0%	474,200	65.7%	83,968	17.7
Communications	105,586	13.1%	117,645	16.3%	(12,059)	(10.3)
Industrial & Automotive	105,164	13.0%	83,359	11.6%	21,805	26.2
Computing	39,230	4.9%	46,224	6.4%	(6,994)	(15.1)
Total	808,148	100.0%	721,428	100.0%	86,720	12.0

- Revenue from Consumer Electronics was US\$558.2 million; an increase of 17.7% compared to 2016, driven mainly by higher demand for smart card, MCU, discrete, analog and power management IC products.
- Revenue from Communications was US\$105.6 million, a decrease of 10.3% compared to 2016, mainly due to decreased demand for SIM cards.
- Revenue from Industrial & Automotive was US\$105.2 million, up by 26.2% from 2016, primarily due to an increased overall demand for discrete products using deep trench super junction MOSFET, IGBT and MOSFET technologies.
- Revenue from Computing was US\$39.2 million, a decrease of 15.1% compared to 2016, mainly due to decreased demand for logic & RF products used in PC peripheral applications.

Capacity and Capacity Utilization			
Fab (In thousands of wafers per month)	2017	2016	YoY Change
Fab1	63	56	7
Fab2	57	57	–
Fab3	48	42	6
Total monthly wafer fabrication capacity	168	155	13
Capacity Utilization	98.1%	97.6%	0.5%

- The strong demand from market-driven applications contributed significantly to the higher capacity utilization rate of 98.1%.



Wafer Shipments			
In thousands of wafers	2017	2016	YoY Change (%)
Wafer shipments	1,869	1,787	4.6%

- We shipped total 1,869K wafers in 2017, due to expanded capacity and improved utilization rate.

Research and Development

We endeavor to continuously innovate, develop and fine-tune our specialty technologies, in order to provide better solutions to our customers. We especially concentrate on eNVM, discrete, analog and power management, logic & RF technologies.

Our eNVM technology has always been lauded by the industry for its high security, reliability, cost effectiveness and technical sophistication. Based on earlier successful mass production of eNVM on 90nm, we developed a second generation that implements multiple technological advancements. The flash cell size was further reduced, making it about 25% smaller than that of the first generation. It's believed to be, among all foundries, the smallest embedded flash cell on a 90nm process. In addition, the flash IP design architecture was improved, resulting in further reduction of the flash IP size, which enhances our leading position in the smart card market. After achieving product certification and significant technology innovation, our Chinese customers have successfully penetrated the financial IC card market and are rapidly gaining in market share. Our total shipments of financial card ICs exceeded 400 million in 2017, which is about a 40% share of the China financial IC card market.

MCU is another product application category using eNVM technology. Our 0.11 μ m ultra-low power eNVM technology has been adopted by many MCU players, primarily for 32-bit, because of its extremely low power consumption, high reliability, smaller chip size and the lowest mask count in the industry. Thanks to increased successful design tenders, revenue generated by MCU using this 0.11 μ m eNVM doubled. Meanwhile, the successful development of our 95nm single gate eNVM technology, including various OTP/MTP/Flash/EEPROM IP solutions, has further enhanced our competitiveness in entry-level 8-bit MCU.

The application areas, adoption rate and demand for discrete technologies continue to expand, driven by cloud computing, electric and hybrid vehicles, artificial intelligence, cryptocurrency and smart charging. Further, in 2017, the global tier-one players focused more on the automotive market as a future business driver, which resulted in a shortage in the market of power discrete for other applications, e.g. consumer, industry and computer to a certain extent. This led to a significant increase in demand from our customers for overall discrete applications. We expect this situation to continue in 2018.

One major R&D focus of the Company has been its high-end deep trench super junction MOSFET (DT-SJNFET) and IGBT technology platforms. As a result, the revenue generated by these platforms increased over 50% from 2016. Moving forward, we will continue to improve device performance and process reliability and extend capacity to incubate and engage more customers in high-growth, high-margin discrete applications.



DIRECTORS' REPORT

With the smart phone revolution, the handset plays a central role in our lives. RF FEMs (Front End Modules) have become standard components in modern cellular handset applications. A number of switch ICs in RF FEMs are required in a cellular handset for antenna, band/mode, and diversity switching, as well as mobile connectivity switching, and the number of switch ports has also increased dramatically. RF-SOI technology has gradually become a mainstream technology for RF FEMs, especially for switches. This is due to better integration, good performance and lower cost compared to technology solutions using other compound materials. Based on our successful 0.20 μ m RF-SOI technology, we are developing a 0.13 μ m RF-SOI technology to provide better device performance, smaller chip size and integration of additional functionality to address the mobile switch migration trend.

All three of our fabs have TS16949 automotive quality certification. We ship various automotive products manufactured using our differentiated technologies, including eNVM, discrete, analog & PM, Logic & RF as well as standalone NVM. The electric and hybrid car market had strong growth over the last 2 years, and the trend is expected to continue in the coming years. We will continue to strengthen our technology solutions to catch the high growth opportunities.

Compliance with the Relevant Laws and Regulations

For the calendar year ended 31 December 2017, the Company is not aware of any non-compliance with any relevant laws and regulations having a significant impact on the Company.

Outlook for 2018

Due to the advantages of our differentiated technologies and the expanding semiconductor market, customer demand for our products will remain strong and far exceed our existing capacity in 2018, even though the monthly capacity increased to 168K wafers in 2017.

Using our available capacity to the utmost efficiency, we will drive 2018 to be another strong year for us. For example, using our second generation 90nm eNVM technology, which delivers highly competitive storage size and very reliable performance, we will ramp an increased number of smart card and MCU-related products, which will further enhance our strength in this growing application market and drive continued profits. In general, we expect continued high demand for all of our diverse technologies. We will continue to master product mix and coordinate fulfillment of customer demand to make the most of our available capacity to achieve the highest possible value. In summary, the outlook for 2018 is clear sailing on course.

One challenge we will face in 2018 and beyond: the rapid development and increased investment into applications such as cloud computing, internet of things, big data, smart city and 5G communication have driven up the demand for products that can only be manufactured economically and in sufficient volume on 300mm wafers. This is particularly true in the PRC. We realized that strategically we cannot afford to miss the window of opportunity to take advantage of this growing and highly profitable market. That is why we took the strategic step of founding HH-Wuxi to build and operate a new 300mm wafer fabrication facility in Wuxi (See *Letter to Shareholders* for an additional discourse on this decision and detailed information about the HH-Wuxi joint venture).

Much of our work in 2018 will be dedicated to the successful and timely ramp of HH-Wuxi in recognition of the essential nature of possessing 300mm-wafer R&D and manufacturing capability. Production is planned to commence during the 4th quarter of 2019, with the monthly capacity targeted to ramp from 10,000 wafers at the end of 2019 up to 40,000 wafers by the end of 2022.



Of course, when one has capacity, one must be able to fill it. Here we are in a unique position to take full advantage. First, the success of our 90nm eNVM technology platform on 200mm wafers lays the foundation for very straightforward implementation of our embedded flash technologies on 300mm wafers, first at 90nm, followed by 65nm. Additionally, similar to eNVM, power management, RF and related IP can also be transferred to HH-Wuxi and ramped quickly and efficiently. The ease at which the Company's existing technologies can be transferred provides crucial support to the future development of our 300mm wafer business. As more and more 300mm wafer capacity comes online and our leading-edge technologies are successfully ramped thereon, selected products will be transferred from our 200mm fabs, freeing up 200mm capacity for products that fulfil our 200mm strategy.

We have been successful in the 200mm-wafer foundry business by using a specialized set of technologies to fulfil the requirements of a diverse set of customers with high-margin, high-growth products. We are confident that we can naturally and efficiently extend this strategy to cover specialized 300mm wafer manufacturing; and we can apply our world-class R&D, our outstanding sales and marketing and our successful financial management expertise to generate significant revenue and profits quickly with virtually no negative impact during the ramp-up.

In summary, HH-Wuxi is expected to provide the Company with urgently needed capacity and be the base for even more advanced technology development, so as to solve the capacity bottleneck and significantly enlarge our customer base, enabling access to new high-growth, high-profit markets, especially in China, where semiconductors have been named a number one priority for the real economy in the government report of the 13th National People's Congress.

We believe in the dual approach of continuing a highly successful 200mm wafer business and using the increased capacity and technological innovations made possible by HH-Wuxi to immensely expand our market reach, broaden and enhance our core competitiveness, and assure a prosperous future.

Management Discussion and Analyses

Financial Performance

	2017 US\$'000	2016 US\$'000	Change
Revenue	808,148	721,428	12.0 %
Cost of sales	(540,971)	(501,080)	8.0 %
Gross profit	267,177	220,348	21.3 %
Other income and gains	24,394	34,761	(29.8)%
Fair value gain on an investment property	89	72	23.6 %
Selling and distribution expenses	(7,232)	(6,814)	6.1 %
Administrative expenses	(108,673)	(97,404)	11.6 %
Other expenses	(10,712)	(666)	1,508.4 %
Finance costs	(2,178)	(3,873)	(43.8)%
Share of profits of an associate	9,622	7,056	36.4 %
Profit before tax	172,487	153,480	12.4 %
Income tax expense	(27,225)	(24,648)	10.5 %
Profit for the year	145,262	128,832	12.8 %



DIRECTORS' REPORT

Explanation of items with fluctuation over 5% in 2017

Revenue

Revenue reached US\$808.1 million, an increase of 12.0% over 2016, primarily due to higher demand for bank cards, ID cards, super junction, MCU, IGBT, and power management ICs.

Cost of sales

Cost of sales was US\$541.0 million, 8.0% higher than 2016, primarily due to increased wafer shipments.

Gross profit

Gross profit was US\$267.2 million, an increase of 21.3% compared to 2016, primarily due to improved average selling price and product mix, partially offset by increased depreciation expenses.

Other income and gains

Other income and gains were US\$24.4 million, a decrease of 29.8% compared to 2016, primarily due to nil foreign exchange gain and lower general subsidies.

Fair value gain on an investment property

Fair value gain on an investment property reflects a gain in valuation on the investment property. As the appraised value in 2017 remained stable compared to 2016, the fair value gain was relatively small.

Selling and distribution expenses

Selling and distribution expenses of US\$7.2 million, were up by 6.1% over 2016, primarily from increased labor expenses.

Administrative expenses

Administrative expenses of US\$108.7 million, were up by 11.6%, mainly from increased labor and R&D expenses.

Other expenses

Other expenses increased to US\$10.7 million, primarily due to foreign exchange loss in 2017.

Finance costs

Finance costs were US\$2.2 million, down by 43.8% from 2016, mainly due to lower bank borrowings.

Share of profits of an associate

Share of profits of an associate was US\$9.6 million, an increase of 36.4% over 2016, mainly due to higher profit realized by said associate.

Income tax expense

Income tax expense was US\$27.2 million, an increase of 10.5% from 2016, primarily due to increased taxable profit.

Profit for the year

As a result of the cumulative effect of the above factors, profit for the year increased to US\$145.3 million from US\$128.8 million. Net profit margin increased from 17.9% to 18.0%.

Financial Status

	31 December 2017 US\$'000	31 December 2016 US\$'000	Change
Non-current assets			
Property, plant and equipment	733,462	656,517	11.7 %
Investment property	179,586	169,074	6.2 %
Investment in an associate	57,577	45,121	27.6 %
Available-for-sale investments	215,864	203,330	6.2 %
Other non-current assets	38,385	37,828	1.5 %
Total non-current assets	1,224,874	1,111,870	10.2 %
Current assets			
Inventories	115,578	95,199	21.4 %
Trade and notes receivables	112,372	106,078	5.9 %
Other current assets	57,062	46,715	22.1 %
Restricted and time deposits	193,530	125,547	54.1 %
Cash and cash equivalents	374,890	341,255	9.9 %
Total current assets	853,432	714,794	19.4 %
Current liabilities			
Trade payables	68,124	64,790	5.1 %
Other current liabilities	207,964	171,281	21.4 %
Interest-bearing bank borrowings	60,751	1,874	3,141.8 %
Total current liabilities	336,839	237,945	41.6 %
Net current assets	516,593	476,849	8.3 %
Non-current liabilities			
Interest-bearing bank borrowings	32,139	90,757	(64.6)%
Deferred tax liabilities	14,123	9,276	52.3 %
Total non-current liabilities	46,262	100,033	(53.8)%
Net assets	1,695,205	1,488,686	13.9 %



DIRECTORS' REPORT

Explanation of items with fluctuation over 5% from 31 December 2016 to 31 December 2017

Property, plant and equipment

Property, plant and equipment increased from US\$656.5 million to US\$733.5 million, mainly as a result of capacity expansion and currency translation differences arising from RMB appreciation in 2017.

Investment property

Investment property increased from US\$169.1 million to US\$179.6 million, primarily due to currency translation differences arising from RMB appreciation in 2017.

Investment in an associate

Investment in an associate increased from US\$45.1 million to US\$57.6 million, primarily due to profit shared from the associate in 2017.

Available-for-sale investments

Available-for-sale investments increased from US\$203.3 million to US\$215.9 million, primarily due to the currency translation differences arising from RMB appreciation in 2017.

Inventories

Inventories increased from US\$95.2 million to US\$115.6 million, primarily due to increased wafer demand from customers.

Trade and notes receivables

Trade and notes receivables increased from US\$106.1 million to US\$112.4 million, primarily due to higher revenue and the currency translation differences arising from RMB appreciation in 2017.

Other current assets

Other current assets increased from US\$46.7 million to US\$57.1 million, primarily due to increased trade receivables from related parties as a result of higher revenue from certain related parties in 2017.

Restricted and time deposits

Restricted and time deposits increased from US\$125.5 million to US\$193.5 million, largely due to increased time deposits.

Cash and cash equivalents

Cash and cash equivalents increased from US\$341.3 million to US\$374.9 million, mainly due to (i) US\$258.3 million generated from operating activities, (ii) US\$5.8 million of interest income, (iii) US\$2.8 million of proceeds from share option exercise, and (iv) US\$2.3 million of government grants for fixed assets. This was offset by (i) capital investments of US\$138.1 million, (ii) investments of US\$67.0 million for time deposits, (iii) dividend payments of US\$39.7 million, (iv) interest payments of US\$2.2 million, and (v) a repayment of bank borrowings of US\$2.0 million. Additionally, there was a positive adjustment of US\$13.4 million due to RMB appreciation.



Trade payables

Trade payables increased from US\$64.8 million to US\$68.1 million, primarily due to the currency translation differences arising from RMB appreciation in 2017.

Other current liabilities

Other current liabilities increased from US\$171.3 million to US\$208.0 million, primarily due to increased payables for capital expenditures and increased accrued taxations.

Interest-bearing bank borrowings

Total Interest-bearing bank borrowings increased from US\$92.6 million to US\$92.9 million, mainly due to the currency translation difference arising from RMB appreciation in 2017, offset by repayments of bank borrowings of US\$2.0 million.

Deferred tax liabilities

Deferred tax liabilities, largely comprising withholding tax accrued for dividend distribution, increased from US\$9.3 million to US\$14.1 million, primarily due to the accrual of dividend withholding tax in 2017, partially offset by (i) a reversal of dividend withholding tax accrued for prior years and (ii) the tax paid for 2016 dividends.

Cash Flow

	2017 US\$'000	2016 US\$'000	Change
Net cash flows generated from operating activities	258,300	211,908	21.9 %
Net cash flows used in investing activities	(197,003)	(233,398)	(15.6)%
Net cash flows used in financing activities	(41,096)	(125,341)	(67.2)%
Net increase/(decrease) in cash and cash equivalents	20,201	(146,831)	(113.8)%
Cash and cash equivalents at beginning of the year	341,255	510,441	(33.1)%
Effect of foreign exchange rate changes, net	13,434	(22,355)	(160.1)%
Cash and cash equivalents at end of the year	374,890	341,255	9.9 %

Net cash flows generated from operating activities

Net cash flows generated from operating activities increased from US\$211.9 million to US\$258.3 million, mainly due to higher revenue.

Net cash flows used in investing activities

Net cash flows used in investing activities were US\$197.0 million, primarily attributed to (i) US\$138.1 million for capital investments, and (ii) US\$67.0 million for time deposits, offset by (i) receipts of interest income of US\$5.8 million, and (ii) US\$2.3 million of government grants for fixed assets.



DIRECTORS' REPORT

Net cash flows used in financing activities

Net cash flows used in financing activities were US\$41.1 million, including (i) US\$39.7 million for dividend payment, (ii) an interest payment of US\$2.2 million, and (iii) a repayment of bank borrowings of US\$2.0 million, offset by US\$2.8 million of proceeds from share option exercise.

Net increase in cash and cash equivalents

As a result of the cumulative effect of the above factors, cash and cash equivalents increased from US\$341.3 million as of 31 December 2016 to US\$374.9 million as of 31 December 2017.

Financial Risks

Foreign currency risk

We are exposed to foreign exchange risks. Such exposures arise primarily from sales or purchases by HHGrace in US\$ rather than in the subsidiary's functional currency, which is RMB. As of 31 December 2017, if the US dollar had strengthened or weakened against the RMB by five percent, with all other variables held constant, our profit before tax for the year would have been approximately US\$11.5 million higher or lower.

Interest rate risk

Our exposure to risk of changes in market interest rates relates primarily to our interest-bearing bank borrowings with a floating interest rate. Our policy is to manage its interest cost using a mix of fixed and variable rate debts.

As of 31 December 2017, if interest rates on bank loans had been one percent higher or lower, with all other variables held constant, our profit before tax for the year would have been approximately US\$0.6 million lower or higher.

Credit risk

We trade only with recognized and creditworthy third parties and related parties. It is our 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 our exposure to bad debts is not significant.

Our maximum exposure to credit risk in relation to our financial assets are: the carrying amounts of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties and restricted and time deposits included in the consolidated statement of financial position. We have no other financial assets which carry significant exposure to credit risk.

Liquidity risk

To meet liquidity requirements in the short and long term, our policy is to monitor regularly the current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions.

Capital management

Our primary objectives of capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios to support our business and maximize shareholders' value.

We manage our capital structure and make adjustments in light of changes in economic conditions. To do this, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

Gearing Ratio

Details of the gearing ratio are set out in note 36 to the Financial Statements.

Results

The results of the Group for the year ended 31 December 2017 and the state of affairs at that date are set out in the Financial Statements on pages 173 to 263 of this report.

Final Dividends

The Directors recommend the payment of a final dividend of HK\$31 cents per share for the year ended 31 December 2017. Subject to shareholders' approval at the forthcoming AGM, the proposed final dividend will be payable on Thursday, 14 June 2018 to the shareholders whose names appear on the register of members of the Company on Wednesday, 23 May, 2018.

Dividend Policy

Subject to the approval of the Shareholders and the requirements of law, it has been decided that the Company will pay dividends to the Shareholders for the year of 2015 and onwards if the Group is profitable, the operations environment is stable and there is no significant investment made by the Group. It is intended that the average of dividends paid in three consecutive years will be no less than 30% of the average distributable net profit of these three years. The remaining net profit will be used for the development and operations of the Group.

This dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any amount for any given period. In the event that the Board recommends a dividend, the form and amount will depend on the assessment by the Directors of the factors affecting the Group from time to time.

Bank Loans and Other Borrowings

The particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note 25 to the Financial Statements.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the past five financial years is set out on page 264. This summary does not form part of the audited financial statements.



DIRECTORS' REPORT

Property, Plant and Equipment

Details of additions and other movements during the year ended 31 December 2017 in the property, plant and equipment and investment property of the Group are set out in notes 13 and 14 to the Financial Statements.

In addition, details of the investment property are set out below:

Location	Type of Use	Term of Lease	Group's Interest	Gross Floor Area (sq.m.)
Portions of 9 buildings No.818 Guo Shou Jing Road Zhangjiang Hi-Tech Park Pudong New Area Shanghai, PRC	Industrial use	Held under a land use right for a term expiring on 8 March 2051	100%	91,563.11

Share Capital and Share Option Scheme

Details of movement in the share capital of the Company during the year ended 31 December 2017 are set out in note 28 to the Financial Statements. The movements include the automatic inclusion of the amount standing to the share premium account into the share capital as from 3 March 2014 in accordance with section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), as part of the transition to the no-par value regime.

A share option scheme (the "Share Option Scheme") was approved by an extraordinary general meeting of the Company held on 1 September 2015. A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme: The purpose of the Share Option Scheme is to attract, retain and provide incentives to the Participants (defined below), to provide them with the opportunity to obtain Shares of the Company and to link their interests closely to the operating results and share performance of the Company with the view to increasing the value of the Company.

Participants: The participants of the Share Option Scheme ("Participants") include (1) existing Executive and Non-Executive Directors of any member of the Group; or (2) senior management and key managerial and technical personnel having a direct impact on the results of operations and sustainable development of any member of the Group, subject always to any limits and restrictions specified in the Share Option Scheme, but shall not include any Independent Non-Executive Directors.



Maximum entitlement of each participant:	If the total number of Shares allotted and which may fall to be allotted upon exercise of all the share options ("Share Options") granted and to be granted (including exercised, cancelled and outstanding Share Options) to a Participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at the time, no further grant of Share Options shall be given to such Participant. Share Options may be granted to a Participant in excess of the individual limit of 1% in any 12-month period only with the approval of the Shareholders in general meeting. No Share Option shall be granted to any person who holds over 5% of Shares which carry voting rights on the Grant Date (as defined in the Share Option Scheme) unless such grant is approved by shareholders in general meeting.
Minimum period, if any, for which an option must be held before it can be exercised:	Two years unless otherwise stated in the grant notice of the Share Option.
The amount payable on application or acceptance of the Share Option and the period within which payments or calls must be made or loans for such purposes must be paid:	HK\$1.00 is to be paid by each grantee as consideration for the grant of Share Option within 28 days from the date of offer.
Remaining life of the Share Option Scheme:	The Share Option Scheme shall be valid and effective for a period of seven (7) years commencing on the date of adoption and will expire on 1 September 2022.
Details of the Share Options granted are as follows:	
Date of grant:	4 September 2015
Exercise price of options granted:	HK\$6.912
Number of options granted:	30,250,000 (representing approximately 2.92% of the issued shares of the Company as at 31 December 2017).
Validity period of the options:	From 4 September 2015 to 3 September 2022 (seven (7) years), both dates inclusive.
Vesting period of the options:	One third of the options shall vest on each of 4 September 2017, 4 September 2018 and 4 September 2019.

The exercise price of HK\$6.912 per Share represents a premium of 0% over the higher of (i) the closing price of HK\$6.87 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the grant; and (ii) the average closing price of HK\$6.912 per Share as stated in the daily quotation sheets issued by Stock Exchange for the five trading days immediately preceding the date of grant.



DIRECTORS' REPORT

Details of the movements in the share options during the year ended 31 December 2017 are as follows:

Name or category of participants	Number of share options						At 31.12.2017	Exercise period of share options	Exercise price of share options
	Granted at 04.09.2015	Cancelled during the year 2015	Cancelled during the year 2016	Exercised during the period	Cancelled during the period	Lapsed during the period			
Directors									
Mr. Yu Wang	869,000	-	-	-	-	-	869,000	04.09.2017-03.09.2022	HK\$6.912
Mr. Takayuki Morita	119,000	-	-	-	-	-	119,000	04.09.2017-03.09.2022	HK\$6.912
Other employees in aggregate	29,262,000	(130,000)	(1,458,000)	3,699,005	(1,188,399)	(165,000)	22,621,596	04.09.2017-03.09.2022	HK\$6.912
	30,250,000	(130,000)	(1,458,000)	3,699,005	(1,188,399)	(165,000)	23,609,596		

The Company has not granted any additional share options or adopted any share option scheme during the year ended 31 December 2017.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 177 of this report.

Continuing Connected Transactions and Connected Transactions

Continuing Connected Transactions

The Group disclosed in the prospectus of the Company dated 3 October 2014 a series of continuing connected transactions relating to Huahong Zealcore, QST, INESA, Shanghai Huali, Huahong Real Estate and Shanghai Huajin Property Management Co., Ltd. (Huajin Property Management). Certain details of such transactions are summarized in the table below. In respect of such transactions the Company had applied for and the Stock Exchange had granted a waiver from, among others, strict compliance with the announcement and independent shareholders' approval requirement (as the case may be). Details of such continuing connected transactions of the Group together with certain other continuing connected transactions of the Group conducted during 2017 are as follows:

Unit: US\$'000

Transaction	Transaction Date	Parties to the Transaction	Connected Relationship	Transaction	Actual Transaction Amount 2017	Proposed Annual Caps 2017
(1)	1 January 2017	Huahong Zealcore (as purchaser) The Company (as seller)	Huahong Zealcore is 90.66% held by and a subsidiary of Huahong Group, the Company's controlling shareholder.	Sales agreement between the Company as seller and Huahong Zealcore as purchaser in relation to the sales of IC and other semiconductor products to Huahong Zealcore.	6,402	12,000
(2)	1 January 2017	QST (as purchaser) The Company (as seller)	QST was 36.36% held by SAIL, the Company's controlling shareholder, of which 27.27% interest was held directly by SAIL and 9.09% interest was held directly by the Company.	Sales agreement between the Company as seller and QST as purchaser in relation to the sales of IC and other semiconductor products to QST.	2,975	5,400
(3)	18 May 2014	QST (as receiver of services) The Company (as provider of services)	QST was 36.36% held by SAIL, the Company's controlling shareholder, of which 27.27% interest was held directly by SAIL and 9.09% interest was held directly by the Company.	Service agreement between QST as receiver of services and the Company as provider of services in relation to the provision of services to QST.	109	200
(4)	1 January 2017	Huahong Zealcore (as seller) The Company (as purchaser)	Huahong Zealcore is 90.66% held by and a subsidiary of Huahong Group, the Company's controlling shareholder.	Purchase agreement between Huahong Zealcore as seller and the Company as purchaser in relation to the purchase of materials used in the manufacturing process of the Group's semiconductor products.	659	710
(5)	1 January 2017	INESA (on behalf of itself and its subsidiaries) (as seller) The Company (as purchaser)	INESA is the Company's controlling shareholder.	Purchase agreement between INESA as seller (on behalf of itself and its subsidiaries) and the Company as purchaser in relation to the purchase of goods and services.	690	2,800

DIRECTORS' REPORT

Transaction	Transaction Date	Parties to the Transaction	Connected Relationship	Transaction	Actual Transaction Amount 2017	Proposed Annual Caps 2017
(6)	25 February 2010 (together with supplemental agreements dated 10 June 2011 and 25 July 2014)	Shanghai Huali (as lessee) The Company (as lessor)	Shanghai Huali is 50.23% owned by SAIL, the Company's controlling shareholder.	Lease agreement between Shanghai Huali as lessee and the Company as lessor in relation to the factory premise situated at Hill 2, 13th street, Zhangjiang Hi-Tech park, Pudong New Area, Shanghai, PRC leased by the Company to Shanghai Huali for their 300mm wafer production line. The total gross floor area leased was 96,099.2 square meters.	12,107	12,500
(7)	15 February 2017	Shanghai Huali (as lessee) HHGrace (as lessor)	Shanghai Huali is 50.23% owned by SAIL, the Company's controlling shareholder.	Lease agreement between Shanghai Huali as lessee and HHGrace as lessor in relation to certain clean rooms with total gross floor area of 820 square meters and related utility services and materials to be provided by HHGrace to Shanghai Huali.	654	3,710
(8)	10 January 2013	Huahong Real Estate (as lessor) The Company (as lessee)	Huahong Real Estate is a wholly-owned subsidiary of Hua Hong Technology Development, a company 50% held by and consolidated with Huahong Group, our controlling shareholder, and 50% held by HHNEC.	Lease agreement between Huahong Real Estate as lessor and the Company as lessee in relation to the dormitory premises situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC (Dormitory Premises) rented by the Company from Huahong Real Estate for use as staff quarters for the Company's employees. The total gross floor area rented was 17,412.87 square meters.	1,662	1,932
(9)	1 January 2017 ⁽¹⁾	Huajin Property Management (as property manager) The Company (as contractor)	Huajin Property Management is a wholly-owned subsidiary of Hua Hong Technology Development, a company 50% held by and consolidated with Huahong Group, our controlling shareholder, and 50% held by HHNEC.	Property management agreement between Huajin Property Management as property manager and the Company as contractor in relation to the engagement of Huajin Property Management by the Group to provide property management service for the Dormitory Premises.	222	296

Notes:

- (1) This agreement expired on 31 December 2017. Accordingly, the Company has entered into a new agreement with Huajin Property Management to renew such agreement from 1 January 2018 to 31 December 2019 and proposed new annual caps for such transactions for the two years ending 31 December 2019. Further details for this continuing connected transaction are disclosed in the Company's announcement dated 27 December 2017.

The Board (including the Independent Non-Executive Directors) has reviewed the continuing connected transactions as described above and confirmed that such transactions did in fact continue in 2017:

- (i) in the ordinary and usual course of business of the Company;
- (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions of 2017:

- (i) nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus in respect of each of the disclosed continuing connected transactions.

Related Party Transactions

During the year ended 31 December 2017, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the year ended 31 December 2017 are disclosed in note 33 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the other related party transactions disclosed in note 33 were not regarded as connected transactions or were exempt from reporting, announcement and shareholder approval requirements under the Listing Rules.

Annual General Meeting

The AGM will be held on Thursday, 10 May 2018.



DIRECTORS' REPORT

Closure of Register of Members

For determining eligibility of Shareholders to attend and vote at the 2018 AGM

Latest time to lodge transfer documents for registration	4:30 p.m. on 3 May 2018
Closure of Register of members	04 to 10 May 2018 (both dates inclusive)
Record date	10 May 2018

For determining entitlement of Shareholders to the proposed final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 15 May 2018
Closure of Register of members	16 to 23 May 2018 (both dates inclusive)
Record date	23 May 2018
Payable date	14 June 2018

In order to be eligible to attend and vote at the Annual General Meeting, and the entitlement of the aforementioned proposed final dividend, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the aforementioned latest time.

Directors and Directors' Service Contracts

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Suxin Zhang (*Chairman*)
Mr. Yu Wang (*President*)

Non-Executive Directors:

Mr. Jianbo Chen
Mr. Yuchuan Ma
Mr. Takayuki Morita
Mr. Jun Ye

Independent Non-Executive Directors:

Mr. Stephen Tso Tung Chang
Mr. Kwai Huen Wong, JP
Mr. Long Fei Ye

Each of the Directors of the Company is appointed for a specific term of three years and is subject to re-nomination and re-election by the Company in general meeting unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

Mr. Suxin Zhang, Mr. Takayuki Morita and Mr. Jun Ye will retire by rotation from office as Directors at the Annual General Meeting, and Mr. Suxin Zhang, Mr. Takayuki Morita and Mr. Jun Ye, being eligible, will offer themselves for re-election pursuant to the articles of association of the Company.

None of the Directors proposed for re-election at the Annual General Meeting has a service contract which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the existing Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

Profiles of Directors and Senior Management

Profiles of Directors and senior management of the Group are set out on pages 12 to 17 to this report.

Highest Paid Individuals and the Remuneration of the Directors and Senior Management

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in notes 8 and 9 respectively of the consolidated financial statements in this annual report.

Interests of the Directors and the Chief Executive in Shares and Underlying Shares of the Company

As at 31 December 2017, save as disclosed below, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Name of Director	Capacity	Number of underlying shares held in long position ⁽¹⁾	Approximate percentage of interests
Mr. Yu Wang	Beneficial owner	869,000	0.08% ⁽²⁾
Mr. Takayuki Morita	Beneficial owner	119,000	0.01%

Notes:

- (1) Long position in the underlying shares of the Company under share options granted pursuant to the Share Option Scheme.
- (2) Mr. Yu Wang exercised 200,000 share options on 5 January 2018 and holds a long position of 669,000 shares, representing 0.06% of the total number of shares in issue.

Interests of Directors in Competing Business

During the year, none of the Directors of the Group had any interests in a business which competes, either directly, or indirectly, with the business of the Company or the Group.

Interests of Directors in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 or at any time during the year.



DIRECTORS' REPORT

Directors' Securities Transactions

The Company has devised its own code of conduct regarding Directors dealing in the Company's securities (the Company Code) on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Company Code and the Model Code throughout 2017.

Indemnity and insurance

The Company provides director and officers liabilities (D&O) insurance for the Directors and Officers. The D&O insurance covers day-to-day management liability and is renewed every year.

Director(s) of the Subsidiaries

The names of Directors who have served on the boards on the Company's subsidiaries during the year ended 31 December 2017, or during the period from the end of the year 2017 to the date of this Report, were as follows:

Name of the Subsidiary	Place of Incorporation	Name of the Director(s)
Grace Semiconductor Manufacturing Corporation ("Grace Cayman")	Cayman Islands	Mr. Suxin Zhang Mr. Jun Ye
Shanghai Huahong Grace Semiconductor Manufacturing Corporation ("HHGrace")	Shanghai, PRC	Mr. Suxin Zhang Mr. Yu Wang Mr. Jianbo Chen Mr. Yuchuan Ma Mr. Takayuki Morita Mr. Jun Ye Mr. Stephen Tso Tung Chang Mr. Kwai Huen Wong, JP Mr. Long Fei Ye
Global Synergy Technology Limited ("GST")	Hong Kong, PRC	Mr. Daniel Wang Mr. Cheng Fu
HHGrace Semiconductor USA, Inc. ("HHGrace USA")	CA, USA	Mr. Daniel Wang Mr. Cheng Fu
HHGrace Semiconductor Japan Co., Ltd. ("HHGrace Japan")	Tokyo, Japan	Ms. Maki Nakamura Mr. Daniel Wang Mr. Cheng Fu
Shanghai Huajie IC Technology Service Co., Ltd. ("Shanghai Huajie")	Shanghai, PRC	Mr. Heng Fan
Hua Hong Semiconductor (Wuxi) Limited.	Wuxi, PRC	Mr. Suxin Zhong Mr. Yu Wang Mr. Jianbo Chen

Interests of Substantial Shareholders and Other Persons in the Shares and Underlying Shares of the Company

As at 31 December 2017, persons other than a Director or chief executive of the Company, having interests of 5% or more or short positions in the shares and underlying shares of the Group, were as follows:

Substantial shareholders	Capacity and nature of interest	Number of shares held	percentage of aggregate interests in issued share capital*
Shanghai Hua Hong International, Inc. (Hua Hong International) ⁽²⁾	Legal and beneficial owner	350,401,100 ⁽¹⁾	33.77%
Shanghai Huahong (Group) Co., Ltd. (Huahong Group) ⁽²⁾	Interest in a controlled corporation	350,401,100 ⁽¹⁾	33.77%
China Electronics Corporation (CEC) ⁽²⁾	Interest in a controlled corporation	350,401,100 ⁽¹⁾	33.77%
INESA (Group) Co., Ltd. (INESA) ⁽²⁾	Interest in a controlled corporation	350,401,100 ⁽¹⁾	33.77%
Sino-Alliance International, Ltd. (Sino-Alliance International)	Legal and beneficial owner	188,555,641 ⁽¹⁾⁽³⁾	18.17%
Sino-Alliance International, Ltd. (Sino-Alliance International)	Interest in a controlled corporation	34,919,354 ⁽¹⁾	3.37%
Shanghai Alliance Investment Ltd. (SAIL)	Interest in a controlled corporation	573,876,095 ⁽¹⁾⁽⁴⁾	55.31%
NEC Corporation	Legal and beneficial owner	99,038,800 ⁽¹⁾	9.55%

Notes:

- (1) Long positions in the shares of the Company.
- (2) Hua Hong International is a wholly-owned subsidiary of Huahong Group. As at 31 December 2017, Huahong Group was 47.08% owned by CEC, and 47.08% owned by SAIL. In addition, SAIL controlled 51.83% of the voting rights of Huahong Group by virtue of its 47.08% equity interest in Huahong Group and an additional 4.75% voting rights pursuant to a voting bloc from INESA to SAIL. Therefore CEC, SAIL and INESA were deemed to be interested in all the Shares in which Huahong Group is interested in by virtue of Part XV of the SFO.
- (3) Including 3,084 shares held in escrow by Sino-Alliance International pursuant to an escrow arrangement.
- (4) In addition to the 350,401,100 Shares (33.77%) it indirectly held through Hua Hong International, SAIL indirectly held interests in the Company through four wholly-owned subsidiaries, including Sino-Alliance International.

* The percentages are calculated based on the total number of shares of the Company in issue as at 31 December 2017, i.e., 1,037,570,661 shares.

Save as disclosed above, so far as is known to any of the Directors and chief executive of the Company, as at 31 December 2017, no other person or corporation other than a Director or chief executive of the Company had any interests or short positions in any shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



DIRECTORS' REPORT

Arrangement to Purchase Shares or Debentures

At no time during the year ended 31 December 2017 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

Major Customers and Suppliers

For the year ended 31 December 2017, the total purchases attributable to the Group's five largest suppliers were less than 30%, and the total turnover attributable to the Group's five largest customers was less than 30%.

Emolument Policy

As at 31 December 2017, the Group had a total of 4,138 employees. The Group recruits and promotes individuals based on merit and their development potentials. The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results and individual performance. The emoluments of the Directors on a named basis are set out in note 8 to the financial statements for the year ended 31 December 2017.

Purchase, Sale or Redemption of Securities

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this annual report.

Compliance with Deed of Non-Competition and the Deed of Right of First Refusal

Huahong Group, SAIL and INESA, being controlling shareholders of the Company, entered into a deed of non-competition (the “**Deed of Non-Competition**”) dated 23 September 2014, details of which have been set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders” of the Company’s prospectus dated 3 October 2014 (the “**Prospectus**”). In addition, Huahong Group and SAIL also entered into a deed of right of first refusal (the “**Deed of Right of First Refusal**”) dated 10 June 2014, details of which have been set out in the paragraph headed “Deed of Right of First Refusal” in the section headed “Relationship with Controlling Shareholders” of the Prospectus. The Company has reviewed the written declaration from each of the controlling shareholders mentioned above on their compliance with their undertaking under the Deed of Non-competition and the Deed of Right of First Refusal (as the case may be) for the year ended 31 December 2017. The Independent Non- Executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition and the Deed of Right of First Refusal (as the case may be) have been complied with by the relevant parties.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under the Listing Rules.

Auditors

A resolution will be submitted to the AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board

Mr. Suxin Zhang

Chairman

29 March 2018

2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

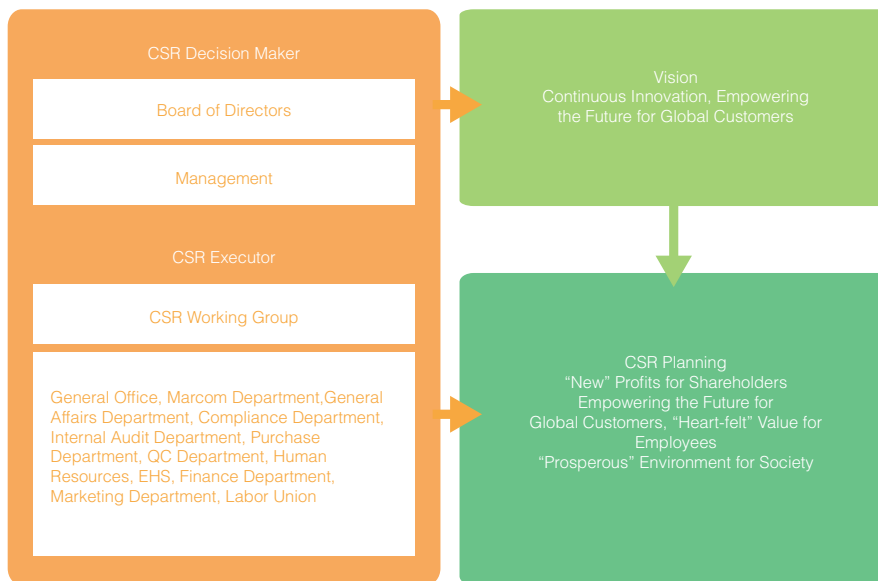
Our concept of sustainable development and the pursuit of long-term performance is to achieve these under consideration of economic, environmental and social aspects, as these aspects interact with and support each other, enabling long-term, sustainable performance. As a listed company operating internationally, we strictly comply with all local applicable laws and meet social expectations in our operations, and we align our standards for environmental protection to those of the leaders in international industry. We devote ourselves to sustainable cities and communities. In following our corporate vision of Continuous Innovation and Empowering the Future for Global Customers, we promptly respond to stakeholders, including customers, employees, investors, communities and countries where we operate, toward the goal of the sustainable development of enterprises and society.

1 Social Responsibility Management System

1.1 Concept and Management

We believe the fulfillment of corporate social responsibility first and foremost requires pro-active adherence to and implementation of the highest international standards of business and social ethics while creating value for and sharing value with all stakeholders. To this end, our Company incorporates environmental and social responsibilities directly into our business strategies and operations. We take a prudent approach to manage our environmental and social risks by perfecting our management system, improving supply chain performance and reducing resource consumption and environmental emissions. We encourage innovation-driven development and recruit and foster diverse talents, thereby promoting social harmony.

Effective social responsibility management also requires the ongoing attention of senior management and the involvement of all employees. We established a CSR working group to set up a CSR organization system that enables management to participate in and coordinate with the functional departments horizontally and member companies vertically. The working group comprises responsible officers from various functional departments.



Structure for CSR Management



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The following four aspects summarize the social responsibility of the corporate vision Continuous Innovation and Empowering the Future for Global Customers as provided by the Board of Directors as CSR Decision Maker:

Empowering the Future for Global Customers

Providing Quality Products Guaranteeing Rights & Interests of Customers
Booming Industrial Economy

Responsibility for the Industry

Expanded "New" Profits for Shareholders

Development through Innovation
Consolidate Operations with Integrity
Sharing the Benefits of China's growth

Responsibility for Investors

"Heart-felt" Respect for the Value of Employees

Caring about Career Development
Protecting Occupational Health

Responsibility for Employees

"Prosperous" Environment for Society

Promoting Green Development
Utilizing Resources Jointly Promoting Social Harmony

Responsibility for People's Livelihood

Implementation Focuses of CSR Planning of Hua Hong Semiconductor Limited

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1.2 Involvement of Stakeholders

Based on the business and operational characteristics of our Company and leveraging the experience and practices in the industry at home and abroad, we have determined the following to be our stakeholders: our shareholders, customers, employees; government agencies and regulators; partners, communities and the public. Our Company actively communicates with all of these stakeholders via various channels and methods, including websites, media, meetings, reports and other business and social activities. In 2017, the Company carried out a questionnaire survey of 22 external stakeholders, and identified substantive issues of concern by the stakeholders combined with expert opinions.

Expectations and Responses of Stakeholders

Key stakeholders	Description	Issues concerned	Communications and responses
Shareholders and senior management	Domestic and foreign investors holding equity and debt investments in our Company, and senior management members of the Company	Risk management, economic performance, industrial development, customer communication and satisfaction	Shareholders' meetings, financial reports, performance reports, results road shows, etc.
Customers	IDMs, systems and fabless semiconductor companies	Protection of customer rights and information, product and service quality, customer communication and satisfaction	Product exhibitions, customer research, technical seminars, B2B (such as E-tapeout systems, WIP report and WAT report, etc.), customer service hotlines and complaints, customer satisfaction surveys, etc.
Employees	Our employees and contract personnel who serve our Company on a continuous basis	Employee interests and welfares, employee health and safety, employee development and training	Employee activities, Employee Representatives Congress, Intranet, trainings, self-service systems and employee manuals, internal publications, etc.
Government and regulators	Industry, tax, environmental protection, security and other departments, local governments, SFC and other governmental or regulatory authorities	Compliant operation, green products, emissions management and energy utilization	On-site visit, official correspondences, policy enforcement, information disclosure, etc.
Partners	Suppliers, research institutions, industry associations, etc.	Industrial development, compliant operation, product and service quality, customer satisfaction and communication	Public tender conferences, strategic cooperation negotiations, exchanges and visits, etc.
Communities and the public	Communities in which we operate, the public and media, etc	Green products, emissions management, community and public benefit	Community activities, employee volunteer activities, public welfare activities, social cause campaigns, etc.



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1.3 Risk Management and Identification and Analysis of Substantive Issues

We continuously improve our risk management system by upgrading relevant processes and policies, thereby effectively enhancing our capabilities in comprehensive risk management. Since 2016, the Company has established procedures for risk management through an internal audit department. It issued the guideline “Rules about Comprehensive Control of Risks” and launched related projects. In 2017, based on the three lines of defense for risk management, the Company refined and practiced the process, considering both comprehensiveness and importance, built up risk-oriented internal monitoring and an evaluation system, identified 366 last-level risks in 16 business processes, and continued rolling supervision of the Company’s business process risks.

The Company conducted the annual comprehensive risk evaluation, designed a questionnaire about risks, carried out interviews with management, recognized key areas of risk, and prepared the annual risk management report. We adopted a quarterly risk communication and reporting mechanism to collect and report risk events within each business line every quarter. We carried out specific risk management trainings themed with “basic knowledge and practice about risk management and internal monitoring” and “specific training about risk management”, to enhance risk management consciousness of management and business personnel.

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Key ESG Risks and Countermeasures

Risk Category	Content	Countermeasures
Strategy	Strategic planning	The Company formulated strategic objectives from top to bottom, appropriately decomposed and implemented such objectives in specific business models of corporate operation, to ensure the accomplishment of strategic objectives
	Supervising and management system	The well-organized systems and processes together with our risk management system with its three lines of defense can effectively guarantee the accomplishment of strategic objectives
Operation	Research and development	The structured R&D closed-loop mechanism conducts comprehensive monitoring on R&D initiation, implementation and post-evaluation, and helps develop new products with commercial value continuously and in a timely fashion.
	Product mix	The Company's product mix is analyzed regularly and adjusted duly according to consumer demands, thus ensuring the product mix complies with market demands
	Information security	Based on our Management Rules about Information Security, the Company established the information security framework and management policy. We carry out the risk evaluation procedure for information security every year to maintain the optimal interests of the Company, shareholders, customers, suppliers and employees
Finance	Intellectual property	The intellectual property protection awareness and management procedure protects the intellectual property rights of the Company and its customers
	Cash flow	Prepare cash flow statements on a monthly basis to record cash flows and dispatch the same to relevant departments for follow-up actions
	Exchange fluctuations	Transactions denominated in foreign currencies are settled in foreign currency whenever possible to reduce the need for foreign currency exchange, thus reducing risks arising from exchange rate fluctuations
Environment and Safety	Environment	We design management procedures based on our observation, assessment and control of environmental factors, and list major environmental factors
	Safety check	Safety checks focusing on troubleshooting and fault diagnosis are carried out on a continuous and regular basis
	Occupational health	We have developed the goals, indicators and program management forms of our environmental and occupational health and safety programs in accordance with the Company's established goals, indicators and program management procedures for health, safety and environment ("HSE")

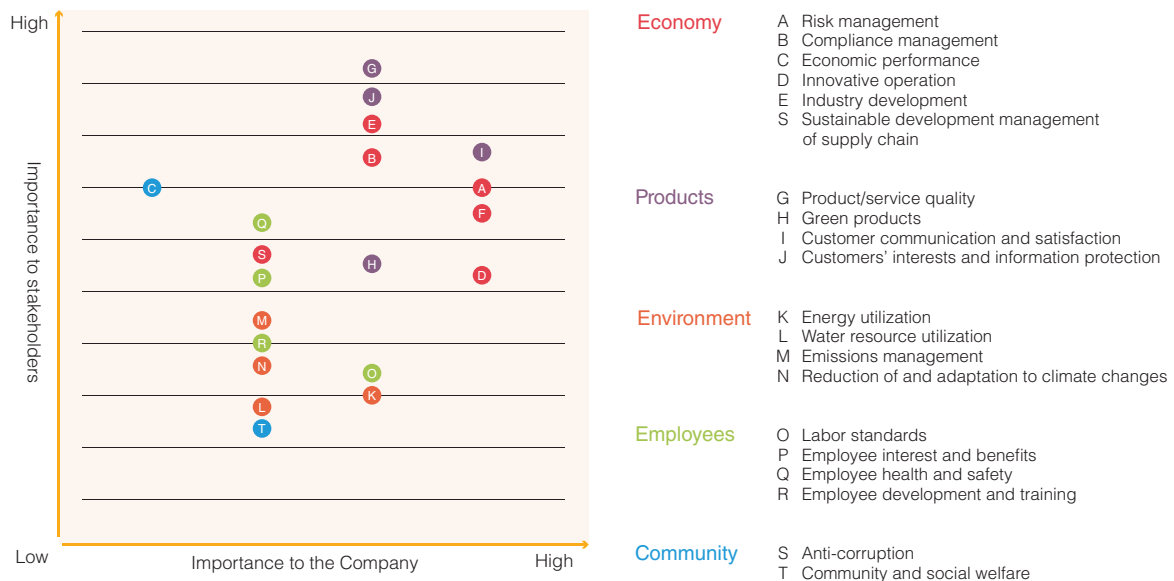


2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identification and Analysis of Substantive Issues

We check social responsibility issues on a regular basis, and identify the more substantive ones on which to focus our operations, reporting and disclosures through periodic identification, evaluation and screening. We consider both internal and external factors such as our strategic and operational direction, stakeholders' concerns and expectations, as well as national and international standards and policies.

In 2017, we continued referring to "Sustainability Reporting Guidelines (G4)" of the Global Reporting Initiative (GRI) and conducted a questionnaire concerning substantive issues with both internal and external stakeholders. Customer communication and satisfaction was most important to the internal stakeholders, reflecting the Company's emphasis on customers; product/service quality and customers' interests and information protection were most important to the external stakeholders, reflecting their concern regarding the Company's products and services.

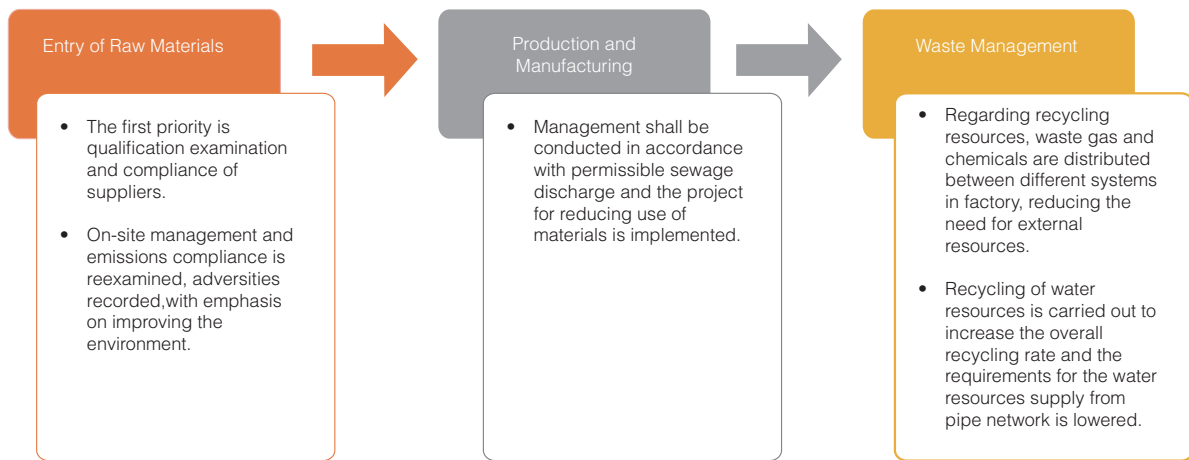


2 Environmental Responsibilities

We take “Zero Accidents” and sustainable operation as our goal, and devote ourselves to clean production and continuous improvement. In 2017, we continued to carry out the projects related to environmental protection and technological upgrading, and participated in carbon emissions trading management of Shanghai Municipal Development & Reform Commission, in an effort to pursue better performance in energy conservation and emission reduction, waste management, etc.

2.1 Environmental Management System

In 2017, the Company continued to advance and implement the upgraded ISO14001:2015 Environmental Management System, gradually shifted from a model advocating production and management to a mechanism focusing on control of product life cycles and risks, and devoted to improving environmental performance every step of the process, including procurement of raw materials, production and waste management. We formulated the “Pollution Risk Control Outline during Production Process” and established the Contamination Control Board (CCB) to be responsible for evaluating and managing pollution risks with respect to new materials and new equipment, new process development, process modification and changes in equipment and process control modes, thus ensuring product quality in production lines. In terms of supervision and management, we increased the verification tracking system as a part of the security management system of our intranet, which sorted out and listed the events that failed to meet environmental protection regulations discovered in routine management, and kept tracking records of subsequent improvements by means of regular system reminders. The Company also carried out eleven environmental protection trainings for new employees in 2017, the contents of which included the Company’s environmental protection concept, environmental protection equipment, environmental protection management system, etc.

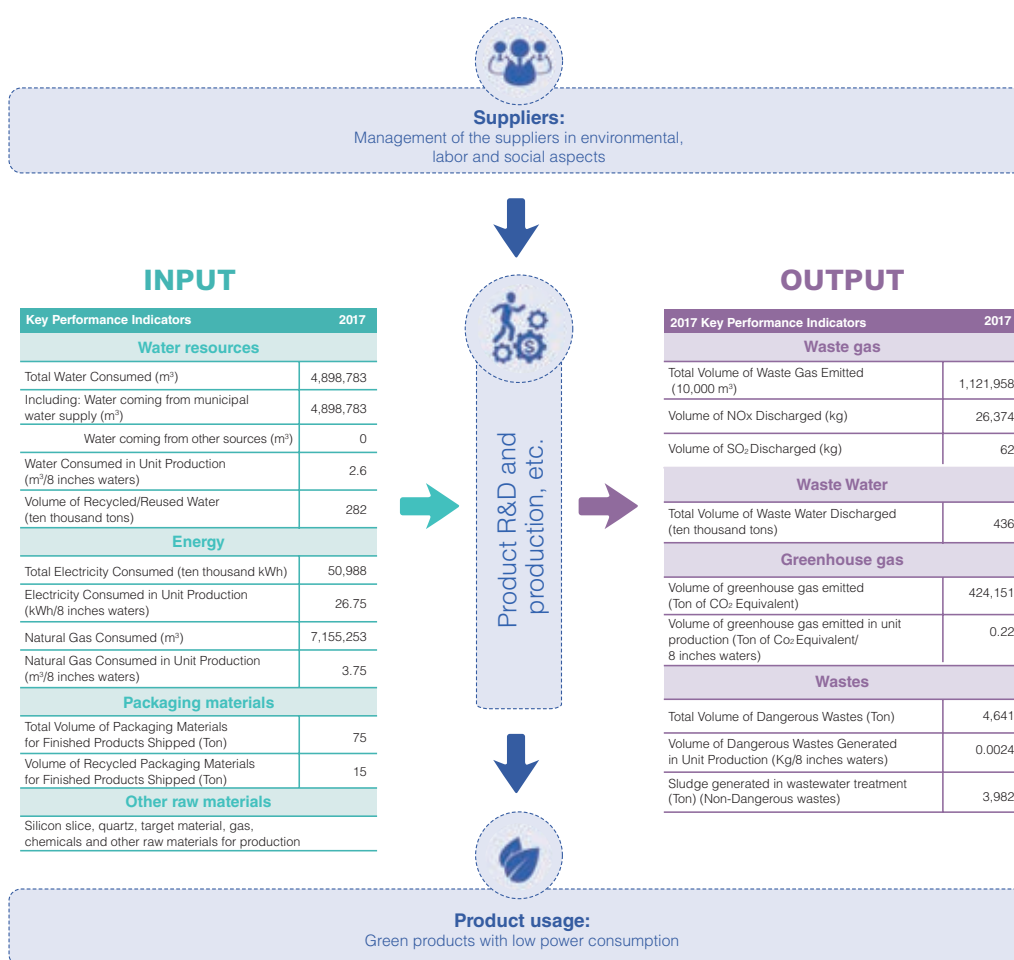


Environmental Management System Diagram

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Overview on Environmental Management Performance

The Company took full consideration of the environmental impacts arising from our own business operations: As the “inputs”, the Company’s production and operation requires the use of such resources as energy, water and other raw materials; as the “outputs”, emissions such as waste gas, water and solids will be generated. Moreover, we also considered promoting environmental management of the suppliers, and provided green products with low power consumption, in an effort to achieve better environmental management performance in both upstream and downstream of the value chain.





2.2 Action and Achievements in Environmental Management

Energy Management

In 2017, Shanghai Municipal Government issued the “13th Five-Year Plan” of Shanghai for Energy Conservation and Response to Climate Changes, and put forward the objectives for total energy control and energy utilization efficiency improvement of Shanghai in 2020. We always regard clean production, energy conservation and emission reduction as an important annual task of the Company.

The Company’s energy consumption mainly includes electricity, heat and natural gas (and a small amount of gasoline and diesel). We worked out the “Procedure of Resource and Energy Management”, specifying the principles of resource and energy management so as to achieve sustainable and environmentally harmonious development. This enables source control and continuous improvement while satisfying and enhancing production efficiency based on the principle of saving energy, reducing consumption and wastes and reduces the impact on environment while lowering production cost. In 2017, the Company revised its “Procedure of Resource and Energy Management”, and further specified details about work contents and duties of the Finance Department, General Affairs Department and Security Department. Apart from this, the Company established the energy saving goals during the “13th Five-Year Plan” period by referring to the energy utilization objectives of Shanghai in 2020: As of 2020, the Company’s comprehensive energy consumption of RMB10,000 output value will decrease by 12% as compared to that in 2015, and the unit production consumption of 8-inch IC wafers will decrease by 13% as compared to that in 2015; and the Company will entrust a third-party agency to conduct energy auditing and propose technological upgrading solutions for energy saving. The Company implemented over ten engineering downsizing projects, and totally reduced the fabrication of more than 880,000 wafers, which saved the electricity of over 603,600kWh, and also saved many other kinds of resources such as chemicals, water and gas, generating economic benefits of more than RMB2.14 million.

Major Energy-Saving Projects and Measures in 2017	Achievements
Reducing SCR operating step for each silicon wafer on 0.18umCE platform	368.6kWh of electricity saved every year, reducing energy consumption equal to 148.9 tons of standard coal.
Reducing photo mask for Flash product	310kWh of electricity saved every year, reducing energy consumption equal to 125.24 tons of standard coal.
Upgrading and transformation of MAU-31 air-conditioner in the chemicals warehouse of Fab 3	265kWh of electricity saved every year, reducing energy consumption equal to 107.06 tons of standard coal.
Fresh-air humidity control setting and adjustment of the peripheral air-conditioners in Fab 2	222.3kWh of electricity saved every year, reducing energy consumption equal to 89.81 tons of standard coal.
Using new energy-saving chiller on the super-e platform	70,080kWh of electricity saved every year
VOC-002 control and air valve regulating improvement of Fab 3	69,000m ³ natural gas saved every year, reducing energy consumption equal to 81.21 tons of standard coal.
Energy-saving project of down-regulating the pure water and raw water preheat set value	46,000m ³ natural gas saved every year, reducing energy consumption equal to 55.57 tons of standard coal.
Replacing warm pure water with cold pure water of FAB2	60,000m ³ natural gas saved every year



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Water Resource Management

The Company mainly uses water supplied by Shanghai Municipal Administration. In addition, some of our water comes from recycled water from our production facilities and condensate water from air-conditioning. Through technological reform and recycling, we actively seek ways of improving efficiency in saving water and utilizing water resources. The Company carried out water recycling and recycled pure water for process manufacturing purpose and used other water (air-conditioning condensate water) to replenish water for the cooling tower. The Company totally recycled 2,820,000 tons of water a year, accounting for 57.6% of the total water consumed.

Measures for Improving Water Utilization Efficiency in 2017	Achievements
Concentrated water recycling of pure water UF in Fab 2	58,300m ³ water saved every year
Water-saving transformation project of Local Scrubber in Fab 2	12,100 m ³ water saved every year
WPA QDR circulating flow to reduce and save use of pure water	9,500 m ³ water saved every year
Increasing new RO water recycling device in Fab 1	>300,000 m ³ water recycled every year
Increasing new OAC condensate water recycling device in Fab 1	49,000 m ³ water recycled every year

Prevention and Control of Pollutants

In prevention and control of pollutants, we follow the rules and regulations related to environmental protection and relevant matters. The waste discharged during production includes sulfuric acid mist, hydrogen chloride, nitric oxide, ammonia and volatile organic compounds. We established a system for processing waste gas that meets new requirements for controlling emissions. This system can eliminate over 90% of the VOCs generated. In terms of wastewater discharge, the Company started to implement Level B standard of GBT 31962-2015 (Water Quality Standard for Wastewater Discharged to Municipal Sewers) since 2017.

In terms of sewage discharge monitoring and information announcement, the Company implemented online wastewater monitoring, continued improving the online monitoring system in 2017, and announced relevant data on Environmental Information Announcement Platform of Enterprises and Public Institutions in Shanghai, to enhance the transparency of the Company's environmental information.

Greenhouse Gas Management

The emission of large amounts of greenhouse gases such as CO₂ is the main contributor to global warming, therefore it is of great importance to us to reduce emission of such gases, as slowing down global warming is advantageous to the whole world. We actively took part in relevant work of carbon emission trading by Shanghai Municipal Development & Reform Commission to cut greenhouse gas emission and slow down climate change.

In 2017, the Company has completed settlement of carbon credits of 2016, and purchased 2,500 tons of carbon credits via the Trading Platform of Shanghai Carbon Exchange in May, for reserve purpose.

Wastes Management

Wafer production generates dangerous wastes, such as waste acid and isopropanol. We authorized a qualified third-party company for treatment of these wastes, mainly by means of incineration, physical-chemical treatment and recycling. At the same time, we strive to cut the volume of wastes and worked out annual plans for eliminating dangerous wastes. In 2017, we cut 55.9 tons of waste photoresist, waste stripping liquid, waste sulfuric acid, waste isopropanol and waste phosphoric acid. The non-hazardous wastes such as sludge generated in wastewater treatment were treated by the wastes disposal agency by landfill. The Company entrusted the Wastes Management Center of Shanghai Pudong New Area to uniformly clear and transport the domestic wastes and kitchen garbage on a regular basis.

Treatment Methods for Hazardous Wastes

Treatment Method	Type of Hazardous Wastes
Recycling	Such as waste acid, waste isopropanol and waste phosphoric acid
Physical-chemical treatment	Such as waste glass bottle, 200L chemical barrels, and waste liquid from laboratory
Incineration	Such as cleaning cloth, plastic bottles, organic waste liquid, waste activated carbon, waste resin, and arsenic-containing wastes

2.3 Green Products

Control of Hazardous Substances

In accordance with the regulation Restriction of Hazardous Substances (RoHS) concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) as formulated by the EU, as well as customer requirements, we worked out standards for control of hazardous substances, established a system to do so and carried out risk evaluation for raw materials in production, thus guaranteeing that products are in compliance with requirements of customers regarding control of hazardous substances. The Company entrusted Societe Generale de Surveillance S.A. (SGS) to conduct tests for hazardous substances, and realized 100% compliance in investigation of hazardous substances in 2017. All manufacturing devices of the Company are verified to comply with the standards and requirements of QC 080000 reduction of reducing hazardous substances in electronic elements and apparatus and products.

Energy Saving of Electronic Products

Along with the continual development of green energy, Industry 4.0 and new energy automobiles, the need to save energy and reduce emission becomes increasingly urgent. Reducing the high energy consumption of electronic and electrical products is one of the hot topics of the industry today. Power semiconductor devices are playing a more and more important role such fields as mobile communication, consumer electronics, switching power supply, motor drives, LED drives, new energy automobiles and intelligent grids, and become the core elements to reduce power consumption and enhance efficiency. By virtue of our independently developed competitive Deep Trench Super Junction (DT-SJ) and Field Stop IGBT (FS IGBT) processes, we provide customers with product solutions featuring lower on-resistance, smaller chip area, faster switching speed and lower switch consumption. In the future, the Company will continue researching and developing power technology, provide manufacturing platforms for green chips with lower consumption, higher efficiency and smaller size, and create the future of green chips.



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2.4 Green Culture

We persist in promoting environmentally friendly business concepts and undertake external and internal environmental protection measures. In terms of routine operation and administration, the Company implements a sustainable development concept using science and technology and by adopting good practices. For example, we adopt web-connected printing and use office automation equipment intensively to control paper consumption, and we also encourage the use of recycled paper to support recycling. The Office Application System for General Affairs and Food Management System was developed for online use which makes it convenient to handle relevant work, improves work efficiency and saves consumption of paper. At the same time, the Company strongly supports the use of electric vehicles, and uses new energy vehicles in its own vehicle fleet. The Company took part in electronic wastes recycling activities organized by alahb.com to prevent secondary contamination of the environment while recycling wastes. The Company classified domestic garbage in factory zones by four categories of dry, wet, recyclable and hazardous garbage according to the requirements of the Environmental Protection, City Appearance and Health Administration of Pudong New Area for obligatory classification of domestic garbage generated by enterprises and public institutions, and we also advocated garbage classification among employees and cleaning personnel.

3 Employee-Related Responsibilities

We always strive to provide our employees with an environment that is equal, healthy, safe and comfortable. We endeavored to protect all legitimate rights and interests of employees in accordance with related laws and regulations. We established a safe working environment and organized regular trainings and emergency drills for employees. We created a comfortable working and living atmosphere, and carried out colorful employee caring activities. As of the end of 2017, no infringement of the rights and interests of employees occurred, and we were not subject to any employee-related complaints or penalties by the regulatory authority.

3.1 Rights and Benefits

Employment

We insist on fair, equal and open recruitment and employment, and are committed to providing equal opportunity in all our human resources activities such as employee selection, recruitment, promotion, transfer, and remuneration. We do not implement or engage in discriminatory policies or injurious actions for any reason, in particular nationality, region, color of skin, ethnicity, religion, age, family conditions or other factors. We have formulated and follow the guidelines described in "Employment Procedures and the Management Procedures for Trainees". We strictly check the identity information of our employees, and do not employ children or adolescents under the age of 16 years. We strictly followed related laws and regulations such as the Labor Law of the People's Republic of China and the Special Rules on Labor Protection of Female Employees, and resolutely prevented all compulsory labor practices; we adopted and signed the Collective Contract and Special Collective Contract for Female Employees in December 2017.

Remuneration and Benefits

To attract and retain talent, we provide our employees with competitive remuneration and comprehensive benefit plans; we also pay full statutory social insurance, purchase commercial supplemental coverage for our employees, including accident insurance and major-illness medical insurance, and provide free supplemental medical insurance to children and spouses of those employees in financial distress. We guarantee the rights of our employees to rest and off-duty days in compliance with national statutory requirements, and also allow supplemental annual paid leave. For the Mid-Autumn Festival and New Year's Day, the Labor Union arranges to send gifts to the employees. In addition, in order to help those employees from remote areas to be recorded in their local census register, the Company has formulated "Measures for Employees from Other Provinces or Cities on Application for Registration in the Census Register of Shanghai" to help solve related worries of employees. In 2017, the Company introduced a total of 35 professionals.

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Mechanism of Democratic Communication

A smooth communication channel and sincere concern are important to establishing harmonious labor-capital relationship. The Company convened regular seminars of employee representatives to coordinate with employee complaint issues, know about employee appeals, and invite employees into the daily management of the Company and establishment of systems. Meanwhile, we listened to employees through various means, including round-table luncheons and reasonable suggestions, so as to ensure the smoothness of communication channel.

The Company formally established the platform for gathering reasonable suggestions on 1 August 2016, encouraging employees to offer suggestions positively. As of the end of 2017, a total of 282 reasonable suggestions had been submitted via the platform, of which 194 suggestions were accepted by corresponding departments, with the contents thereof covering the departments of general affairs, personnel, safety, trade union and IT. We implemented such suggestions and finished improving 123 of them. The platform has become a rapid and effective channel for communication with and suggestions from employees.

Care and Support for Employees

We have established a supporting mechanism and a “home” for employees to provide long-term assistance to employees with difficulties. For the retired employees, the Company’s Trade Union organize condolence activities during the Spring Festival and the Double Ninth Festival every year, and cover all of our retired employees in Shanghai with the mutual-support supplemental medical insurance for hospitalization, and renew the insurance every year to safeguard retired life of these employees. For female employees, we established “Mom with Love” in all factories and equipped all nursing rooms with refrigerators, workbenches, electric power and deck chairs, with an aim to provide a private, clean, comfortable and safe space for the female employees during their pregnancy and suckling period. Moreover, the Company has started decorating the “Mom with Love” nursing rooms since November 2017, designed and planned according to the establishment standards stipulated by Shanghai Federation of Trade Union, and strived to be recognized as a municipal-level five-star standard unit in 2018.

3.2 Health and Safety

Occupational Health and Safety Management

To guarantee the health and safety of our employees, we established mechanisms for occupational health and safety in compliance with requirements of OHSAS18001. We clearly stipulate the guidelines about professional health and safety, and strictly follow laws and regulations on safety, health and environmental protection, advocating clean production and continuous improvement. We create a safe, healthy and comfortable working environment, strenuously pursuing the highest goal of “zero accidents” and sustainable operation, and work hard to become a model citizen of the world.

In 2017, we strengthened study of the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, reevaluated and adapted the Company’s job positions with occupational hazards and the occupational hazard factors; we formulated a series of management strategies for chemicals in accordance with Shanghai Regulation on Safety Management of Hazardous Chemicals, including qualification inspection of chemical suppliers/forwarding agents, scientific planning for chemical supply/collection protection, etc., and gave priority to promoting information management regarding entry and exit of dangerous chemicals.



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Measures for Protecting Health and Safety of Employees in 2017

Measures for Protecting Health and Safety of Employees	Main Content
Improving Safety and Responsibility System	<ul style="list-style-type: none">Internally, the Safety Responsibility Statement for the President, Executive Vice President, Vice President, Factory Director (Director), Department Chief and Section Chief and the Commitment Statement of Guaranteeing Safety shall be signed level by level, thus improving and perfecting the safety responsibility system that covers all departments and employeesExternally, we signed Safety Management Agreement and Commitment Statement for Contractors on Safety Education with all units and contractors that handle field operation which provide on-site service in the CompanyThe Company advanced the safety management information construction, promoted the warehousing in and out registration of chemicals, management of chemical substances, thermal imaging detection & management of special equipment personnel, as well as integrated and information-based management of employee training materials and job position-related test library systems.
Upgrading System for Identification of Hidden Risks	<ul style="list-style-type: none">Dangers and Emergency Plan 114 projects for safety reform and investment of RMB20,000,000Establish the Company's safety contingency plan system of "1+4+1782" (i.e., 1 comprehensive plan + 4 special plans + 1782 on-site treatment plans);Establish the response disposal mechanism to cope with the extreme weather, strengthen safety inspection, implement emergency plan drilling, pay attention to warning information, intensify emergency on-duty shift, and respond to actions timely;Establish mini fire stations in the three fabs, equipped with the firefighting equipments and materials, and give special fireman qualification trainings to ERC part-time personnel of the fabs;More than 4,000 employees were organized to receive fire fighting trainings in 2017.
Safety training is standardized and examination for performance is done	<ul style="list-style-type: none">Carry out propaganda and training about "three knows and three cans" fire control principle, prepare the examination database, and organize online computer examination, and promote the standardization of safety training from the perspective of systems and mechanisms;In 2017, we organized 60 safety trainings, with 5,258 attendances
We organize competitions to activate awareness of safe production	<ul style="list-style-type: none">We activated awareness of safe production and capability of safety and protection of employees by awarding them "ANKANG" labor competitions and special contribution awards

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Full Coverage for Health, Food, Lodging, Transportation

In terms of medical treatment, we provide annual physical examinations for all employees. Additionally, we offer the employees engaged in special positions with occupational disease checkups before they start in said positions, during performance of their duties in that position, and after leaving such positions. In 2017, we increased the thyroid examination program for all employees, and increased the TCT examination program for female employees above 40 years old. In terms of health management of employees, we tracked up the change of employee health status via the employee health profile system, and improved the corresponding management capabilities.

In terms of food, the Company operates its own cafeterias and cafes in factory zones, ensuring a safe, nutritious, and healthy diet for all employees. We established a management model of centralized food procurement and qualified supply chains, providing an assured and reliable system for safe sources of food. Employees and departmental representatives were invited to provide supervision. In 2017, we presented the operating guidebook for the dining halls and kitchens, carried out diet nutrition balancing and oil & salt control management on dining halls of the three fabs, and actively positively instructed the employees to build up the awareness of healthy diet.

In terms of lodging, the Company continued improving lodging construction and services for the employees. In 2017, the Company opened a new employee dormitory and increased 364 beds. Each room has its private bathroom, 24-hour water heating and WIFI services. Within the lodging area, we also provide libraries, computer rooms, pool tables, laundry rooms, TV rooms, HIVE boxes and other supporting facilities, to satisfy the requirements of our employees in their daily life.

In terms of transportation, we provide a travel allowance for employees to facilitate their commuting, and provide free shuttle buses between the industrial park, subway station and employee dorm. The Company also provides commuting buses for the employees living in areas where transportation is inconvenient, and arranges extra shuttle buses for those working overtime on weekends.

3.3 Training and Career Development

Employee development is the source of energy of an enterprise. Therefore, we care about employee career development and help our employees work out their career plan by designing their individual career development roadmap within the three categories of management, technology and functional positions. We provide training for employees based on our published Courses of Training, and offer training schemes specifically targeted to medium and senior level managers, grass-roots managers, tier-one managers, newly-employed university students and tier-one employees. In 2017, percentage of the employees receiving regular performance and career development assessment reached 100%. At the same time, we support continuing education of our employees and provide education allowances. In 2017, 4 of our employees received allowances for masters and doctoral degrees in engineering.



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Employee training programs

Trainees	Training Contents
Medium and senior level managers	Create excellent leadership, and enhance management capability of medium and senior level managers
Grass-roots managers (including directors, chefs and other grass-roots managers)	Role recognition, self-management, management of others, and working management
Tier-one managers	Develop management skills of tier one shift and team leaders, cultivate a tier-one management team with high quality and high business ability, and lay a solid foundation for the Company's management
Newly-employed university students	Career quality, corporate culture, introduction to special skills and other courses
Tier-one employees	Courses about theory and practical training of the semiconductor manufacturing module



4 Products and Customers

We keep track of international treaties, local and foreign laws and regulations that are relevant to our products and customers in places where our business operates, regularly update our management policies governing products and services in terms of health, safety, labels, privacy, and other areas, and establish quality assurance systems and customer service systems. As of the end of 2017, the Company had not been involved in any litigation regarding infringement of the interests of customers, nor did the Company receive any litigation from customers regarding product quality.

4.1 Product Liability

Quality Control

Based on the philosophy of “Quality Is a Lifeline of an Enterprise”, the Company devoted itself to implementing a comprehensive quality management model covering the five comprehensive departments and sections of quality system and customer satisfaction, supplier management and raw materials analysis, quality engineering department, reliability assurance department, and failure analysis department in accordance with the Quality Management Policy. To reduce human error, we established multiple management systems such as personnel management, equipment management, supply chain management, environment management, systems management, process management and customer quality control. With these reliable management systems, we are able to achieve real-time monitoring and testing over our entire product cycles from product R&D to production and after-sales feedback, carry out failure analysis on anomalies that may arise during the entire production and application processes, dig out the nature of problems, and work out corresponding corrective and preventive measures. The Company has established an optimal product recall system, and for the products whose functions or hazardous substances fail to reach the standard, our customers may return such non-conforming products to us within the warranty period and we shall repair or replace such products free of charge. Our sound system-based management provides further assurance that products manufactured by us are in conformity with the customer requirements and are free from defects in material and workmanship. As of 2017, failure rate of the Company’s products in the end user side was lower than one in a billion, and no product was recalled.

Product Quality Management System Certification

Certification	Date of passing the certification
ISO 9001 Quality Management System	November 6, 2000
ISO/TS 16949 Quality Management Systems for Automotive Industry	August 2, 2005
IECQ QC 080000 Hazardous Substance Process Management System	November 18, 2009



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Technological Innovation

“Innovation is the core, the source of energy and the only way towards development.” The Company continuously achieved outstanding technological innovation and continues to strengthen R&D in multiple fields such as eNVM, power discrete, radio frequency, analog and mixed signal, and power management ICs, we made efforts to construct the industry-university-research “three-in-one” technological innovation system by combining the Science and Technology Association and Expert Workstation, thus harvesting multiple results in both technological innovation and patent generation and licensing.

Since its establishment, the Science and Technology Association of the Company has organized nine call activities for various papers, including call for papers related to CSTIC, PCIM and power discrete, as well as appraisal and selection of scientific and technical papers among the Group; the Company achieved good results in various appraisal and selection activities, including the first, second and third prize of 2016 Technology Conference of the Group, the third prize of the Ninth Scientific and Technical Papers Award of Pudong New Area, etc. For the recent three years, the Expert Workstation has applied for 347 invention patents in total for cooperation projects, while the jointly trained PhD candidates have published 14 papers in total in core journals by SCI and EI. By the end of 2017, we had acquired 2,987 issued patents, including 122 issued US patents.

Intellectual Property Protection

As a science-oriented enterprise, we advocate independent innovation and respect intellectual property rights in our research and development of application-specific integrated circuits, including intelligent chips and information security chips. We continuously implemented the System for the Management of Intellectual Property, actively filed applications for patents and investigated responsibility of any potential breaches of intellectual property rights. At the same time, we promise that we will never infringe upon the intellectual property rights of any enterprise or individuals, and will keep confidential all technological information regarding products of upstream and downstream partners.

To reduce the risk of claims of infringement of third-party intellectual property rights against our manufacturing of semiconductor devices or end products, we only accept orders from reputable customers with no known potential risk of infringement. We have entered into several technology licensing agreements with major technology companies.



4.2 Customer Service and Protection of Customers' Interests

Customer Service System

Adhering to the idea of “providing customers with more convenient and safer services”, the Company has established a sound customer service system and provide services through customer service hotlines, customer survey, regular quarterly/semi-annual business reviews with major customers, technical seminars, trainings and other means, so as to enhance our customer service level. Our procedures and standards for contacting customers set out the basic requirements of our customers in respect of inquiries, transactions and complaints. The Customer Complaints Handling Procedures set out the processes for handling customer complaints, the responsible office and key techniques. They require that preliminary survey results and responses should be given within 48 hours upon receipt of a general customer complaint. Furthermore, we sort out and analyze the information reflected in customer complaints on a regular basis, and require relevant departments to develop improvement plans based on the results and oversee and assess the effects of relevant rectifications. Our Customer Satisfaction Measurement Procedures require us to carry out a customer satisfaction survey once every six months and to develop an improvement scheme based on the scores given and any dissatisfaction expressed by customers. In 2017, the Company continued improving the E-tapeout customer service system, Engineering Notice and customer product demand delivery management system, which greatly streamlined our business flow, reduced artificial links, lowered probability of error, improved work efficiency and cut short business cycle. As of the end of 2017, the complaint rate per 1,000 wafers shipped was lowered to 0.0054 (complaint/1,000 wafers).

Protection of Customer Information

The Company pays great attention to maintaining the security of customer information. We've established the ISMS information security management system, which controls information security risks and guarantees information security from such areas as information asset management, personnel security, physical access management, logic access control, etc., and has passed the certification of ISO27000. The Information Security Committee was established within the Company to clarify the responsibility of information security. Meanwhile, we audited our photomask partners to ensure the security of their data management and storage. As for waste photomasks generated during the wafer production process, we treated them by returning them to customers or destroying them, thus preventing to the utmost the disclosure of customer information within such waste photomasks. The Company started binding customer IP in 2016, so as to prevent any unauthorized IP address from logging onto our server. No incidents of infringement against laws or regulations concerning customer privacy occurred within the Company in 2017.



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5 Compliance in Business Operation

We keep track of international treaties and laws and regulations relevant to compliance in places where our businesses operate, and regularly update management policies governing supply chain management, risk control, corruption and bribery prevention, business fraud, and other aspects. In addition, we are in strict compliance with such laws and regulations with respect to compliance in business operation as the Criminal Law of the People's Republic of China, the Contract Law of the People's Republic of China, and the Anti Unfair Competition Law of the People's Republic of China, thereby deepening the implementation of supplier review work and proactively engaging in the promotion of clean and honest industrial practices and anti-corruption governance. As of the end of 2017, the Company had not been involved in any litigation with respect to any commercial bribery or corruption.⁽¹⁾

5.1 CSR Value Chain

It is a long-term development strategy for the Company to progress forward together with enterprises in the entire supply chain with our CSR value chain. To this end, we established a CSC Procurement Review Committee, and implemented an open bidding process as our main procurement approach to guarantee an equitable, open and fair procurement process. As a member of ECOVadis in France, we monitored the environmental and social risks of suppliers. By entering into the Undertakings against Commercial Bribery with suppliers, we eradicate all unfair competition activities. Meanwhile, we undertake to refuse the purchase of conflict minerals, while proactively eliminating the metals derived from the supply chain that uses illegal mining areas, conflict minerals, or poor mining environment. We continuously update our investigation report about the production of conflicted mines.

The Company continued raising requirements on our suppliers with respect to labor, health and safety, environment, ethics and management system in accordance with Code of Conduct of the Responsible Business Alliance (formerly known as EICC) and offering relevant trainings. Through the annual supplier assessment system, the Company requires those unqualified suppliers to make rectifications, thereby further promoting the development of our green supply chain.

We proactively support the growth and development of our domestic suppliers, and constantly assist suppliers in improving their management capacities and production levels. In addition, we also proactively encourage small and medium-sized enterprises to participate in the localization of key raw materials, including gases, chemicals and silicon wafers. Therefore, we've cultivated a great batch of local raw materials suppliers and equipment suppliers, thereby powerfully promoting the development domestic chip design industry.

Notes:

- (1) For subsidiary details, please refer to the "CSR Report" independently issued by Shanghai Huahong Grace Semiconductor Manufacturing Corporation in 2017.

5.2 Anti-corruption

The Company established the compliance department to supervise overall compliance management. Meanwhile, all major departments have compliance officers to establish the sound compliance management systems in strict accordance with the capital market requirements. Corresponding measures were made in the aspects of contract review, laws and regulations analysis, patent review and application, business negotiation, etc. to prevent compliance risks. Due to the strict compliance management system, the Company had no breach of any laws or regulations in 2017.

The Company has long-term commitments to provide training and education on clean and honest practices for customers and manufacturers, management cadres, and employees in major positions. The Company constantly promoted the execution of the Undertakings against Commercial Bribery and the Undertakings to Refuse Commercial Bribery, and carried out regular visits and random checks. As of the end of 2017, the Company successfully signed the Undertakings against Commercial Bribery with 204 manufacturers and the Undertakings to Refuse Commercial Bribery with 55 management employees and employees in major positions, with the signing rate of 100%.

The Company constantly promoted clean and honest practices and organized training programs with respect to anti-corruption and clean and honest initiatives. In 2017, we staged three “clean and honest initiative” seminars for the management personnel, in which 423 management personnel of the director level and above participated and watched the “Sharp Sword of Inspection” Episode IV – “Full Coverage of Inspection”, with the participation rate up to 100%. The Company organized the paintings and calligraphy works show themed as “anti-corruption and clean and honest initiatives” and totally collected 30 pieces of paintings and calligraphy works. The Company’s “Measures about Complaints and Reports Management by Employees” provided the channels of reporting through emails, telephones and mailbox, to encourage employees to report any suspicious breach of regulations with the Company. There were no breaches of law and regulations or reporting by employees.



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6 Social Welfare Causes and Public Communities

We insist on continual concern about and deep integration with the community. We focus on the needs of the community and regard mutual development with the community as an important part of our social responsibility, and feed back to the society in collaboration with all walks of life. With regard to community investment, we focus on targeted poverty alleviation, joint construction of the community and volunteer services.

Targeted Poverty Alleviation

Since 2016, we signed the pairing and supporting agreement with Youqiao Village of Chongming County, and provide allowances with consolation money to those families having difficulties in hospitalization and meeting the requirements for serious illness within the Village. In 2017, after knowing the difficulty of Youqiao Village in selling rice, the Company bought 21 tons of rice and distributed them to our employees as gifts for the New Year, thereby reinforcing targeted poverty alleviation by expanding our supporting range with physical actions.

Jointly Building of Community and Providing Volunteer Service

In 2017, we continued to advocate joint efforts between government agencies and local populations to promote community well-being, and we provided neighborhood firefighters with beverages, towels, items for showering and other articles for daily use, to express our solicitude towards all first-line firefighters.

Regarding volunteer service in community, we encourage our employees to serve the local community and express their solicitude. To this end, we established a Volunteer Association consisting of 78 volunteers who have provided volunteer services for 156 hours. Our voluntary activities in Meixin Nursing Home have lasted for 12 years. Apart from this, the Company also organized the condolence activities in Pujiang Wenhui School in 2017, where we built up a beautiful child-friendly environment for the children of the school, decorated by hand paintings on the wall, and motivated all the Party members to donate books to establish a Book Corner for Wenhui Elementary School. As for the disorderly parking problems of shared bicycles, our employees sorted out disorderly parked bicycles on surrounding roads of the Company, thus advocating and publicizing orderly parking of bicycles with practical actions. In order to intensify safety awareness of community residents, the Company cooperated with Shanghai Sinoaid Health Promotion Center to carry out First Aid Course for Children's Accidents in the community where our business is operated, including first aid common sense for children and cardiopulmonary resuscitation for children, which was proactively adopted and praised by the community residents.



7 2017 Social Recognitions

No.	Awards
1	Awards of State and Industry Level
2	Five-star Enterprise of the Third Star Awards for Chinese Industrial Enterprises' Fulfillment of Duty in 2016
3	Most Recognized Wafer Foundry of Greater China IC Design Achievements Award in 2016
4	"2016 China Top Ten Semiconductor Manufacturers"
5	"2016-2017 Annual Successful Enterprise of Power Discrete Market in China"
6	Top Ten Performers of Economic Yield in the IC Industry
7	Our "600V-1200V Field Stop IGBT Chip Manufacturing Process Technology" was honored the "2017 CITE Innovative Products and Application Award" and "the 11th (2016) China Semiconductor Innovative Products and Technology Award"
8	Our "90 Nano Low-Consumption Embedded Flash Process" Project was honored the "2017 Annual Golden Ant Award of National Golden Card Project – Best Product Matching Prize"
9	"2017 Excellent MCU Manufacturing Process Platform"
10	Most Influential Enterprise in Chinese Electronics Information Industry
11	2017 Excellent MCU Manufacturing Process Platform (0.11μ Ultra-Low-Consumption Dual-Gate Embedded Flash Technology Platform)
12	"Annual Award of the Semiconductor" of the Editors' Choice Award by China Electronics News in 2017
13	Provincial Awards
14	2015~2016 Annual Civilized Enterprise of Shanghai
15	Shanghai Five-star Enterprise with Integrity
16	Shanghai Model Workers' Home
17	2016 "Top Five Enterprises with Best Sales Results" and "Top Ten Performers of Economic Yield" in the IC Industry of Shanghai
18	Technological Innovation Award for Outstanding Contributions in Pudong New Area
19	2016 "Top 100 Foreign-Invested Enterprises for Import & Export Volumes" and "Top 100 Foreign-Invested Enterprises for the Number of Employees"
20	Our Super Junction Project was given the First Prize of Scientific and Technological Progress Award in Pudong New Area in 2016
21	2016 Innovation Award for Reasonable Suggestion Project by Employees in Shanghai
22	Bronze Prize of the Qualification Trials of Excellent Inventions in Shanghai

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8 Data Report

Environment

Performance Indicators	Unit	2015	2016	2017
Emissions				
Total Volume of Waste Gas Emitted	10,000 m ³	1,210,151	1,060,281	1,121,958
Volume of NOx Discharged	Kg	20,364	26,260	26,374
Volume of SO ₂ Discharged	Kg	55	50	62
Total Volume of Waste Water Discharged	10,000m ³	415.2	454	436
Volume of greenhouse gas emitted	Ton of SO ₂ equivalent	/	/	424,151
Volume of greenhouse gas emitted in unit production	Ton of SO ₂ equivalent/LO	/	0.20	0.22
Total Volume of Dangerous Wastes	Ton	4,073.40	4,323.70	4,641.40
Volume of Dangerous Wastes Generated in Unit Production	Kg/LO	0.0027	0.0024	0.0024
Volume of Innocuous Wastes ¹	Ton	2,786	2,746	3,982
Resource Utilization				
Total Electricity Consumed	Ten thousand kWh	44,063	48,183	50,988
Electricity Consumed in Unit Production	kWh/LO	297	271	26.75
Natural Gas Consumed	m ³	6,043,800	6,580,000	7,155,253
Natural Gas Consumed in Unit Production	m ³ /LO	4.07	3.70	3.75
Total Water Consumed	m ³	4,722,000	5,045,000	4,898,783
Water Consumed in Unit Production	m ³ /LO	3.2	2.8	2.6
Volume of Recycled/Reused Water	10,000 Ton	235.53	258.00	282.00
Total Volume of Packaging Materials for Finished Products Shipped	Ton	51.18	71.33	75.02
Volume of Recycled Packaging Materials for Finished Products Shipped	Ton	9.78	12.91	15.63

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Employment and Labour Practice

Performance Indicators	Unit	2015	2016	2017
Employment				
Total number of employees	Individual	3,787	3,938	4,138
Number of male employees	Individual	2,647	2,772	2,914
Number of female employees	Individual	1,140	1,166	1,224
Number of employees subject to labor contract system	Individual	3,787	3,938	4,138
Number of employees subject to labor dispatching system ¹	Individual	160	225	215
Number of employees aged < 30	Individual	1,878	1,922	2,001
Number of employees aged 30-50	Individual	1,827	1,936	2,054
Number of employees aged > 50	Individual	82	80	83
Number of Mainland China employees	Individual	3,777	3,928	4,128
Number of overseas employees	Individual	10	10	10
Number of newly-recruited employees	Individual	606	885	890
Employee turnover	Individual	509	681	704
Turnover of Mainland China/overseas employees	Individual	507/2	681/0	704/0
Percentage of male employee turnover to total employee turnover	%	/	/	69
Percentage of female employee turnover to total employee turnover	%	/	/	31
Health and Safety				
Occupational disease occurrence rate of employees	%	0	0	0
Occupational mortality	Individual	0	0	0
Number of days absent from work due to injury	Day	149.5	201.0	193.0
Development and Training				
Per-capita Time Length of Training Attendance of Employees ²	Hour	78.5	101.8	72.3
Including: Per-capita Time Length of Training Attendance of Junior Employees	Hour	65.8	103.7	72.6
Per-capita Time Length of Training Attendance of Managers	Hour	3.6	9.3	11.6
Per-capita Time Length of Training of Attendance of Female Employees	Hour	77.6	126.2	69.9
Per-capita Time Length of Training of Attendance of Male Employees	Hour	79.2	91.4	74.3
Rate of Employees Receiving Training				
Including: Rate of Junior Employees Receiving Training	%	100	100	100
Rate of Managers Receiving Training	%	100	100	100
Rate of Female Employees Receiving Training	%	100	100	100
Rate of Male Employees Receiving Training	%	100	100	100

¹ It includes security personnel, dining hall personnel, etc.

² Apart from junior employees and managers, the number of employees also includes the interns and employees dispatched

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Product Liability

Performance Indicators	Unit	2015	2016	2017
Product Liability				
Product return rate ¹	%	<0.1	<0.1	0.3
Percentage of sold products recalled due to safety and health issues	%	0	0	0
Customer satisfaction score	Point (Full mark of 10 points)	8.49	8.38	8.60
Customer complaint cases	Case	11	11	10
Percentage of customer complaints addressed	%	100	100	100

Supply Chain Management

Performance Indicators	Unit	2015	2016	2017
Supply Chain Management				
Total number of suppliers	Supplier	384	495	508
Number of local suppliers	Supplier	298	375	385
Number of overseas suppliers	Supplier	86	120	123
Number of suppliers receiving evaluation ¹	Supplier	23	31	115
Number of suppliers requiring rectification	Supplier	0	0	0
Qualification rate of suppliers	%	100	100	100
Number of suppliers signing the Undertakings for Environmental Protection	Supplier	/	/	104
Localization rate of raw materials purchased ²	%	20	22	23

¹ It means the number of suppliers on which the Company conducts evaluation with respect to labor, health and safety, environment and ethics.

² Raw materials purchased include: silicon slice, quartz, target material, gas, chemicals and other raw materials for production.

Anti-corruption

Performance Indicators	Unit	2015	2016	2017
Anti-corruption				
Number of trainings organized about anti-corruption and clean and honest initiatives	Training	5	12	5
Number of participants in trainings about anti-corruption and clean and honest initiatives	Individual	2,150	2,982	2,530
Number of corruption cases involving the Company and employees	Case	0	0	0

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Community Investment

Performance Indicators	Unit	2015	2016	2017
Community investment				
Number of employees participating in volunteer services	Individual	250	310	178
Accumulated time length of volunteer activities	Hour	480	560	356
Charitable donation amount ¹	1,000 Yuan	0	8.0	4.1

¹ Data of 2016 and 2017 come from the amount (financial records) donated to Shanghai Volunteer Services Foundation.

Compliance

Fields	Name of Major Laws and Regulations	Compliance Status
EHS	Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Production Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Law of the People's Republic of China on Employment Contracts, Law of the People's Republic of China on Protection of Women's Rights and Interests, etc.	No identified breach of laws and regulations or appeal occurred to the Company in 2017
Information security	Law of the People's Republic of China on Product Quality, Patent Law of the People's Republic of China, Copyright Law of the People's Republic of China, Trademark Law of the People's Republic of China, Cybersecurity Law of the People's Republic of China, etc.	
EICC	Anti Unfair Competition Law of the People's Republic of China, Employment Promotion Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Contract Law of the People's Republic of China, Labor Law of the People's Republic of China, Criminal Law of the People's Republic of China, etc.	



2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9 Preparation

Report Overview

This 2017 CSR Report of Hua Hong Semiconductor Limited (hereinafter referred to as “this Report”) explains its principles in fulfilling CSR and the work carried out in 2017. It mainly addresses our stakeholders about the sustainable development regarding the relevant economic, environmental, and social issues.

Reference Basis

This Report adopts the “Environmental, Social and Governance Reporting Guide” issued by the Stock Exchange of Hong Kong Limited and the “Sustainability Reporting Guidelines (G4)” of the Global Reporting Initiative (“GRI”) as its reference basis.

Scope of Report

Organizational scope: This Report by Hua Hong Semiconductor Limited, includes all members of the Group.

Reporting period: From 1 January 2017 to 31 December 2017.

Release cycle: This is an annual report.

Data Descriptions

Data and cases in this Report originate from the Group’s original records in day-to-day operation or financial reports.



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釋義

於本年報內，除非文義另有所指，否則下列詞彙具有下文所載涵義。

「股東週年大會」	本公司將於二零一八年五月十日下午二時正在香港法院道太古廣場港島香格里拉大酒店舉行的股東週年大會；
「董事會」	本公司董事會；
「增資協議」	本公司、華虹宏力、華虹無錫、國家集成電路及無錫錫虹聯芯訂立的日期為二零一八年一月三日的增資及認購協議；
「中國電子」	中國電子信息產業集團有限公司，一家於一九八九年五月在中國註冊成立的公司，為華虹集團的主要股東；
「國家集成電路」	國家集成電路產業投資基金股份有限公司，一家於二零一四年九月二十六日在中國註冊成立的公司。公司股東包括中央財政、集成電路產業聚集區企業、大型國有企業、部分金融機構及民營企業，公司重點投向半導體晶圓製造業，兼顧芯片設計、封裝測試、設備及材料等上下游環節；
「中國」	中華人民共和國，但僅就本年報及作地理參考而言，除文義另有所指，否則，本年報（「中國」）的提述不包括台灣、澳門特別行政區及香港；
「本公司」	華虹半導體有限公司，一家於二零零五年一月二十一日在香港註冊成立的有限公司，除非文義另有所指，否則包括其所有子公司，或如文義指其成為其現有子公司的控股公司之前期間，則指其現有子公司；
「公司秘書」	本公司公司秘書；
「董事」	本公司董事；
「EPS」	每股盈利；
「執行董事」	本公司執行董事；
「Grace Cayman」	Grace Semiconductor Manufacturing Corporation，一家於一九九九年十月五日在開曼群島註冊成立的獲豁免有限公司，為本公司的全資子公司；
「上海宏力」	上海宏力半導體製造有限公司，一家於二零零零年十二月二十日在中國註冊成立的公司，為本公司的全資子公司；

「本集團」	本公司及我們的子公司，或本公司成為我們現有子公司的控股公司之前期間（或成為本公司的該等聯營公司），則指由該等子公司或其前身公司（視乎情況而定）所經營的業務；
「華虹宏力」	上海華虹宏力半導體製造有限公司，一家於二零一三年一月二十四日在中國註冊成立的公司，為本公司的全資子公司；
「華虹NEC」	上海華虹NEC電子有限公司，一家於一九九七年七月十七日在中國註冊成立的公司，為本公司的全資子公司；
「港元」	香港法定貨幣港元；
「香港」	中華人民共和國香港特別行政區；
「華虹集團」	上海華虹（集團）有限公司，一家於一九九六年四月九日在中國註冊成立為上海華虹微電子有限公司的公司，並於一九九八年更名為上海華虹（集團）有限公司，為本公司控股股東；
「華虹置業」	上海華虹置業有限公司，一家於二零一一年十月二十八日在中國註冊成立的公司，為華虹科技發展的全資子公司；
「華虹科技發展」	上海華虹科技發展有限公司，一家於二零一零年五月十日在中國註冊成立的公司，一家由華虹集團持有50%並與其合併報表及由華虹NEC持有50%的公司，為關連人士；
「華虹無錫」	華虹半導體（無錫）有限公司，一家於二零一七年十月十日在中國註冊成立的公司。華虹無錫於註冊成立時由本公司的全資子公司華虹宏力擁有100%權益。於合營協議及增資協議項下擬進行的交易完成後將繼續為本集團的子公司。根據合營協議及增資協議完成注資後，華虹無錫預期將由本集團持有約51.0%權益，其中22.2%預期將由本公司直接持有及28.8%預期將由本公司透過華虹宏力間接持有，而國家集成電路及無錫錫虹聯芯預期將分別持有華虹無錫分別約29.0%權益和約20.0%權益；
「獨立非執行董事」	本公司獨立非執行董事；
「儀電集團」	上海儀電（集團）有限公司，前身為上海儀電控股（集團）有限公司，一家於一九九三年十二月在中國註冊成立的國有公司，為本公司控股股東；
「合營協議」	本公司、華虹宏力、華虹無錫、國家集成電路及無錫錫虹聯芯訂立的日期為二零一八年一月三日的合營協議；

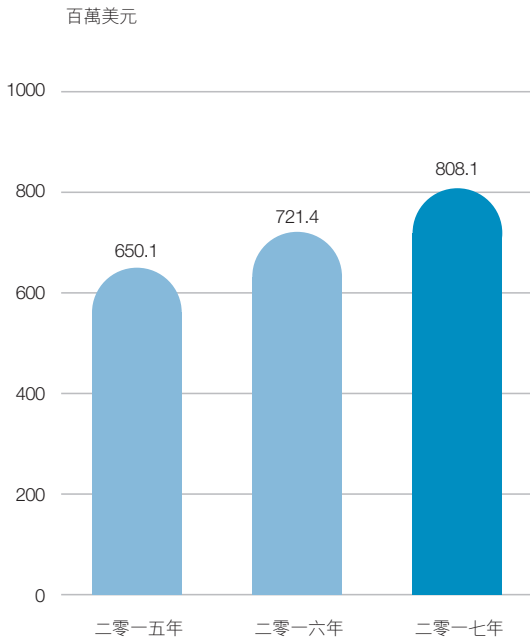


釋義

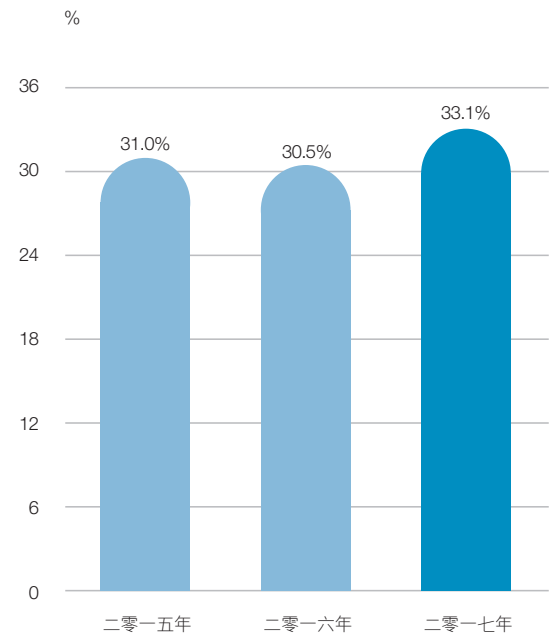
「上市規則」	《香港聯合交易所有限公司證券上市規則》(經不時修訂或補充)；
「合併」	Grace Cayman與本公司在開曼群島組建的Hua Hong Semiconductor (Cayman) Inc.進行的合併；
「NEC」	NEC Corporation，一家於一八九九年在日本註冊成立及創立名為Nippon Electric Company, Limited的公司；
「非執行董事」	本公司非執行董事；
「矽睿科技」	上海矽睿科技有限公司，一家於二零一二年九月十三日在中國註冊成立的公司，為關連人士；
「人民幣」	中國法定貨幣人民幣；
「上海聯和」	上海聯和投資有限公司，一家於一九九四年九月二十六日在中國註冊成立的公司，為本公司控股股東；
「證監會」	香港證券及期貨事務監察委員會；
「證券及期貨條例」	香港法例第571章《證券及期貨條例》(經不時修訂或補充)；
「上海華力」	上海華力微電子有限公司，一家於二零一零年一月十八日在中國註冊成立的公司，為關連人士；
「股東」	本公司股本中普通股持有人；
「聯交所」	香港聯合交易所有限公司；及
「無錫錫虹聯芯」	無錫錫虹聯芯投資有限公司，一家於二零一七年十二月十九日在中國註冊成立的公司，系由市屬及區級國企聯合設立的專業投資公司。

主要財務指標

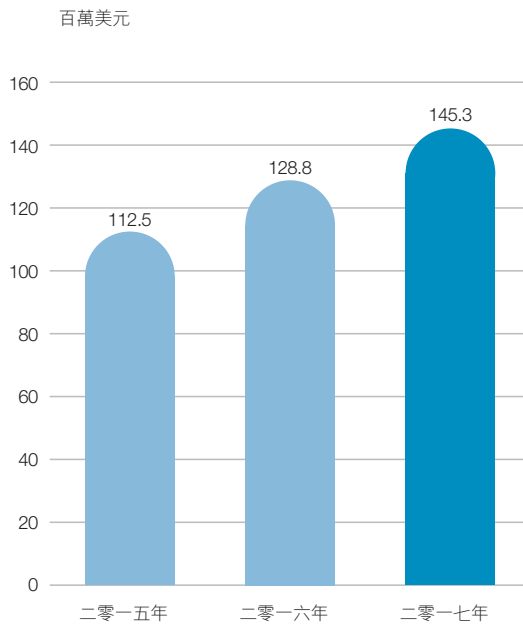
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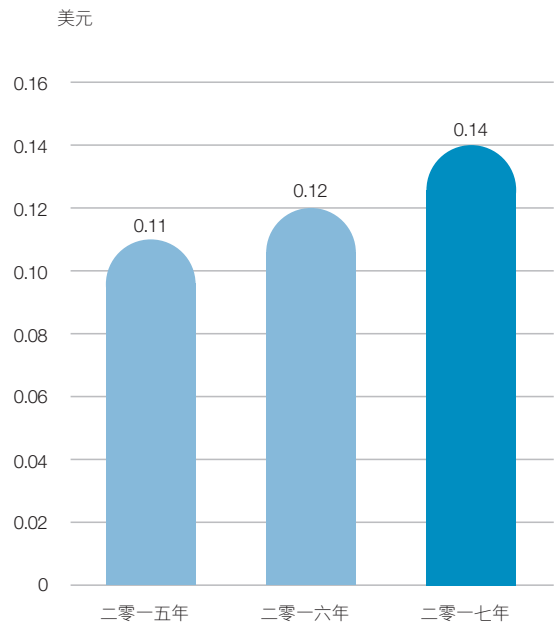
毛利率



淨利潤



每股盈利



致股東的信



華虹半導體董事會成員和董事會秘書集體合影

(從左至右) 馬玉川、陳劍波、王桂壘、森田隆之、張素心(董事會主席兼執行董事)、葉龍蜚、張祖同、葉峻、王煜(總裁兼執行董事)、王鼎(董事會秘書)

尊敬的各位股東：

二零一七年全球半導體市場實現超過20%的高增長，中國集成電路產業在市場、資本和政策三方合力下，規模與增速全球領先。

本集團凝心聚力、奮進突破，在全體員工的努力和廣大股東的支持下，取得了創紀錄的業績。不僅如此，我們還謀定而動，建立新的增長支柱，為本集團在下一個十年里成為更加強大、更加優秀的全球特色工藝晶圓製造領導者奠定堅實的基礎。

上一財年，本集團圓滿完成了各項既定目標，業績表現極其傑出：三座晶圓廠的產能有序擴增，產出接連刷新歷史紀錄，截至二零一七年底，月總產能增至16.8萬片。同時，本集團的銷售收入、毛利率和年內溢利均再創新高，大幅超越二零一六年度，銷售收入達8.08億美元，較二零一六年大幅增長12%；毛利率達33.1%，較二零一六年上升2.6個百分點；年內溢利達1.45億美元，較二零一六年上升12.8%；本集團保持了連續28個季度盈利。

清晰的戰略指引著我們持續不斷地增長。這一年，我們持續擴產+特色創新+全球市場+戰略升級「四箭齊發」，實現了規模、質量、效益、研發能力和市場競爭力同步提升。我們踐行工匠精神，在嵌入式非易失性存儲器(eNVM)、功率器件、模擬及電源管理、邏輯及射頻SOI等技術領域深耕創新，繼續保持領先地位。我們以高技術、高成長、高利潤作為企業發展定位，核心業務表現強勁，所銷售產品幾乎涵蓋了所有相關領域，尤其是金融IC卡、身份證、深溝槽超級結(Deep Trench Super Junction, DT-SJ)、IGBT和電源管理芯片。

在加強創新的同時，依托廣泛而靈活的全球化布局，我們在細分市場的領導地位再次得到證明。作為全球最大的功率器件純晶圓代工企業，已累計出貨200mm晶圓約570萬片。通過與一流客戶的緊密合作，本集團二零一七年金融IC卡芯片出貨量同比增長超過200%，創歷史新高。更進一步來說，純金融IC卡、社保卡、居民健康卡等帶金融支付功能的智能卡芯片出貨約4.3億顆。二零一七年微控制器(MCU)芯片出貨超過30萬片200mm晶圓，並持續穩步增長。

憑借研發和創新，我們的核心技術屢屢獲獎：「2017CITE創新產品和應用金獎」、「2017優秀MCU製造工藝平台」、「浦東新區科技進步獎一等獎」……憑借實力和雄心，我們蟬聯「中國十大半導體製造企業」和「大中華IC設計成就獎之最受認可晶圓代工企業」殊榮。憑借責任和愛心，我們榮膺「中國電子信息行業社會貢獻50強」。

但我們不會滿足於此，我們已經立足新的起點，把目光投向更長遠的未來。為打造新的增長支柱，我們堅決果斷地把握了巨大的機遇。二零一八年二月十四日，華虹半導體及其全資子公司上海華虹宏力半導體製造有限公司(華虹宏力)，和國家集成電路產業投資基金股份有限公司(國家集成電路)、無錫錫虹聯芯投資有限公司(無錫錫虹聯芯)合資設立了華虹半導體(無錫)有限公司(華虹無錫)。一期投資為25億美元的300mm晶圓集成電路研發和製造基地項目已在無錫高新技術產業開發區啟動建設，駛入了新時代發展的快車道，為公司中長期持續增長注入新動能。



致股東的信

願景可期，未來已來。物聯網、人工智能、5G、新能源汽車等新一代創新應用孕育興起，將引發社會生活的巨大變革。半導體作為數字和信息時代的基礎技術，將順勢迎來新一輪發展浪潮。而《中國製造2025》與「互聯網+」日益融合的大趨勢下，中國半導體事業已喜現一片欣欣向榮。不久前的十三屆人大會議上，集成電路再次被寫入政府工作報告，被列為優先發展的首個戰略性新興產業。潮起正是揚帆時，二零一八年，我們還將踏准差異化創新之路，研發、優化工藝平台及配套IP，繼續鞏固在既有優勢領域中的領先地位，並發力於智能控制、5G、汽車電子、物聯網和綠色能源等重點領域。我們更將貫徹新時代精神，以積極又審慎的韜略、合規又靈活的機制和舉措，建設好300mm晶圓廠項目。半導體已然駛向新藍海，需求為帆，實力做槳，本集團將不斷拉高標桿、乘勢而上，奮楫爭先。

新起點、「芯」征程，惟不忘初心者進，惟堅守匠心者強，惟砥礪奮進者勝。本集團必定再聚力、再出發，在堅持中深化，在深化中發展。我們會始終保持市場敏銳度和洞察力，強化三座200mm晶圓廠的長期經營發展，同時還將全力以赴做好華虹無錫基地項目建設，以更強的姿態主動應對全球市場競爭，為中國半導體產業的跨越式發展貢獻中堅力量。

謹此向各位尊敬的股東、客戶、合作伙伴及所有員工致以衷心的感謝與祝福。新科技開闢創新之源，「芯」夢想照亮奮斗之路，本集團期盼繼續與廣大股東等利益相關方攜手，在二零一八年再創新業績，再譜新華章。

張素心先生
主席兼執行董事

王煜先生
總裁兼執行董事

香港
二零一八年三月二十九日



願景

持續創新，為全球客戶製造
「芯」夢想

使命

通過協作、創新和優秀的
企業公民性，為股東、客戶
和員工創造價值



企業精神

革新，自信
進取，團結





公司資料

董事會

執行董事

張素心 (主席)
王煜 (總裁)

非執行董事

陳劍波
馬玉川
森田隆之
葉峻

獨立非執行董事

張祖同
王桂壘, 太平紳士
葉龍蜚

公司秘書

王小軍 (律師)

授權代表

王煜
王小軍 (律師)

審核委員會

張祖同 (主席)
葉龍蜚
葉峻

薪酬委員會

王桂壘, 太平紳士 (主席)
葉龍蜚
陳劍波

提名委員會

張素心 (主席)
王桂壘, 太平紳士
葉龍蜚

網址

www.huahonggrace.com

核數師

安永會計師事務所
執業會計師
香港中環
添美道1號
中信大廈22樓

法律顧問

史密夫•斐爾律師事務所
香港
皇后大道中15號
告羅士打大廈23樓

主要往來銀行

上海浦東發展銀行上海分行
中國上海市
中山東一路12號

中國工商銀行上海分行
中國上海市
浦東新區
浦東大道9號

中國建設銀行上海市分行
中國上海市
浦東新區
陸家嘴環路900號

交通銀行上海市分行
中國上海市
銀城中路188號

國家開發銀行上海分行
中國上海市
浦明路68號

中國建設銀行股份有限公司香港分行
香港中環
干諾道中3號中國建設銀行大廈28樓

交通銀行股份有限公司香港分行
香港中環
畢打街20號

國家開發銀行江蘇分行
中國江蘇省南京市
江東中路232號

中國農業銀行股份有限公司無錫新吳支行
中國江蘇省無錫市
新吳區和風路26號

股份過戶登記處

卓佳證券登記有限公司
香港
皇后大道東183號
合和中心22樓

註冊辦事處

香港中環
夏慤道12號
美國銀行中心2212室

主要營業地點及總部

中國上海
張江高科技園區
哈雷路288號
郵編：201203

股份代號

1347



董事及高級管理層

董事會

截至本報告日期的董事會由九名董事組成，包括兩位執行董事、四位非執行董事及三位獨立非執行董事，列示如下：

張素心先生，54歲，於二零一六年三月十一日獲委任為本公司董事會主席兼執行董事及本公司提名委員會成員兼主席。現擔任華虹集團董事長及黨委書記、上海華力微電子有限公司董事長。華虹無錫法定代表人、董事長。張先生擁有豐富的高新技術產業戰略發展、能源戰略研究及發電設備製造業經驗，曾歷任上海汽輪機有限公司總裁、上海電氣電站集團執行副總裁、上海西門子燃氣輪機部件有限公司董事長、上海電氣集團股份有限公司執行董事、上海電氣（集團）總公司副總裁、上海金橋（集團）有限公司黨委書記、總經理、上海金橋出口加工區開發股份有限公司董事長及黨委書記、上海市發展改革委副主任、上海市張江高新技術產業開發區管委會副主任等職務。張先生畢業於清華大學，擁有工學學士學位，為教授級高級工程師。

王煜先生，45歲，自二零一二年二月起為本公司總裁兼執行董事。現擔任華虹半導體（無錫）有限公司董事、總經理。王先生一九九七年在上海華虹微電子有限公司開始職業生涯；一九九八年一月至二零零三年十月擔任上海華虹NEC電子有限公司財務部部長及總監；二零零三年十月至二零一零年三月擔任上海華虹NEC電子有限公司副總裁兼財務長，並於任職期間參與中國大陸第一條200mm晶圓半導體生產線從建設到投產的全過程。二零一零年三月，王先生加入上海宏力半導體製造有限公司擔任副總裁，其後於二零一零年九月獲委任為總裁。王先生作為總裁對華虹NEC與上海宏力的合併及重組的圓滿完成發揮了重要作用。王先生畢業於上海財經大學，獲國際貿易學士及國際金融碩士學位。

陳劍波先生，53歲，自二零一二年二月起為本公司非執行董事，現擔任華虹集團副總裁並兼任上海華虹科技發展有限公司副董事長、華虹半導體（無錫）有限公司董事。陳先生在電子工程領域擁有逾十五年經驗，曾歷任上海科技投資公司副總經理、上海張江（集團）有限公司總經理、上海張江園區領導小組辦公室主任、上海集成電路研發中心有限公司總裁、上海華虹計通智能系統股份有限公司（股票代碼：300330.SZ）董事長等職務。陳先生畢業於上海交通大學，獲電子工程學學士、電磁學與微波技術碩士及通訊與電子系統博士學位，後於中歐國際工商學院獲工商管理碩士學位。

馬玉川先生，52歲，自二零一四年五月起為本公司非執行董事。馬先生於電子信息行業擁有逾二十年經驗，現任華大半導體有限公司副總經理，並在以下公司擔任董事職務：上海貝嶺股份有限公司（股票代碼：600171.SH）、中國電子集團控股有限公司（股票代碼：00085.HK）、南京微盟電子有限公司及中電華虹國際有限公司。曾任中國電子信息產業集團有限公司集成電路事業本部副主任、規劃科技部副主任。馬先生畢業於浙江大學，獲半導體物理及器件學士學位。

森田隆之先生，58歲，自二零零九年七月起為本公司非執行董事。森田先生於一九八三年四月加入NEC。一九八三年至二零一一年，森田先生在NEC擔任多項職務，包括國際規劃部經理、企業業務發展部高級副總裁兼執行總經理。現任NEC執行副總裁，並於二零一六年四月起兼任全球業務官(Chief Global Officer)。二零零八年六月二十四日至二零一二年六月二十六日，森田先生出任日本航空電子工業株式會社的核數師。森田先生在NEC以及日本航空電子擁有一席董事席位。森田先生畢業於東京大學，獲法律學士學位。

葉峻先生，45歲，自二零一二年二月起為本公司非執行董事。葉先生於金融投資領域擁有二十年經驗。自一九九六年起，葉先生在上海聯和投資有限公司業務發展部及投資銀行部擔任多個職位，並於二零零九年十二月起獲任副總經理。葉先生亦為華虹集團、上海華力、上海銀行及中美聯泰大都會人壽保險有限公司的董事。葉先生亦任上海兆芯集成電路有限公司及上海宣泰醫藥科技有限公司的主席。葉先生畢業於上海交通大學，獲工業外貿學士及工商管理碩士學位。

張祖同先生，69歲，為本公司獨立非執行董事。張先生曾為香港執業會計師，並自一九七八年至二零零三年底為香港會計師公會會員，自一九八三年一月起為英格蘭及威爾士特許會計師公會資深會員，在會計、核數及財務管理方面具有豐富經驗。張先生自一九七六年起於安永會計師事務所擔任多個職位，並於一九八九年成為安永會計師事務所管理委員會成員。他積極參與制定和監督公司內部控制和風險管理政策和程序。他亦曾擔任安永審計和諮詢業務服務的主席四年。之後，他被晉升為專業服務部門的管理合伙人。於二零零三年退休前，張先生為安永會計師事務所合伙人暨中國及香港區主席。張先生為上海復旦大學教育發展基金會及復旦大學教育發展基金會(海外)投資委員會成員。張先生亦為中國信達資產管理股份有限公司(股票代碼：1359.HK)及嘉里建設有限公司(股票代碼：683.HK)、中國人壽保險股份有限公司(股票代碼：2628.HK)的獨立非執行董事。張先生曾任中國太平洋保險(集團)股份有限公司(股票代碼：601601.SH及2601.HK)的獨立非執行董事。張先生畢業於倫敦大學，獲食品科學及化學理學學士學位。



董事及高級管理層

王桂壠先生，66歲，銅紫荊星章獲得者，太平紳士，為本公司獨立非執行董事。王先生於一九八五年十月及一九八九年七月分別獲准在香港以及英格蘭及威爾士執業律師；於一九九九年六月獲英國特許仲裁員協會接納為資深會員並於二零一一至一三年擔任香港國際仲裁中心主席。他從二零零零年起至現在為香港律師會理事，並於二零零九至二零一一年為該會會長；王先生從二零一一年起至現在是香港版權審裁處主席，香港董事學會理事會成員及稅務上訴委員會副主席。他又從二零一二至二零一七年先後為香港機場管理局及競爭事務委員會委員；二零一七年三月至二零一八年二月為香港通訊事務管理局主席；現為香港醫院管理局，香港按揭證券有限公司成員。王先生自二零零六年十一月至二零一一年二月擔任美國法郎克律師行的中國主理合伙人，並自二零一一年三月起任該律師行主理人一職。王先生亦為中國國際海運集裝箱（集團）股份有限公司（股票代碼：000039.SZ及2039.HK）中國油田服務股份有限公司（股票代碼：2883.HK及601808.SZ）及維達國際控股有限公司（股票代碼：3331.HK）的獨立非執行董事。自二零一五年十二月起，王先生被聘為財務匯報局名譽顧問。王先生畢業於香港中文大學，獲文學學士學位；後於倫敦大學、英國法律學院及中國法學會分別取得法律學士學位、事務律師資格證書及中國法律證書。

葉龍蜚先生，76歲，為本公司獨立非執行董事。葉先生曾於上海市政府擔任多個職位；於一九九一年獲調派往香港，擔任「Shanghai Desk」（上海市政府與安達信公司為推廣上海而達成的一項合作安排）行政總裁至一九九五年；於一九九五年加入嘉里控股有限公司，並分別於二零零零年十月至二零零三年八月及二零零三年八月至二零零七年三月出任香格里拉（亞洲）有限公司的董事會主席及副主席；於二零零七年三月至二零一八年二月，擔任香格里拉（亞洲）有限公司顧問一職。葉先生畢業於上海復旦大學，獲物理學學士及碩士學位。

高級管理層

截至本報告日期的高級管理層成員列示如下：

張素心先生，54歲，於二零一六年三月十一日獲委任為本公司董事會主席兼執行董事。有關張先生履歷及學術背景的更多資料，請參閱「董事及高級管理層－董事會」一節。

王煜先生，45歲，為本公司總裁兼執行董事。有關王先生履歷及學術背景的更多資料，請參閱「董事及高級管理層－董事會」一節。

徐偉先生，60歲，為本公司製造工程、人事、行政及安全管理執行副總裁及黨委書記。徐先生於一九九七年七月加入華虹NEC，為中國大陸第一條200mm晶圓半導體生產線的建立作出了巨大貢獻，歷任製造、技術及質量控制方面的多個職位。二零一二年六月至二零一三年十月，徐先生擔任華虹NEC的代理總裁。加入華虹NEC之前，徐先生任職於無錫（中國）華晶電子集團公司。徐先生畢業於西安交通大學半導體物理與器件專業，獲工學學士學位，並曾於清華大學研究生班深造。為教授級高級工程師。

范恒先生，56歲，為本公司銷售與市場執行副總裁。范先生於二零一四年底加入本公司，此前，范先生於二零零三年至二零一四年擔任上海華虹計通智能系統股份有限公司董事及總經理。在加入華虹計通之前，范先生歷任中科院上海微系統與信息技術研究所研究員／副室主任、上海華虹集成電路有限責任公司副總經理等多項職務。范先生畢業於上海復旦大學，獲電子工程系微電子專業學士學位；後於中科院上海微系統與信息技術研究所獲半導體物理與半導體器件物理專業碩士學位。

王鼎先生，55歲，為本公司財務、信息科技、上市公司工作與外籍人事執行副總裁。王先生於二零零一年四月加入上海宏力，在公司的各個發展階段、合併的籌備與實施及本公司成功上市中起到核心領導作用，並自二零一二年二月起擔任公司董事會秘書。加入上海宏力之前，王先生於一九九五年八月至二零零一年三月在美國硅谷的LSI Logic Corporation擔任寬帶娛樂部部門主管。於加入LSI Logic Corporation之前，王先生任職於美國Franklin Templeton Investments。王先生畢業於美國加州大學伯克利分校工程學院，獲工業工程及營運研究學士學位；後於舊金山大學獲財務及銀行專業工商管理碩士學位。

孔蔚然博士，54歲，為本公司技術研發與設計服務執行副總裁。孔博士於半導體領域擁有逾20年經驗，於二零零三年三月加入上海宏力，在推動NOR閃存、邏輯及嵌入式閃存領域的創新方面有良好往績。在加入上海宏力之前，孔博士在美國工作，先後任職於Sun Microsystems, Inc., LSI Logic Corporation及ISSI。孔博士畢業於天津南開大學，獲物理學士學位；後於美國俄勒岡科學理工研究學院獲電機工程學碩士及應用物理博士學位。孔博士擁有13項美國專利、49項中國專利，共同發表逾20篇技術論文。

周衛平先生，51歲，為本公司執行副總裁。周先生於二零一八年初加入本公司。此前，周先生曾任上海貝嶺股份有限公司執行副總裁；寧波杉杉尤利卡太陽能科技發展有限公司總經理；上海貝嶺微電子製造有限公司總經理；上海先進半導體製造股份有限公司黨委副書記、總裁、首席執行官，黨委書記、副總裁等職務。周先生畢業於華東師範大學，獲固態電子技術專業學士學位；後於復旦大學獲工商管理碩士學位。

李琦博士，55歲，為本公司採購物流、測試、質量、計劃副總裁。李博士擁有逾20年專業工作經驗，於二零零三年一月加入上海宏力。此前，李博士自一九九五年至二零零二年於美國應用材料公司擔任高級工程經理。李博士畢業於北京大學，獲物理學學士學位；後於美國馬里蘭大學獲物理學碩士學位及博士學位。



董事及高級管理層

陳衛先生，59歲，二零一七年本公司副總裁，主要負責銷售及客戶支持，直至二零一七年十二月辭任。陳先生於半導體行業擁有逾20年經驗，於二零零六年三月加入上海宏力。此前，陳先生自一九九四年一月至二零零六年二月任職於特許半導體製造有限公司（後被Global Foundry收購），並於二零零二年八月至二零零六年二月擔任特許半導體製造有限公司中國代表處的總代表。陳先生畢業於中山大學，獲半導體物理學學士學位；後於英國格拉斯哥大學獲理學碩士學位及大學行政管理碩士學位。

林宏哲博士，56歲，為本公司北美及日本銷售副總裁。林博士曾於美國幾家領先的半導體公司擔任多個非易失性內存技術開發職務，於二零零六年八月加入上海宏力。林博士畢業於麻省理工學院，獲電機工程學理學學士及理學碩士學位；後於加州理工學院獲電機工程學博士學位。

林俊毅先生，49歲，為本公司三廠運營副總裁。林先生於半導體行業擁有逾20年工作經驗，於二零零零年八月加入上海宏力。此前，林先生自一九九五年至二零零零年八月效力於台灣德基半導體製造有限公司（後與台灣集成電路製造股份有限公司合併）。林先生畢業於國立台灣科技大學（前稱國立台灣工業技術學院），獲化學工程學碩士學位。

Mirko Sonntag先生，41歲，為本公司歐洲銷售營運與服務副總裁。Sonntag先生擁有需求及供應鏈規劃及業務營運等方面的專業知識，在業務發展方面具備紮實基礎，於二零零八年十月加入上海宏力。此前，Sonntag先生任職於德國英飛凌科技公司。Sonntag先生畢業於德國柏林應用技術大學和柏林經濟學院，獲程序工程及經濟學文憑。

陳瑛女士，45歲，為本公司行政副總裁，負責綜合行政事務、企業形象傳播、合規和上市公司工作。陳女士於二零零一年四月加入上海宏力，擁有逾20年行政管理經驗。此前，陳女士任職於上海復華實業股份有限公司。陳女士畢業於復旦大學，獲法學士學位；後於中國人民大學獲管理學碩士學位；高級經濟師。

華光平先生，51歲，為本公司一廠運營副總裁。華先生於半導體行業擁有逾20年工作經驗，於二零零七年七月加入華虹NEC。此前，華先生先後效力於新加坡特許半導體製造有限公司和上海先進半導體製造股份有限公司。華先生畢業於清華大學，獲微電子工學碩士學位。

姚亮先生，53歲，為本公司二廠運營副總裁。姚先生於半導體行業擁有近30年工作經驗，於一九九七年八月加入華虹NEC。此前，姚先生自一九八七年至一九九六年十月效力於中國華晶電子集團公司。姚先生畢業於南京工學院，獲金屬材料工學學士學位。

公司秘書

王小軍先生，63歲，自二零一四年六月起擔任本公司聯席公司秘書，並於二零一六年六月起擔任本公司公司秘書。王先生為中國、香港及英格蘭和威爾士執業律師。王先生於一九九二年加入香港聯合交易所有限公司，之後歷任於齊伯禮律師行、百富勤融資有限公司、霸菱證券（香港）有限公司；二零零一年，成立王小軍律師行，並於二零零九年與君合律師事務所合併，目前為君合律師事務所合夥人。二零一一年至二零一二年，王先生擔任建銀國際（控股）有限公司董事總經理。二零零五年至二零一一年，曾任廣州廣船國際股份有限公司（股票代碼：317.HK及600685.SH）獨立非執行董事。二零零八年至二零一四年，曾任北方國際合作股份有限公司（股票代碼：000065.SZ）獨立非執行董事。二零一一年至二零一七年，曾任兗州煤業股份有限公司（股票代碼：1171.HK及600188.SH及YZC）獨立非執行董事。目前，王先生亦為以下公司的獨立非執行董事：東英金融投資有限公司（股票代碼：1140.HK）、中國航天國際控股有限公司（股票代碼：31.HK）及麗珠醫藥集團股份有限公司（股票代碼：1513.HK及000513.SZ）。王先生畢業於中國人民大學，獲法學學士學位；後於中國社會科學院獲法律碩士學位。

企業管治報告



董事會欣然匯報截至二零一七年十二月三十一日止年度的企業管治報告。

企業管治常規

本公司力行良好企業管治，並已就企業管治制定程序，該等程序符合上市規則附錄十四所載的企業管治守則（「該守則」）。

遵守守則條文

截至二零一七年十二月三十一日止年度期間，本公司一直遵守該守則。

董事的證券交易

本公司已採納上市規則附錄十所載的上市發行人董事進行證券交易的標準守則（「標準守則」）作為本公司關於董事進行證券交易的守則。本公司已向所有董事作特定查詢，每位董事均已確認其於截至二零一七年十二月三十一日止年度全年遵守當中所載的必守標準。

董事會

董事會總體上負責本公司的業務及事務管理，並對轉授予主席及管理層負責的本公司日常管理承擔最終責任。

董事會現時共有九名董事，當中包括兩名執行董事張素心先生（主席）及王煜先生（總裁），四名非執行董事陳劍波先生、馬玉川先生、森田隆之先生及葉峻先生，以及三名獨立非執行董事張祖同先生、王桂壘先生、太平紳士及葉龍蜚先生。有關各董事的更多詳情在本年度報告第94至96頁披露。本公司已於本公司網頁及香港聯交所網頁刊載經更新的董事名單，列明其角色和職能。

本公司各非執行董事皆以三年的特定任期委任，除非根據相關委任書或董事服務合約上的條款及條件被終止委任，彼等須於股東大會上接受本公司重新提名及重選。

於本年度，董事會定期舉行會議。全體董事皆有機會提出商討事項列入董事會定期會議議程。全體董事皆可直接接觸公司秘書，確保董事會議事程序及規則及規例均獲得遵守。董事會會議的完整會議紀錄由公司秘書保管，並應在獲得合理通知時，公開有關會議紀錄以供查閱。如有需要，各董事可尋求獨立專業意見以履行其責任，費用由本公司支付。

董事會負責制定本集團的策略性方向及政策，並監督管理層。董事會保留的部份職能包括（但不限於）監察及批准重大交易；涉及本公司董事或主要股東利益衝突的事宜；批准季度、中期及全年業績、向公眾或監管機構進行其他披露及內部監控系統，另與前述事項相關的決定亦須由董事會決定。董事會並無具體保留、本公司日常運作所需的事宜則轉授予管理層，管理層由相應董事監督並由主席領導。

企業管治報告

主席負責制定商業策略，領導董事會，確保董事會有效地運作，包括董事會及時就所有適当事項進行討論。主席確保董事會會議所審議的事項均已向所有董事妥善簡報，而全體董事所收到的資訊亦充分、完備及可靠。

主席與總裁的角色已予區分。主席負責本公司整體管理及運營，並建議及檢討本公司的企業方向及策略。總裁負責本公司的業務與營運的日常管理並實施本公司的業務策略。

截至二零一七年十二月三十一日止年度，董事會無論何時均遵守上市規則第3.10(1)、(2)條及第3.10A條的規定，委任最少三名獨立非執行董事，獨立非執行董事佔董事會成員人數至少三分之一；其中至少一名獨立非執行董事必須具備適當的專業資格，或具備適當的會計或相關的財務管理專長。各獨立非執行董事已根據上市規則第3.13條作出年度獨立性確認書。本公司認為，全體獨立非執行董事符合上市規則第3.13條所載的獨立性指引，根據指引條款均屬於獨立人士。

董事和高級人員的責任保險

本公司已為本公司或其子公司的全體董事和高級人員安排適當的保險，以就因本公司的企業行動而可能面對的法律訴訟給予保障。

董事會的運作

截至二零一七年十二月三十一日止年度，董事會曾舉行七次董事會會議。董事會各成員出席董事會會議、審核委員會會議、提名委員會會議及薪酬委員會會議的記錄及各成員出席會議的情況如下：

	董事會會議	審核委員會會議	提名委員會會議	薪酬委員會會議
執行董事				
張素心	7	不適用	1	不適用
王煜	7	不適用	不適用	不適用
非執行董事				
陳劍波	6	不適用	不適用	1
馬玉川	7	不適用	不適用	不適用
森田隆之	7	不適用	不適用	不適用
葉峻	5	4	不適用	不適用
獨立非執行董事				
張祖同	7	5	不適用	不適用
王桂壘，太平紳士	7	不適用	1	1
葉龍蜚	7	5	1	1

董事會亦傳閱書面決議案，取得董事會相關成員批准，以代替有形的會議。惟若有主要股東或董事在事項中存有董事會認為重大的利益衝突，有關事項則以舉行董事會會議（而非書面決議案）方式處理，以遵守該守則第A.1.7條。

董事會認為各董事的出席紀錄令人滿意，每位董事皆付出足夠時間來履行其董事職責。

持續專業發展

董事應跟進其作為本公司董事的責任，並跟進本公司的行為、業務活動及發展。

根據守則條文第A.6.5條，董事應參與適當的持續專業發展計劃，以建立並更新其知識及技能，確保其對董事會的貢獻是有根據及相關。截至二零一七年十二月三十一日止年度，全體董事獲及時提供有關本公司表現、財務狀況、前景的最新資料以及適用於本集團的法律及法規新的或顯著變化的材料，以便董事會整體及各董事履行職責。各董事將於下一個財政年度獲安排參與內部舉辦的簡報會，以及在適當時間獲發放相關議題的閱讀資料。本公司鼓勵所有董事參與相關培訓課程，課程費用由本公司負責。

薪酬委員會

本公司的薪酬委員會（「薪酬委員會」）現時成員包括一名非執行董事陳劍波先生及兩名獨立非執行董事王桂壘先生，太平紳士及葉龍蜚先生。薪酬委員會主席為王桂壘先生，太平紳士。薪酬委員會的角色及功能包括為所有執行董事及高級人員制定特定薪酬待遇，包括非金錢利益、退休金權利及報酬，並就非執行董事的薪酬待遇，向董事會提出建議。薪酬委員會應考慮同類公司支付的薪酬及集團內其他職位的僱用條件等因素，以及與工作表現掛鈎的薪酬安排的可取性。薪酬委員會已在本公司網站及聯交所網站上公開其職權範圍。薪酬委員會每年最少須舉行一次會議。

截至二零一七年十二月三十一日止年度，薪酬委員會舉行一次會議以檢討及建議本公司購股權計劃，該計劃由本公司於二零一五年九月一日舉行的股東特別大會批准。

各董事的薪酬詳情已列於財務報表附註8。

提名委員會

本公司的提名委員會（「提名委員會」）現時成員包括一名執行董事張素心先生及兩名獨立非執行董事王桂壘先生，太平紳士及葉龍蜚先生。提名委員會主席為張素心先生。提名委員會的角色及功能包括檢討董事會的架構、人數及組成，並就任何為補足本公司的公司策略而擬對董事會作出的任何建議變動提出建議；並遵從董事會成員多元化政策，物色具備合適資格可擔任董事的人士，並挑選提名董事人選或就此向董事會提供意見；評估獨立非執行董事的獨立性；就董事委任或重新委任以及董事（尤其是主席及總裁）繼任計劃向董事會提出建議，並監察落實董事會成員多元化政策的情況及適當檢討有關政策，以確保政策有效。提名委員會已書面訂明提名委員會的具體職權範圍，清楚說明其職權和責任。提名委員會已在本公司網站及聯交所網站上公開其職權範圍。提名委員會每年最少須舉行一次會議。

截至二零一七年十二月三十一日止年度，提名委員會舉行一次會議。

根據本公司的組織章程細則（「細則」），任何獲委任為董事以填補董事會臨時空缺的人士應留任至本公司下次股東週年大會為止，屆時將符合資格於相關股東大會上膺選連任，而任何獲委任為現有董事會新增成員的董事則應留任至本公司下屆股東週年大會為止，屆時將符合資格於相關股東大會上膺選連任。各董事最少每三年輪席退任一次，屆時應按細則規定膺選連任。細則亦允許以普通決議案罷免董事。

核數師的薪酬

截至二零一七年十二月三十一日止年度，提供的核數服務及與核數無關的服務已付或應付本公司核數師安永會計師事務所的薪酬分別為49萬美元及13萬美元。與核數無關的服務主要包括稅務諮詢和風險管理諮詢服務。

審核委員會

本公司的審核委員會（「審核委員會」）中，最少一名成員具備上市規則所要求的適當專業資格，或具備適當的會計或相關的財務管理專長。審核委員會並無成員於緊接各自委任日期前一年內擔任本公司現任外聘核數師的前任合夥人。所有成員皆具備適當的能力和經驗去審閱財務報表，以及解決本公司的重大監控及財務問題。董事會期望審核委員會成員能作出獨立判斷，並將企業管治功能的責任轉授予審核委員會，以遵守該守則的要求。

本公司審核委員會現時成員包括一名非執行董事葉峻先生及兩名獨立非執行董事張祖同先生及葉龍蜚先生。審核委員會主席為張祖同先生。審核委員會的主要職責包括檢討本公司的財務報告系統、審計的性質及範疇，以及內部監控與風險管理系統是否有效。審核委員會同時負責就外聘核數師的委任、重新委任及罷免提供建議，以及檢討及監察外聘核數師是否獨立客觀。另外，審核委員會會就任何因外聘核數師及監管機構所引起的事宜進行討論，以確保適當的建議已予落實。審核委員會已在本公司網站及聯交所網站上公開其職權範圍。審核委員會每年最少須舉行兩次會議。亦請參閱審核委員會日期為二零一五年十二月二十九日的經修訂職權範圍（於二零一六年一月一日生效）。

截至二零一七年十二月三十一日止年度，審核委員會曾舉行五次會議，大多數成員出席。在該等會議中，審核委員會已檢討及批准本公司二零一七年四個季度各季度、截至二零一七年六月三十日止六個月及截至二零一七年十二月三十一日止年度的財務報表。

董事會成員多元化政策概要

於二零一四年九月二十二日，董事會採納成員多元化政策（該「政策」），以遵守守則條文第A.5.6條。

該政策旨在列載本公司董事會為達致成員多元化而採取的方針，並不適用於本公司僱員，或本公司的子公司的董事會或僱員的多元化。本公司視董事會層面日益多元化為維持其競爭優勢的關鍵元素。本公司在設定董事會成員組合時，將從多個方面考慮董事會成員多元化，包括但不限於天賦、技能、地區及行業經驗、背景、性別、年齡及董事會成員的其他素質，令董事會上各種天賦、技能、經驗及背景維持適當的範疇及平衡。向董事會建議選董事候選人時，提名委員會將按照客觀標準考慮候選人的功績，並充分顧及董事會成員在多元化方面的益處。提名委員會將就達致董事會成員多元化的可計量目標，作出討論及達成一致，並向董事會作出建議，由董事會採用。在任何特定時間，董事會可在一個或多個方面改善其多元化，並相應檢討其進展。本公司致力在與業務增長有關的董事會多元化範疇，維持適當平衡。



企業管治報告

企業管治職能

董事會負責執行該守則內第D.3.1條所列明的職能。

董事會已檢討本公司的企業管治政策及常規、董事及高級管理人員的培訓及持續專業發展、本公司在遵守法律和監管規定方面的政策及常規、遵守標準守則、以及本公司遵守該守則的情況及在企業管治報告內的披露。

投資者關係

本公司提供網站www.huahonggrace.com，以刊登本公司業務發展及營運的最新資訊、董事名單及其角色與職能、組織章程文件、董事會及其轄下委員會的職權範圍、提名董事候選人的程序、股東權益及通訊政策、企業管治常規、向香港聯交所發放的公告、通函及報告，以及其他資訊。本公司網站上的資訊將不時更新。

公司秘書

公司秘書王小軍先生向董事會負責，以確保董事會程序獲得遵守，董事會活動亦獲有效率地高效進行。他亦負責確保董事會已全面評估與本公司有關的相應法律、法規及企業管治發展，協助董事的入職及專業發展。

公司秘書向董事會主席及總裁匯報，在本公司與其股東的關係中擔當重要角色，協助董事會向股東履行其責任，以遵守上市規則。

截至二零一七年十二月三十一日止年度期間，王小軍先生已出席相關專業講座以更新彼等的技能及知識，並遵守上市規則第3.29條的規定，接受不少於15小時的相關專業培訓。

股東的權利

本公司以多種正式渠道，確保其業績及活動獲公平披露及全面而透明的披露。該等渠道包括季度報告、中期報告、年度報告、公告及通函。

本公司的股東大會為董事會與股東之間的主要溝通論壇。本公司鼓勵其股東出席及參與股東大會，以確保高問責水平，以及使股東保持對本公司的政策及目標的了解。董事會主席、其他董事會成員及各董事會委員會主席（若主席未能出席，則由委員會其他成員出席）將在場為股東解答任何問題。

股東召開股東特別大會的程序

一名或多名持有本公司繳足股本不少於二十分之一的股東可請求董事，或根據香港法例第622章公司條例（「公司條例」）第566至568條提出請求的股東（「請求方」）（視情況而定）可提出召開股東特別大會的請求。請求書須列明召開大會的目的，由請求方簽署，並送至本公司的註冊辦事處。股東召開股東特別大會時須遵守公司條例第580至583條所列明的要求及程序。

於股東大會上提出要求及將股東查詢轉達董事會的程序

股東可於任何時間以書面形式向本公司提出其要求、計劃、查詢及想法，信件抬頭請註明董事會主席或公司秘書，其聯絡地址為：

中國上海張江高科技園區哈雷路288號，郵編：201203
電話：(86) 21 38829909
傳真：(86) 21 50809999
電子郵件：IR@hhgrace.com

以投票方式表決

根據上市規則第13.39(4)條，股東於股東大會上的任何表決均須以投票方式進行。

風險管理和內部監控

風險管理及內部監控目標

風險管理目標

在合規層面上，香港聯交所已修訂其有關風險管理的《公司管治守則》，並於二零一六年一月一日生效。本公司已進一步調整有關流程，確保適時符合有關規定。

在營運層面上，本公司管理層深知公司未來發展過程中所面臨的潛在風險。因此，本公司的風險管理目標有三部分：識別、評估這些風險，並採取降低、轉移、規避或接受等風險應對策略管理這些風險。本公司已經開展風控體系建設，搭建風險管理框架，明確風險管理機制，建立風險地圖，實行年度風險評估，形成滿足該守則監管要求的，符合公司實際情況的簡潔、科學、務實、高效的風險管控模式。



企業管治報告

內部控制體系目標

本公司內部控制體系充分吸收COSO（反虛假財務報告委員會的發起人組織委員會）的風險管理框架要求和香港會計師公會關於風險管理的指南，兼顧本公司實際情況和業務特點，將公司風險地圖的三級風險細化下沉到流程層面，搭建風險導向的內部控制評價體系，目標是評價內部監控系統的有效性和適用性、為確保本公司經營活動的有效性、其財務報告的可靠性和法律法規的遵循性提供合理保證。

風險管理及內部監控體系

為保障風險管理工作有效開展並形成長效機制，本公司已建立風險管理「三道防線」的監控體系。它包含下列多個不同層面的角色和責任：

第一道防線	業務部門
	<ul style="list-style-type: none">• 建立與維護本部門風險管理的各項機制；• 於日常工作中持續收集風險原始信息；• 協助風險管理條線（見下文）開展風險管理工作，包括提供必要的資料與樣本，確定與本部門相關的重大風險，並確定重大風險應對措施；
第二道防線	風險管理條線
	<ul style="list-style-type: none">• 制定／修訂公司風險管理各項制度和規定，提交公司經營管理層與審核委員會審議；• 設定／更新通用的風險管理語言，包括風險管理過程中的各項名詞、術語，並向風險管理相關部門及時宣導和貫徹；• 每年基於風險評估結果，界定重大風險應對責任主體，組織並指導相關部門制定重大風險應對方案，並對方案的實施進行跟踪；
第三道防線	內部審計條線
	<ul style="list-style-type: none">• 對各業務部門和風險管理條線的風險管理工作開展情況進行獨立的監督檢查，評價公司風險管理機制是否有效落實；• 對於審計過程中的發現點，督促相關部門或機構進行整改，並持續跟踪整改情況；• 向公司審核委員會匯報各項審計結果。

風險管理及內部監控聲明

董事會已指派內部審計部門執行內部審計職能，並充分保證其權威性及獨立性。內部審計師已根據經批准的檢查範圍及按企業管制守則內守則條文C.2條款規定，對本公司風險管理及內部監控制度的有效程度進行檢查，並無出現重大缺失。

根據內部審計部門的工作成果，本公司董事會認為，本公司的風險管理及內部監控系統令人信任且有效地運作。但我們也必須承認，公司的風險管理和內部監控架構旨在管理、而非完全消除影響本公司達致業務目標能力的風險，僅可對重大錯誤的陳述或損失提供合理而非絕對的保證。

一般資料

董事負責編製本公司每個財政期間的財務報表，使這些財務報表能真實和公平地反映本公司的業務狀況，並符合法定要求及適用會計準則。在編製截至二零一七年十二月三十一日止年度的財務報表時，董事已挑選並貫徹地應用適當的會計政策、作出審慎、公平及合理的判斷及估計，並按持續經營基準編製財務報表。

核數師的財政申報責任聲明載於本年度報告中第165及172頁的獨立核數師報告內。

代表董事會
張素心先生
主席

董事會報告



董事會謹提呈本集團截至二零一七年十二月三十一日止年度的年報及經審核財務報表（「財務報表」）。

主要業務

本公司目前為200mm純晶圓代工廠。如上文致股東的信所述，並進一步於下文董事會報告闡釋，截至2019年底，本公司預期開始交付300mm晶圓產品。我們主要專注製造特種應用的半導體。其主要子公司的業務載於財務報表附註1。

業務回顧

銷售收入分析

本公司二零一七年的銷售收入為8.081億美元，創本公司記錄新高，較二零一六年增長12%，為前十純晶圓代工行業同企業中「最佳」表現。本年度亦為毛利保持連續成長的第六年，且毛利率連續三年保持在30%以上。優秀業績乃由於對電子消費品、工業及汽車應用市場的日益增長的需求以及整體差異化技術平台的持續優化產品結構所致。

	按服務劃分的銷售收入					
	二零一七年 千美元	二零一七年 %	二零一六年 千美元	二零一六年 %	同比變化 千美元	同比變化 %
晶圓	790,680	97.8%	704,510	97.7%	86,170	12.2
其他	17,468	2.2%	16,918	2.3%	550	3.3
合計	808,148	100.0%	721,428	100.0%	86,720	12.0

- 我們97.8%的銷售收入來源於半導體晶圓的銷售。

	按客戶劃分的銷售收入					
	二零一七年 千美元	二零一七年 %	二零一六年 千美元	二零一六年 %	同比變化 千美元	同比變化 %
系統及無廠半導體公司	622,027	77.0%	551,614	76.5%	70,413	12.8
集成器件製造商	186,121	23.0%	169,814	23.5%	16,307	9.6
合計	808,148	100.0%	721,428	100.0%	86,720	12.0

- 於二零一七年，來源於系統及無廠半導體公司的銷售收入為6.220億美元，同比增長12.8%。
- 於二零一七年，來源於集成器件製造商的銷售收入為1.861億美元，同比增長9.6%。

董事會報告

按地域劃分的銷售收入

	二零一七年 千美元	二零一七年 %	二零一六年 千美元	二零一六年 %	同比變化 千美元	同比變化 %
中國	446,699	55.2%	378,030	52.4%	68,669	18.2
美國	141,356	17.5%	141,186	19.6%	170	0.1
亞洲其他地區	95,853	11.9%	91,175	12.6%	4,678	5.1
歐洲	64,792	8.0%	68,468	9.5%	(3,676)	(5.4)
日本	59,448	7.4%	42,569	5.9%	16,879	39.7
合計	808,148	100.0%	721,428	100.0%	86,720	12.0

- 中國仍然是對我們銷售收入貢獻最大的市場，來自中國的銷售收入為4.467億美元，佔總銷售收入的55.2%，同比增長18.2%，主要由於智能卡、分立器件、微控制器產品的需求增加。
- 來自美國的銷售收入為1.414億美元，同比小幅增長，主要由於微控制器及獨立非易失性存儲器的需求增加，部分被邏輯及射頻產品抵銷。
- 來自亞洲其他地區的銷售收入為9,590萬美元，同比增長5.1%，主要由於分立器件、模擬與電源管理及邏輯及射頻產品的需求增長。
- 來自歐洲的銷售收入為6,480萬美元，同比減少5.4%，主要由於智能卡需求減弱。
- 來自日本的銷售收入為5,940萬美元，同比增加39.7%，主要由於微控制器、獨立非易失性存儲器、邏輯及射頻、分立器件產品的需求強勁。

按技術平台劃分的銷售收入

	二零一七年 千美元	二零一七年 %	二零一六年 千美元	二零一六年 %	同比變化 千美元	同比變化 %
嵌入式非易失性存儲器	312,040	38.6%	265,425	36.8%	46,615	17.6
分立器件	220,923	27.3%	197,168	27.3%	23,755	12.0
模擬與電源管理	150,791	18.7%	139,969	19.4%	10,822	7.7
邏輯及射頻	95,905	11.9%	93,996	13.0%	1,909	2.0
獨立非易失性存儲器	26,515	3.3%	22,740	3.2%	3,775	16.6
其他	1,974	0.2%	2,130	0.3%	(156)	(7.3)
合計	808,148	100.0%	721,428	100.0%	86,720	12.0

- 嵌入式非易失性存儲器的銷售收入為3.120億美元，同比增長17.6%，主要由於智能卡及微控制器產品需求增加。
- 分立器件的銷售收入為2.209億美元，同比增長12.0%，主要由於對深溝槽型超級結MOSFET及IGBT技術需求增加及持續優化產品結構。
- 模擬與電源管理的銷售收入為1.508億美元，同比增長7.7%，主要由於工業應用市場的需求增加。

- 邏輯及射頻產品的銷售收入為9,590萬美元，同比增長2.0%，主要由於對光學影像穩定器等相關移動應用產品的需求增加。
- 獨立非易失性存儲器的銷售收入為2,650萬美元，同比增長16.6%，主要由於工業及汽車應用對獨立NOR閃存產品的需求增加。

按工藝技術節點劃分的銷售收入

	二零一七年		二零一六年		同比變化 千美元	同比變化 %
	千美元	%	千美元	%		
≤0.13μm	270,650	33.5%	242,690	33.6%	27,960	11.5
0.15μm及0.18μm	139,226	17.2%	120,644	16.7%	18,582	15.4
0.25μm	16,802	2.1%	17,702	2.5%	(900)	(5.1)
≥0.35μm	381,470	47.2%	340,392	47.2%	41,078	12.1
合計	808,148	100.0%	721,428	100.0%	86,720	12.0

- 0.13μm及以下技術節點的銷售收入為2.707億美元，同比增長11.5%，主要由於智能卡及微控制器產品需求增加。
- 0.15μm及0.18μm技術節點的銷售收入為1.392億美元，同比增長15.4%，乃由於微控制器、獨立NOR閃存產品、模擬與電源管理IC產品的需求增加。
- 0.25μm技術節點的銷售收入為1,680萬美元，同比減少5.1%，乃由於產能限制。
- 0.35μm及以上技術節點的銷售收入為3.815億美元，同比增長12.1%，主要是由於分立器件及模擬與電源管理IC產品驅動所致。

董事會報告

按終端市場劃分的銷售收入

	二零一七年 千美元	二零一七年 %	二零一六年 千美元	二零一六年 %	同比變化 千美元	同比變化 %
電子消費品	558,168	69.0%	474,200	65.7%	83,968	17.7
通訊	105,586	13.1%	117,645	16.3%	(12,059)	(10.3)
工業及汽車	105,164	13.0%	83,359	11.6%	21,805	26.2
計算機	39,230	4.9%	46,224	6.4%	(6,994)	(15.1)
合計	808,148	100.0%	721,428	100.0%	86,720	12.0

- 電子消費品的銷售收入為5.582億美元，同比增長17.7%，主要由於智能卡、微控制器、分立器件、及模擬與電源管理IC產品需求增加。
- 通訊產品銷售收入為1.056億美元，同比減少10.3%，主要由於SIM卡需求減少。
- 工業及汽車產品的銷售收入為1.052億美元，同比增加26.2%，主要由於深溝槽型超級結MOSFET、IGBT及MOSFET技術整體分立器件產品需求增加。
- 計算機銷售收入為3,920萬美元，同比減少15.1%，主要由於邏輯及射頻產品對PC外圍應用需求減少。

產能及產能利用率

晶圓廠 (千片晶圓每月)	二零一七年	二零一六年	同比變化
1號晶圓廠	63	56	7
2號晶圓廠	57	57	–
3號晶圓廠	48	42	6
晶圓製造月產能總計	168	155	13
產能利用率	98.1%	97.6%	0.5%

- 98.1%的高產能利用率主要由於市場導向應用的強勁需求。

付運晶圓			
千片晶圓	二零一七年	二零一六年	同比變化百分比
付運晶圓	1,869	1,787	4.6%

- 二零一七年，我們付運晶圓186.9萬片，乃由於產能及利用率均有提升。

研發

我們持續竭力創新、開發及優化特色工藝技術，為客戶提供更佳解決方案。我們尤其專注於嵌入式非易失性存儲器、分立器件、模擬與電源管理、邏輯及射頻技術。

我們的嵌入式非易失性存儲器技術因其較高的安全性、可靠性、成本效益及技術精細度一直得到行業的讚賞。在之前90nm嵌入式非易失性存儲器技術成功實現量產的基礎上，我們開發了在多個方面實現進步的第二代技術。與第一代相比，第二代的閃存單元尺寸進一步縮小約25%，被認為是所有代工廠90nm嵌入式閃存技術中最小者。此外，閃存IP設計架構得到改進，令閃存IP尺寸更為縮小，助於提升我們於智能卡市場的領先地位。實現產品認證及重大技術創新之後，我們的中國客戶已成功打入金融IC卡市場且迅速搶佔市場份額。二零一七年金融IC卡的總付運量超過4億顆，約佔中國金融IC卡市場份額的40%。

MCU乃採用嵌入式非易失性存儲器技術的另一產品應用類別。由於功耗超低、可靠性較高、晶片更小及業界最少的光罩層次，我們的0.11 μ m超低功耗嵌入式非易失性存儲器技術已被多家32位MCU廠商採用。並且由於定案設計數量增加，採用0.11 μ m嵌入式非易失性存儲器技術的MCU產生的收入翻了一番。同時，我們95nm單柵嵌入式非易失性存儲器技術的成功開發（包括諸多OTP/MTP/Flash/EEPROM IP解決方案）進一步增強我們於入門級8位MCU的競爭力。

在雲計算、電動及混合動力汽車、人工智能、加密貨幣及智能充電應用市場的推動下，分立器件技術的應用領域、使用率及需求繼續擴大及提高。此外，二零一七年全球一線芯片供應商更多地將汽車市場作為未來商業推動重心，此種情況會某種程度上導致其他消費品、工業及電腦應用市場的功率分立器短缺。這引起我們的客戶對整體分立器件的需求顯著上升。我們預計該狀況將延至二零一八年。

本公司的研發主要專注於其高端深槽超級結MOSFET (DT-SJNFET)和IGBT技術平台。因此，該等平台的收入較2016年增加逾50%。展望未來，我們將繼續提高器件性能及生產工序的可靠性及擴大產能，培養和吸引更多高成長及高利潤分立器件應用客戶。

隨著智能手機的革命，手機已開始在我們的生活中扮演著重要角色。RF FEM（射頻前端模塊）已成為現代手機的標準組件。手機RF FEM需要多個開關芯片，用於天線、頻帶／模式、及分集切換以及移動連接切換，且切換端口數量亦急劇增多。由於與其他復合材料的技術方案相比，其集成度更高、性能更佳且成本更低，RF-SOI技術逐漸成為RF FEM的主流技術，尤其是對於開關芯片而言。在0.20 μm RF-SOI技術成功的基礎上，我們正在開發0.13 μm RF-SOI技術，以提供更好的器件性能、更小的芯片尺寸及更多的集成功能，應對移動開關芯片的演進趨勢。

我們全部三家工廠均已獲授TS16949汽車質量認證。各種汽車產品均透過使用我們的差異化技術（包括嵌入式非易失性存儲器、分立器件、模擬與電源管理、邏輯及射頻以及獨立非易失性存儲器）付運。電動及混合動力汽車市場於過往兩年內增長強勁，預計此上升勢頭在未來數年將會持續。我們將繼續強化技術解決方案，把握此高增長機會。

遵守相關法律及法規

截至二零一七年十二月三十一日止年度，本公司並不知悉違反任何相關法律及法規而對其本身有重大影響的任何情況。

展望二零一八年

儘管二零一七年的月產能增至168千片晶圓，但由於我們的差異化技術優勢及半導體市場不斷壯大，客戶對我們產品的需求將持續強勁，並遠超我們二零一八年的現有產能。

透過將我們的可用產能發揮到極致，我們將推動二零一八年成為我們另一個蓬勃發展的一年。例如，第二代90nm嵌入式非易失性存儲器技術具備高競爭力的儲存容量及極其可靠的性能，透過使用該技術，我們將推出更多智能卡及MCU相關產品，這將進一步提升我們在該發展迅速的應用市場的實力，並產生持續溢利。整體而言，我們預期，對我們所有不同技術的需求將會持續上漲。我們將繼續把控產品組合，協調滿足客戶的需求，以充分利用我們的可用產能，從而達成最高價值。總之，展望二零一八年，我們充滿信心。

我們於二零一八年及之後將面對一個挑戰：雲計算、物聯網、大數據、智慧城市及5G通訊應用領域的快速發展及投資增加已推高對僅可在較優成本效益及足量產能供應的300mm晶圓生產的需求，在中國尤為如此。我們意識到，我們在戰略上不容錯過利用該日益成長的高利潤市場的機會，這就是我們採取在無錫設立華虹無錫運營一座新的300mm晶圓製造工廠戰略步驟的原因。（請參閱致股東的信以獲得關於此決定的更多詳情以及有關華虹無錫合營企業的詳細信息。）

我們於二零一八年的大部分工作將致力於華虹無錫的成功且及時的發展，以彰顯坐擁300mm晶圓研發及生產能力的本質。華虹無錫計劃於二零一九年第四季度投產，擬將月產能由二零一九年底的10,000片晶圓增至二零二二年底的40,000片晶圓。

當然，我們須充分利用我們已有的能力。我們目前處於充分利用的獨特狀況。首先，我們90nm嵌入式非易失性存儲器技術平台在200mm晶圓上的成功為很快實現在300mm晶圓上生產90nm和接下來的65nm的嵌入式閃存技術奠定了基礎。此外，與嵌入式非易失性存儲器類似，電源管理、射頻及相關的IP亦可快速高效轉移至華虹無錫，並獲得提升。本公司現有技術可輕鬆轉移，為我們300mm晶圓業務的未來發展提供了關鍵支持。基於越來越多的300mm產能就位，以及我們的最前沿技術成功獲得提升，經過甄選的產品將自我們的200mm晶圓廠轉移至300mm晶圓廠，進而釋放部分200mm產能，以滿足未來200mm的產能策略。

透過一系列專有技術使我們滿足不同客戶對高利潤、高成長產品的需求，我們已於200mm晶圓代工業務取得成功。對於自然且高效地將該策略延伸至專業的300mm晶圓生產，我們亦充滿信心。且我們可運用我們世界一流的研發、傑出的銷售及營銷以及我們成功的財務管理專業知識，迅速產生重大收益及溢利，而於上升期幾乎並無負面影響。

總之，預期華虹無錫將為本公司提供急需的產能，並將成為更先進技術開發的基地，從而解決產能瓶頸問題並顯著擴大我們的客戶群，使我們得以打入新的高成長、高利潤市場，於中國尤為如此，於第十三屆全國人民代表大會的政府工作報告中已將半導體列為實體經濟的首要優先事項。

我們堅信，透過雙重方法——繼續就200mm晶圓業務追求卓越，同時運用好華虹無錫300mm產能及技術創新——能極大地擴大我們的市場，開拓及提升我們的核心競爭力，從而創造美好未來。

管理層討論及分析

財務表現

	二零一七年 千美元	二零一六年 千美元	變動
銷售收入	808,148	721,428	12.0%
銷售成本	(540,971)	(501,080)	8.0%
毛利	267,177	220,348	21.3%
其他收入及收益	24,394	34,761	(29.8)%
投資物業的公平值收益	89	72	23.6%
銷售及分銷費用	(7,232)	(6,814)	6.1%
管理費用	(108,673)	(97,404)	11.6%
其他費用	(10,712)	(666)	1,508.4%
財務費用	(2,178)	(3,873)	(43.8)%
分佔一家聯營公司溢利	9,622	7,056	36.4%
稅前溢利	172,487	153,480	12.4%
所得稅開支	(27,225)	(24,648)	10.5%
年內溢利	145,262	128,832	12.8%

就二零一七年同比變動超過5%的項目的闡釋

銷售收入

銷售收入達8.081億美元，較二零一六年上升12.0%，主要由於銀行卡、身份證、超級結、微控制器、IGBT與電源管理器芯片的需求增長。

銷售成本

銷售成本為5.410億美元，較二零一六年上升8.0%，主要由於晶圓銷售量上升所致。

毛利

毛利為2.672億美元，較二零一六年上升21.3%，主要得益於平均銷售價格提升及產品組合優化，部分被折舊成本增加所抵銷。

其他收入及收益

其他收入及收益為2,440萬美元，較二零一六年減少29.8%，主要由於並無獲得外匯匯兌收益及獲得的補助減少所致。

投資物業的公平值收益

投資物業的公平值收益指投資物業估值的收益。與二零一六年相比，我們的投資物業在二零一七年的評估價值較為穩定，其公平值收益相對較小。

銷售及分銷費用

銷售及分銷費用為720萬美元，較二零一六年增加6.1%，主要由於人工費用增加所致。

管理費用

管理費用為1.087億美元，較二零一六年增加11.6%，主要由於人工費用和研發開支增加所致。

其他費用

其他費用二零一七年增加至1,070萬美元，主要由於外匯匯兌虧損所致。

財務費用

財務費用為220萬美元，較二零一六年減少43.8%，主要由於銀行借款減少所致。

分佔一家聯營公司溢利

分佔一家聯營公司溢利為960萬美元，較二零一六年增加36.4%，主要由於該聯營公司所實現溢利增加所致。

所得稅開支

所得稅開支為2,720萬美元，較二零一六年增加10.5%，主要由於應課稅溢利增加。

年內溢利

在上述因素的累計影響下，年內溢利由1.288億美元上升至1.453億美元。淨利率由17.9%上升至18.0%。

財務狀況

	二零一七年 十二月三十一日 千美元	二零一六年 十二月三十一日 千美元	變動
非流動資產			
物業、廠房及設備	733,462	656,517	11.7%
投資物業	179,586	169,074	6.2%
於聯營公司的投資	57,577	45,121	27.6%
可供出售投資	215,864	203,330	6.2%
其他非流動資產	38,385	37,828	1.5%
非流動資產總額	1,224,874	1,111,870	10.2%
流動資產			
存貨	115,578	95,199	21.4%
貿易應收款項及應收票據	112,372	106,078	5.9%
其他流動資產	57,062	46,715	22.1%
已凍結及定期存款	193,530	125,547	54.1%
現金及現金等價物	374,890	341,255	9.9%
流動資產總額	853,432	714,794	19.4%
流動負債			
貿易應付款項	68,124	64,790	5.1%
其他流動負債	207,964	171,281	21.4%
計息銀行借款	60,751	1,874	3,141.8%
流動負債總額	336,839	237,945	41.6%
流動資產淨額	516,593	476,849	8.3%
非流動負債			
計息銀行借款	32,139	90,757	(64.6)%
遞延稅項負債	14,123	9,276	52.3%
非流動負債總額	46,262	100,033	(53.8)%
淨資產	1,695,205	1,488,686	13.9%

就二零一六年十二月三十一日至二零一七年十二月三十一日同比變動超過5%的項目的闡釋

物業、廠房及設備

物業、廠房及設備由6.565億美元增至7.335億美元，主要由於產能增加及二零一七年人民幣升值而產生貨幣換算差額所致。

投資物業

投資物業由1.691億美元增加至1.796億美元，主要由於二零一七年人民幣升值而產生貨幣換算差額所致。

於聯營公司的投資

於聯營公司的投資由4,510萬美元上升至5,760萬美元，主要由於分佔該聯營公司於二零一七年的溢利所致。

可供出售投資

可供出售投資由2.033億美元增加至2.159億美元，主要由於二零一七年人民幣升值而產生貨幣換算差額所致。

存貨

存貨由9,520萬美元增加至1.156億美元，主要由於客戶訂單增加所致。

貿易應收款項及應收票據

貿易應收款項及應收票據由1.061億美元增加至1.124億美元，主要由於二零一七年銷售收入增加及人民幣升值而產生貨幣換算差額所致。

其他流動資產

其他流動資產由4,670萬美元上升至5,710萬美元，主要由於二零一七年若干應收關聯方的貿易應收款項因其銷售收入的上升而增加所致。

已凍結及定期存款

已凍結及定期存款由1.255億美元上升至1.935億美元，主要由於新增定期存款所致。

現金及現金等價物

現金及現金等價物由3.413億美元增加至3.749億美元，主要由於(i)經營活動所得2.583億美元；(ii)利息收入580萬美元；(iii)因股票期權行權而增發股份收到的投資款280萬美元；及(iv)用於購買固定資產的政府補助230萬美元。部分被(i)設備投資1.381億美元；(ii)投資定期存款6,700萬美元；(iii)支付股息3,970萬美元；(iv)利息開支220萬美元；及(v)償還銀行借款200萬美元。此外，由於人民幣升值所致的調增為1,340萬美元。

貿易應付款項

貿易應付款項由6,480萬美元增加至6,810萬美元，主要由於二零一七年人民幣升值而產生貨幣換算差額所致。

其他流動負債

其他流動負債由1.713億美元增加至2.080億美元，主要由於資本開支應付款項增加及應計稅項增加所致。

計息銀行借款

計息銀行借款總額由9,260萬美元增加至9,290萬美元，主要由於二零一七年人民幣升值而產生貨幣換算差額所致，被償還銀行借款200萬美元所抵銷。

遞延稅項負債

遞延稅項負債主要包含預估分派股息之代扣代繳稅金，其金額由930萬美元上升至1,410萬美元，主要由於二零一七年計提代扣代繳稅金所致，部分被(i)轉回以前年度計提的代扣代繳稅金及(ii)二零一六年股息所繳納之稅項抵銷。

現金流量

	二零一七年 千美元	二零一六年 千美元	變動
經營活動所得現金流量淨額	258,300	211,908	21.9%
投資活動所用現金流量淨額	(197,003)	(233,398)	(15.6)%
融資活動所用現金流量淨額	(41,096)	(125,341)	(67.2)%
現金及現金等價物增加／(減少)淨額	20,201	(146,831)	(113.8)%
年初現金及現金等價物	341,255	510,441	(33.1)%
外匯匯率變動影響，淨額	13,434	(22,355)	(160.1)%
年末現金及現金等價物	374,890	341,255	9.9%

經營活動所得現金流量淨額

經營活動所得現金流量淨額由2.119億美元上升至2.583億美元，主要由於銷售收入增加所致。

投資活動所用現金流量淨額

投資活動所用現金流量淨額為1.970億美元，主要用於(i)設備投資1.381億美元；及(ii)投資定期存款6,700萬美元，被收到(i)利息收入580萬美元；及(ii)用於購買固定資產的政府補助230萬美元所抵銷。

融資活動所用現金流量淨額

融資活動所用現金流量淨額為4,110萬美元，包括(i)支付股息3,970萬美元，(ii)利息開支220萬美元，及(iii)償還銀行借款200萬美元，被因股票期權行權而增發股份收到的投資款280萬美元所抵銷。

現金及現金等價物增加淨額

在上述因素的累計影響下，現金及現金等價物由二零一六年十二月三十一日的3.413億美元增加至二零一七年十二月三十一日的3.749億美元。

財務風險

外幣風險

我們面臨外匯風險。該等風險主要產生自華虹宏力以美元而非以其功能貨幣－人民幣進行的買賣。截至二零一七年十二月三十一日，倘美元對人民幣升值或貶值5%，而其他變量維持不變，我們的年內稅前溢利將分別增加或減少約1,150萬美元。

利率風險

我們面臨的市場利率變動風險主要與我們按浮動利率計息的計息銀行借款有關。我們的政策為使用固定及可變利率債務混合的方式來控制利息成本。

截至二零一七年十二月三十一日，倘銀行貸款利率上升或下降1%，而所有其他變量維持不變，我們的年內稅前溢利將分別減少或增加約60萬美元。

信用風險

我們僅與獲認可及信譽良好的第三方及關聯方交易。根據我們的政策，所有擬按信用方式交易的客戶均須通過信用核實程序。此外，由於持續對應收款項結餘進行監控，故我們的壞賬風險並不重大。

我們的金融資產中面臨最大信用風險的項目為：綜合財務狀況表內現金及現金等價物、貿易應收款項及應收票據及計入預付款項、按金及其他應收款項、應收關聯方款項以及已凍結及定期存款等金融資產的賬面值。我們並無其他存在重大信用風險的金融資產。

流動資金風險

我們的政策為定期監控現時及預期流動資金需要，以確保維持充裕的現金儲備及從主要金融機構獲得足夠的融資承擔額度，以應對短期及長期流動資金需要。

資本管理

我們資本管理的首要目標為維護持續經營能力及維持良好的資本比率，以支持我們的業務及實現股東價值最大化。

我們根據經濟狀況的變動管理及調整資本架構。為此，我們或會調整派付予股東的股息、向股東返還資本或發行新股。我們不受任何外部施加的資本要求規限。於年內，本集團管理資本的目標、政策或程序概無任何變動。

資本負債比率

資本負債比率的詳情見財務報表附註36。

業績

本集團截至二零一七年十二月三十一日止年度的業績及於該日的事務狀況載於本報告第173至263頁的財務報表。

末期股息

董事建議派付截至二零一七年十二月三十一日止年度的末期股息每股31港仙。待股東於應屆股東週年大會上批准後，擬派末期股息將於二零一八年六月十四日（星期四）派付予於二零一八年五月二十三日（星期三）名列本公司股東名冊的股東。

股息政策

本公司決定自二零一五年度起，在本集團實現利潤、經營環境趨勢穩定且無重大投資行為的情況下，於本公司股東同意及合乎法例要求下，將對股東派發股息。計劃連續三年所派股息的平均額將不低於該三年平均可分配淨利潤的30%；其餘部份將用於本集團發展與經營。

有關股息政策仍會不時檢討，不保證會在任何指定期間派付任何特定金額的股息。如董事會建議派付股息，股息形式及金額將視乎董事評估不時影響本集團的因素而定。

銀行貸款及其他借貸

本集團的銀行貸款及其他借貸於二零一七年十二月三十一日的詳情載於財務報表附註25。

財務摘要

本集團於過往五個財政年度的已公佈業績及資產以及負債摘要載於第264頁。本摘要並不構成經審核財務報表之一部份。

物業、廠房及設備

本集團旗下物業、廠房及設備和投資物業於截至二零一七年十二月三十一日止年度的添置及其他變動詳情載於財務報表附註13及14。

此外，投資物業詳情如下：

位置	用途類別	租期	本集團權益	建築樓面面積 (平方米)
中國 上海 浦東新區 張江高科技園區 郭守敬路818號 9幢樓宇的一部份	工業用途	按於二零一五年三月八日 屆滿的土地使用權持有	100%	91,563.11

股本及購股權計劃

本公司截至二零一七年十二月三十一日止年度的股本變動詳情載於財務報表附註28。由二零一四年三月三日起按新公司條例(第622章)附表11第37條，這些變動包括自動將股份溢價之金額列入股本中，為過渡至無面值股份制度的一部份。

購股權計劃(「購股權計劃」)已經於二零一五年九月一日舉行的本公司股東特別大會批准。購股權計劃的概要如下：

購股權計劃的目的：

購股權計劃的目的是吸引、挽留參與者(定義見下文)及對其提供獎勵，以讓其有機會獲得本公司股份及將其利益與本公司的經營業績及股價表現密切相連，旨在提升本公司價值。

參與者：

購股權計劃參與者(「參與者」)包括(1)本集團任何成員公司的現時執行及非執行董事；或(2)對本集團任何成員公司的經營業績及可持續發展有直接影響的高級管理層以及主要管理及技術人員之人士(視乎購股權計劃列明的任何限制及約束而定)，惟不包括任何獨立非執行董事。

各參與者的最高配額：	倘在任何12個月期間內所配發及因授出及將予授出的全部購股權（「購股權」，包括已行權、已註銷及尚未行權的購股權）獲行使而向參與者配發的股份總數超過本公司當時已發行股本的1%，則不得向該參與者進一步授出購股權。經股東於股東大會上批准，可在任何12個月期間內向任何參與者授予超出1%個人限額的期權。在股票授予日（定義見購股權計劃），任何持有本公司5%以上附有表決權股份的人員，未經股東於股東大會上批准，不得被授予購股權。
購股權可予行使前須持有的最短期間（如有）：	2年（除非購股權授予通知另有規定）。
申請或接納購股權所應付的款項及須予付款或催繳或就此須支付貸款的期間：	1.00港元乃由各被授予人自建議授出日期起計28日內支付，作為購股權授出的代價。
購股權計劃的餘下期限：	購股權計劃有效期間為採納日期起至二零二二年九月一日止的七(7)年。
所授出購股權的詳情如下：	
授出日期：	二零一五年九月四日
所授出購股權的行使價：	6.912港元
所授出購股權的數目：	30,250,000份（佔本公司截至二零一七年十二月三十一日止已發行股份的2.92%）。
購股權的有效期間：	自二零一五年九月四日起至二零二二年九月三日（七(7)年）止（包括首尾兩日）。
購股權的歸屬期間：	期權的三分之一應分別於二零一七年九月四日、二零一八年九月四日及二零一九年九月四日歸屬。
每股行使價6.912港元較以下較高者溢價0%：(i)於購股權授予日期聯交所每日報價表所報每股收市價6.87港元；及(ii)於緊接授予日期前五個交易日聯交所每日報價表所報本公司普通股的平均每股收市價6.912港元。	

董事會報告

購股權於截至二零一七年十二月三十一日止年度的變動詳情如下：

參與者之性別或類別	購股權數目						於二零一七年十二月三十一日	購股權之行使期	購股權之行使價
	於二零一五年 9月4日授出	於二零一五年 註銷	於二零一六年 註銷	期內行使	期內註銷	期內失效			
董事									
王煜先生	869,000	-	-	-	-	-	869,000	二零一七年九月四日至 二零二二年九月三日	6.912港元
森田隆之先生	119,000	-	-	-	-	-	119,000	二零一七年九月四日至 二零二二年九月三日	6.912港元
其他僱員	29,262,000	(130,000)	(1,458,000)	3,699,005	(1,188,399)	(165,000)	22,621,596	二零一七年九月四日至 二零二二年九月三日	6.912港元
總數	30,250,000	(130,000)	(1,458,000)	3,699,005	(1,188,399)	(165,000)	23,609,596		

本公司於截至二零一七年十二月三十一日止年度並未授出股本結算購股權，亦未採納任何其他購股權計畫。

儲備

本集團截至二零一七年十二月三十一日止年度的儲備變動詳情載於本報告第177頁之綜合權益變動表。

持續關連交易及關連交易

持續關連交易

本集團已於二零一四年十月三日發佈的招股書中披露有關與華虹摯芯、矽睿科技、儀電集團、上海華力、華虹置業及上海華錦物業管理有限公司（華錦物業管理）之間的持續關連交易。具體交易詳情概要載於下表。本公司已申請並獲聯交所豁免（其中包括）就有關持續關連交易嚴格遵守公告及獨立股東批准之規定（視情況而定）。本集團持續關連交易以及二零一七年期間執行的其他一些持續性的關聯交易詳情如下：

單位：千美元

交易	交易日期	交易雙方	關連關係	交易	二零一七年 實際交易金額	二零一七年 建議年度上限
(1)	二零一七年 一月一日	華虹摯芯（買方） 本公司（賣方）	華虹摯芯為本公司控股股東華虹集團持有90.66%權益的子公司。	本公司（賣方）與華虹摯芯（買方）簽署的銷售協議，有關向華虹摯芯銷售集成電路及其他半導體產品。	6,402	12,000
(2)	二零一七年 一月一日	矽睿科技（買方） 本公司（賣方）	矽睿科技由本公司控股股東上海聯和持有36.36%權益，其中27.27%權益由上海聯和直接持有，9.09%權益則由本公司直接持有。	本公司（賣方）與矽睿科技（買方）簽署的銷售協議，有關向矽睿科技銷售集成電路及其他半導體產品。	2,975	5,400
(3)	二零一四年 五月十八日	矽睿科技 （接受服務方） 本公司 （提供服務方）	矽睿科技由本公司控股股東上海聯和持有36.36%權益，其中27.27%權益由上海聯和直接持有，9.09%權益則由本公司直接持有。	矽睿科技（接受服務方）與本公司（提供服務方）簽署的服務協議，有關向矽睿科技提供服務。	109	200
(4)	二零一七年 一月一日	華虹摯芯（賣方） 本公司（買方）	華虹摯芯為本公司控股股東華虹集團持有90.66%權益的子公司。	華虹摯芯（賣方）與本公司（買方）簽署的採購協議，有關採購用於生產本集團半導體產品的原料。	659	710
(5)	二零一七年 一月一日	儀電集團 （代表其本身及其子公司）（賣方） 本公司（買方）	儀電集團為本公司控股股東	儀電集團（賣方）（代表其本身及其子公司）與本公司（買方）簽署的採購協議，有關採購物品和服務。	690	2,800

董事會報告

交易	交易日期	交易雙方	關連關係	交易	二零一七年 實際交易金額	二零一七年 建議年度上限
(6)	二零一零年 二月二十五日 (連同日期為 二零一一年 六月十日及 二零一四年 七月二十五日 的補充協議)	上海華力(承租方) 本公司(出租方)	上海華力50.23%權益為本公司控 股股東上海聯和持有。	上海華力(承租方)與本公司(出租 方)簽署的租賃協議，有關本公司將 位於中國上海浦東新區張江高科技 園區13街坊2丘晶圓廠的物業出租予 上海華力，供其設置300mm晶圓生 產線。總出租建築面積為96,099.2平 方米。	12,107	12,500
(7)	二零一七年 二月十五日	上海華力(承租方) 華虹宏力(出租方)	上海華力50.23%權益為本公司控 股股東上海聯和持有。	上海華力(承租方)與華虹宏力(出 租方)簽署的租賃協議，有關華虹宏 力將總建築面積為820平方米的若干 潔淨室租予上海華力及向其提供相 關能源服務及材料。	654	3,710
(8)	二零一三年 一月十日	華虹置業 (作為出租方) 本公司 (作為承租方)	華虹置業為華虹科技發展的全資子 公司，華虹科技發展由我們控股股 東華虹集團持有50%並與其合併報 表及由華虹NEC持有50%的公司。	華虹置業(作為出租人)與本公司 (作為承租人)訂立的租賃協議，內 容有關本公司向華虹置業租賃位於 中國上海浦東新區錦綉路2777弄華 虹創新園的宿舍物業(宿舍物業)以 用作本公司僱員的員工宿舍。租賃 總建築面積為17,412.87平方米。	1,662	1,932
(9)	二零一七年 一月一日 ⁽¹⁾	華錦物業管理 (作為物業管理公司) 本公司 (作為承包商)	華錦物業管理為華虹科技發展的全 資子公司，華虹科技發展由我們控 股股東華虹集團持有50%並與其合 併報表及由華虹NEC持有50%的公 司。	華錦物業管理(作為物業管理公司) 與本公司(作為承包商)訂立的物業 管理協議，內容有關本集團委聘華 錦物業管理就宿舍物業提供物業管 理服務。	222	296

附註：

- (1) 該協議於二零一七年十二月三十一日屆滿。因此，本公司已與華錦物業管理訂立協議重續自二零一八年一月一日起至二零一九年十二月三十一日之有關協議，且該等交易的建議新年度上限為截至二零一九年十二月三十一日止兩個年度。有關該持續關連交易之進一步詳情，於本公司日期為二零一七年十二月二十七日的公告中披露。

董事會（包括獨立非執行董事）已審閱以上持續關連交易，並確認所訂立之該等交易實則上於二零一七年持續進行：

- (i) 於本公司日常業務過程中進行；
- (ii) 按照一般商務條款進行，或如可供比較的交易不足以判斷該等交易的條款是否為一般商務條款，對本公司而言，該等交易的條款不遜於獨立第三方可取得或提供（視屬何情況而定）的條款；及
- (iii) 根據有關的協議條款進行，而交易條款公平合理，並且符合本公司股東的整體利益。

本公司核數師已致函董事會，認為就上文所述於二零一七年訂立之持續關連交易：

- (i) 核數師並不知悉任何事項使核數師相信，已披露的持續關連交易尚未得到本公司董事會的批准；
- (ii) 就涉及本集團提供商品或服務的交易而言，核數師並不知悉任何事項使核數師相信，這些交易未能在所有重大方面符合本公司的定價政策；
- (iii) 核數師並不知悉任何事項使核數師相信，這些交易的訂立未能在所有重大方面符合關於這些交易的相關協議的規定；及
- (iv) 就各持續關連交易之總額而言，核數師並不知悉任何事項使核數師相信，對於已披露的持續關連交易，其交易金額已超過招股章程所披露的相應年度交易總額上限。

關聯方交易

於截至二零一七年十二月三十一日止年度，本集團根據適用會計準則與被視為「關聯方」的人士進行若干交易。本集團於截至二零一七年十二月三十一日止年度訂立的關聯方交易的詳情於財務報表附註33披露。除本年報「關連交易」一段所披露者外，於附註33披露的其他關聯方交易並不被視為關連交易，或根據上市規則獲豁免申報、公佈及獲股東批准之規定。

股東週年大會

股東週年大會將於二零一八年五月十日（星期四）舉行。



董事會報告

暫停辦理股份過戶登記手續

為確保股東出席二零一八年股東週年大會並於會上投票的資格

交回股份過戶文件以作登記的最後時限

暫停辦理股份過戶登記手續

記錄日期

二零一八年五月三日下午四時三十分

二零一八年五月四日至十日（包括首尾兩日）

二零一八年五月十日

釐定股東獲擬派末期股息資格

遞交過戶文件以供登記的截止時間

暫停股份過戶登記

記錄日期

派付日期

二零一八年五月十五日下午四時三十分

二零一八年五月十六日至二十三日（包括首尾兩日）

二零一八年五月二十三日

二零一八年六月十四日

為確保符合資格出席股東週年大會並於會上投票以及獲得上述建議末期股息，尚未登記的股份持有人要確保將全部股份過戶文件連同有關股票於上述最後時限前送達本公司的股份過戶登記分處卓佳證券登記有限公司辦理股份過戶登記手續，地址為香港皇后大道東183號合和中心22樓。

董事及董事服務合約

年內及截至本報告日期，本公司的董事如下：

執行董事：

張素心先生（主席）

王煜先生（總裁）

非執行董事：

陳劍波先生

馬玉川先生

森田隆之先生

葉峻先生

獨立非執行董事：

張祖同先生

王桂壘先生，太平紳士

葉龍蜚先生

本公司各董事以三年特定任期獲委任，並須於股東大會上由本公司再次提名及重選，除非按照相關委任函或董事服務合約的條款及條件提早終止。

張素心先生、森田隆之先生、葉峻先生將於股東週年大會上輪席退任董事職務，張素心先生、森田隆之先生、葉峻先生符合資格並願按照本公司的組織章程膺選連任。

概無擬於股東大會上膺選連任的董事已訂立本集團可於一年內終止而無須補償（法定補償除外）的服務合約。

本公司已接獲現任各獨立非執行董事按照上市規則第3.13條發出的年度獨立性確認書。本公司認為根據上市規則，所有獨立非執行董事均為獨立人士。

董事及高級管理層履歷

本公司董事及高級管理層的履歷載於本報告第94至99頁。

最高薪人士及董事及高級管理層的薪酬

董事及5名最高薪人士的薪酬詳情分別載於本年報綜合財務報表附註8及9。

董事及最高行政人員於本公司股份及相關股份的權益

於二零一七年十二月三十一日，除下文披露者外，概無本公司董事及最高行政人員於本公司或任何相聯法團（定義見證券及期貨條例第XV部）的股份、相關股份或債權證中擁有載入根據證券及期貨條例第352條須予存置的登記冊內的任何權益及淡倉，或須按照上市規則所載上市發行人董事進行證券交易的標準守則須就上市公司董事進行的證券交易須知會本公司及聯交所的任何權益及淡倉。

董事姓名	身份	以好倉持有的 相關股份數目 ⁽¹⁾	概約權益百分比
王煜先生	實益擁有人	869,000	0.08% ⁽²⁾
森田隆之先生	實益擁有人	119,000	0.01%

附註：

- (1) 按購股權計劃授出的購股權項下於本公司相關股份的好倉。
- (2) 王煜先生於2018年1月5日行權200,000股，以好倉持有股份數目為669,000，佔總股本比例0.06%。

董事於競爭業務的權益

於本年度，概無本集團董事於與本公司或本集團業務直接或間接競爭的業務中擁有任何權益。

董事於重大交易、安排或合約的權益

本公司或其任何子公司或聯營公司並無訂立於截至二零一七年十二月三十一日止年度完結時或年內任何時間仍然生效，且有董事直接或間接擁有重大權益的重大交易、安排或合約。



董事會報告

董事的證券交易

本公司已自行頒佈董事買賣本公司證券的行為守則（公司守則），條款不比標準守則寬鬆。經向全體董事進行具體查詢，董事確認他們於二零一七年整個年度一直遵守公司守則及標準守則。

彌償保證及保險

本公司為董事及高級職員提供D&O保險。D&O保險承保日常管理責任及每年續保。

子公司的董事

於截至二零一七年十二月三十一日止年度或於二零一七年末起至本報告日期期間，在本公司子公司董事會任職的董事姓名如下：

子公司名稱	註冊成立地點	董事姓名
Grace Semiconductor Manufacturing Corporation (「Grace Cayman」)	開曼群島	張素心先生 葉峻先生
上海華虹宏力半導體製造有限公司 (「華虹宏力」)	中國上海	張素心先生 王煜先生 陳劍波先生 馬玉川先生 森田隆之先生 葉峻先生 張祖同先生 王桂壩先生，太平紳士 葉龍蜚先生
力鴻科技有限公司 (「力鴻科技」)	中國香港	王鼎先生 傅城先生
HHGrace Semiconductor USA, Inc. (「HHGrace USA」)	美國加州	王鼎先生 傅城先生
HHGrace Semiconductor Japan Co., Ltd. (「HHGrace Japan」)	日本東京	中村真紀女士 王鼎先生 傅城先生
上海華傑芯片技術服務有限公司 (「上海華傑」)	中國上海	范恒先生
華虹半導體（無錫）有限公司	中國無錫	張素心先生 王煜先生 陳劍波先生

主要股東及其他人士於本公司股份和相關股份的權益

於二零一七年十二月三十一日，除本公司董事或最高行政人員外，於本集團股份及相關股份中擁有5%或以上權益或淡倉的人士如下：

主要股東	身份及權益性質	持有股份數目	佔已發行股本權益 總額的概約 百分比*
上海華虹國際有限公司(華虹國際) ⁽²⁾	法定及實益擁有人	350,401,100 ⁽¹⁾	33.77%
上海華虹(集團)有限公司(華虹集團) ⁽²⁾	受控制法團權益	350,401,100 ⁽¹⁾	33.77%
中國電子信息產業集團有限公司(中國電子) ⁽²⁾	受控制法團權益	350,401,100 ⁽¹⁾	33.77%
上海儀電(集團)有限公司(儀電集團) ⁽²⁾	受控制法團權益	350,401,100 ⁽¹⁾	33.77%
Sino-Alliance International, Ltd. (Sino-Alliance International)	法定及實益擁有人	188,555,641 ⁽¹⁾⁽³⁾	18.17%
Sino-Alliance International, Ltd. (Sino-Alliance International)	受控制法團權益	34,919,354 ⁽¹⁾	3.37%
上海聯和投資有限公司(上海聯和)	受控制法團權益	573,876,095 ⁽¹⁾⁽⁴⁾	55.31%
NEC Corporation	法定及實益擁有人	99,038,800 ⁽¹⁾	9.55%

附註：

- (1) 於本公司股份中的好倉。
- (2) 華虹國際為華虹集團的全資子公司。於二零一七年十二月三十一日，華虹集團由中國電子及上海聯和各擁有47.08%股權。此外，上海聯和因其擁有華虹集團的47.08%股權及根據儀電集團與上海聯和的投票集團取得4.75%投票權而控制華虹集團51.83%的投票權。根據證券及期貨條例第XV部，中國電子、上海聯和及儀電集團被視為於有關股份中擁有權益。
- (3) Sino-Alliance International股數包含因託管安排而代為持有3,084股股份。
- (4) 除透過華虹國際間接持有350,401,100股股份(33.77%)外，上海聯和透過四家全資子公司包括Sino-Alliance International間接持有本公司權益。

* 百分比乃按本公司於二零一七年十二月三十一日已發行的股份總數(即1,037,570,661股股份)計算。

除上文披露者外，就本公司董事及最高行政人員所知，於二零一七年十二月三十一日，概無本公司董事或最高行政人員以外的其他人士或法團於本公司任何股份或相關股份中有任何權益或淡倉並已記入根據證券及期貨條例第336條本公司須予存置的記錄冊內。



董事會報告

購買股份或債權證的安排

於截至二零一七年十二月三十一日止年度任何時間，概無向任何董事或彼等各自之配偶或未成年子女授出任何權利以收購本公司股份或債權證方式得到利益，亦無上述人士曾行使上述權益；再者，本公司或其任何控股公司、子公司或同系子公司亦無訂立任何安排，使董事或彼等各自之配偶或未成年子女可購買任何其他法人團體之上述權利。

主要客戶及供應商

於截至二零一七年十二月三十一日止年度，本集團五大供應商所應佔的總採購額低於30%，本集團五大客戶所應佔的總營業額低於30%。

薪酬政策

截至二零一七年十二月三十一日，本集團僱用合共4,138名員工。本集團按其優點及發展潛能招聘及擢升人員。本集團僱員的薪酬政策由薪酬委員會按其優點、資質及勝任程度設立。

董事薪酬由薪酬委員會決定，並會考慮到本集團的經營業績及個人表現。董事薪酬按姓名載列於截至二零一七年十二月三十一日止年度的財務報表附註8。

買賣、銷售或贖回證券

截至二零一七年十二月三十一日止年度，本公司或其任何子公司概無買賣或贖回本公司任何上市證券。

優先購買權

本公司的組織章程或香港法律概無優先購買權條文，規定本公司須按比例向現有股東提呈新股份發售。

企業管治

本公司致力保持企業管治在高水平，以保障股東權益及提升企業價值及問責性。

本公司所採納的企業管治常規資料載於本年報企業管治報告內。

遵守不競爭契據及優先購買權契據

本公司的控股股東華虹集團、上海聯和及儀電集團訂立日期為二零一四年九月二十三日的**不競爭契據**（「**不競爭契據**」），詳情載於日期為二零一四年十月三日的本公司招股章程（「**招股章程**」）「與控股股東的關係」一節中「**不競爭承諾**」一段。另外，華虹集團和上海聯和亦訂立日期為二零一四年六月十日的**優先購買權契據**（「**優先購買權契據**」），詳情載於招股章程「與控股股東的關係」一節中「**優先購買權**」一段。本公司於截至二零一七年十二月三十一日止年度已覆核上述各控股股東有關他們遵守不競爭契據及優先購買權契據（視情況而定）內承諾的書面聲明。獨立非執行董事已覆核遵守情況，並確認不競爭契據及優先購買權契據（視情況而定）下的全部承諾均獲有關訂約方遵守。

足夠公眾持股量

按本公司可公開取閱的資料，就董事於本報告日期所知，董事信納本公司已維持上市規則下的指定最低公眾持股量。

核數師

股東週年大會上將提呈一項決議案，續聘安永會計師事務所為本公司的核數師。

代表董事會

張素心先生

主席

二零一八年三月二十九日

2017年環境、社會及管治報告





2017年環境、社會及管治報告

緒論

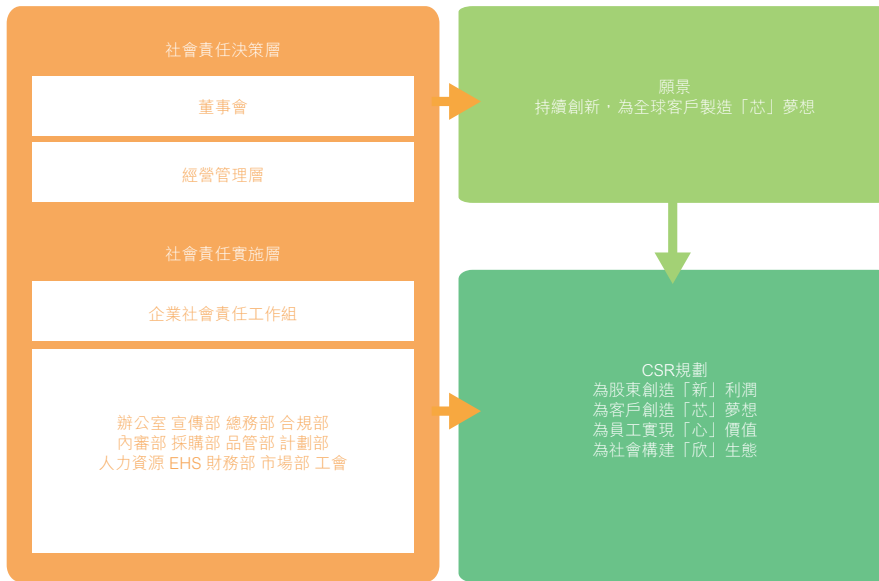
我們的可持續發展理念是在經濟、環境及社會三個方面同時取得成就，它們彼此互相影響、互相支持，以發揮永續而長遠的績效。作為一家國際化經營的上市公司，我們在公司運營中嚴格遵守當地所有適用法律及社會期望，在環境準則上與國際領先行業標準一致，並致力於推動可持續城市與社區建設。我們秉承公司願景：持續創新，為全球客戶製造「芯」夢想，及時呼應客戶、員工、投資人、所處國家和社區之人群等利益相關方，實現企業與社會的共同可持續發展。

1 社會責任管理體系

1.1 責任理念與管理

我們認為企業履行社會責任的重點在於堅持高標準的國際商業及社會道德準則，為所有的利益相關方創造和分享價值。為此，公司將環境與社會責任融入企業的戰略經營活動中，審慎地管理我們的環境和社會風險，完善管理體系，改善供應鏈表現，降低資源消耗及環境排放，創新驅動發展，選育人才，共促社會和諧。

有效的社會責任管理離不開高層重視與全員參與。我們成立企業社會責任工作組，形成管理層參與，橫向協調各職能部門，縱向覆蓋各下屬公司的企業社會責任組織體系，工作組人員來自各職能部門的負責人。

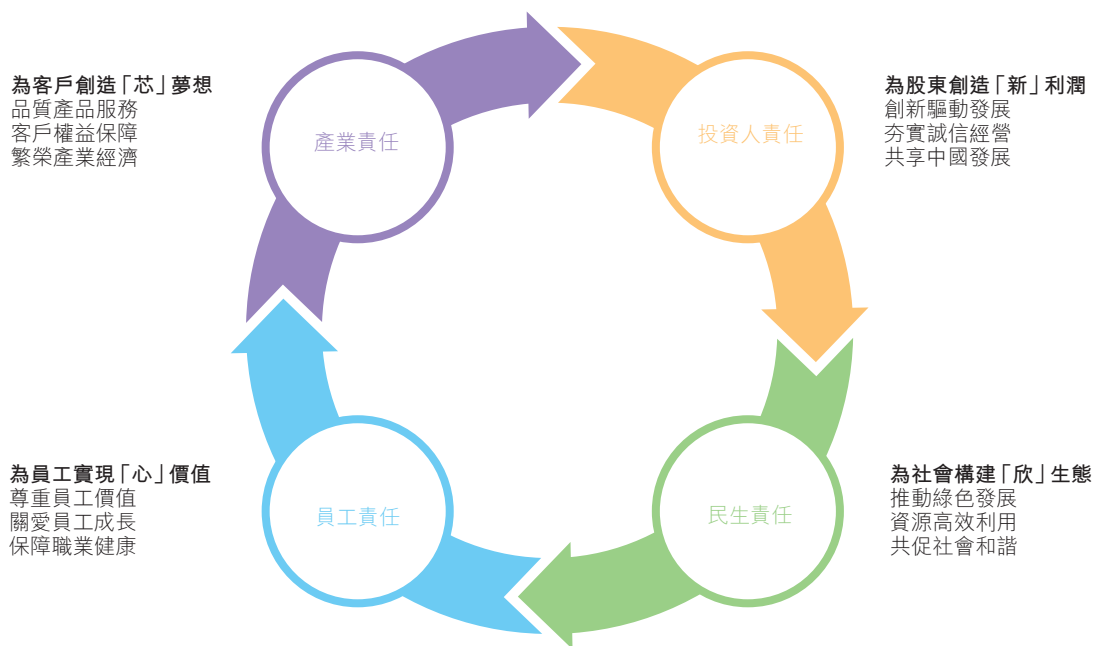


責任管理架構



2017年環境、社會及管治報告

在社會責任決策層董事會制定的公司願景－持續創新，為全球客戶製造「芯」夢想的規劃下，我們將社會責任劃分為以下四個方面：



華虹半導體社會責任規劃實施重點

2017年環境、社會及管治報告

1.2 利益相關方參與

根據公司自身業務和運營特點，借鑑國內外同行業的經驗和實踐，我們將主要利益相關方確定為股東、客戶、員工、政府及監管機構、合作伙伴、社區及公眾，並通過網站、媒體、會議、報告、活動等渠道和方式積極與之溝通。2017年對22名外部利益相關方進行了問卷調查，結合專家意見，識別了各利益相關方所關注的實質性議題。

利益相關方的期望與回應

關鍵利益相關方	相關方說明	關注的議題	溝通與回應
股東及高級管理層	對公司進行股權、債權投資的國內外投資人及公司高級管理層員工	風險管理，經濟績效，產業發展，客戶溝通及滿意度	股東會、財務報告、業績報告、路演等
客戶	集成器件製造商、系統及無長半導體公司	客戶權益與信息保護，產品與服務品質，客戶溝通及滿意度	產品展覽、客戶調研、技術研討會，B2B(例如E-tapeout系統、WIP報告、WAT報告等)，客服熱線、客戶滿意度調查等
員工	公司員工，以及常年服務於公司業務的人員	員工權益及福利，員工健康與安全，員工發展及培訓	員工活動、職代會活動、企業內網、員工培訓、員工自助系統、員工手冊、企業內部刊物等
政府及監管機構	工業、稅務、環保、安全等部門、地方政府、證監會等政府或監管機構	合規經營，綠色產品，排放物管理，能源利用	機構考察、公文往來、政策執行、信息披露等
合作伙伴	供應商、研究院校、行業協會等	產業發展，合規經營，產品與服務品質，客戶滿意度與溝通	公開招投標會議、戰略合作談判、交流互訪等
社區及公眾	運營所在地社區、社會公眾、媒體等	綠色產品，排放物管理，社區和公益	社區活動、員工志願者活動、公益活動、社會事業支持項目等



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1.3 風險管理及實質性議題識別與分析

我們不斷完善風險管理的組織體系，改進流程與制度，切實提升全面風險管理能力。自2016年，公司增設內部審計部風險管理條線，發佈公司《全面風險管理制度》並啟動全面風險管理項目。2017年在風險管理三道防線的基礎上，兼顧全面性和重要性的原則，將公司細化下沉到流程，搭建風險導向的內部監控評價體系，識別16個業務流程共計366個末級風險，持續滾動監督公司的業務流程風險。

開展年度全面風險評估，設計風險調查問卷，開展管理層風險訪談，識別重大風險領域，形成年度風險管理報告；我們實行季度風險溝通上報機制，各業務條線每季度就條線內風險事件搜集上報備案；開展「風險管理及內部監控基礎知識與實務」，「風險管理專項培訓」等專門的風險管理培訓，提升管理層及業務人員風險管理意識。

2017年環境、社會及管治報告

公司的主要ESG風險及管理方法

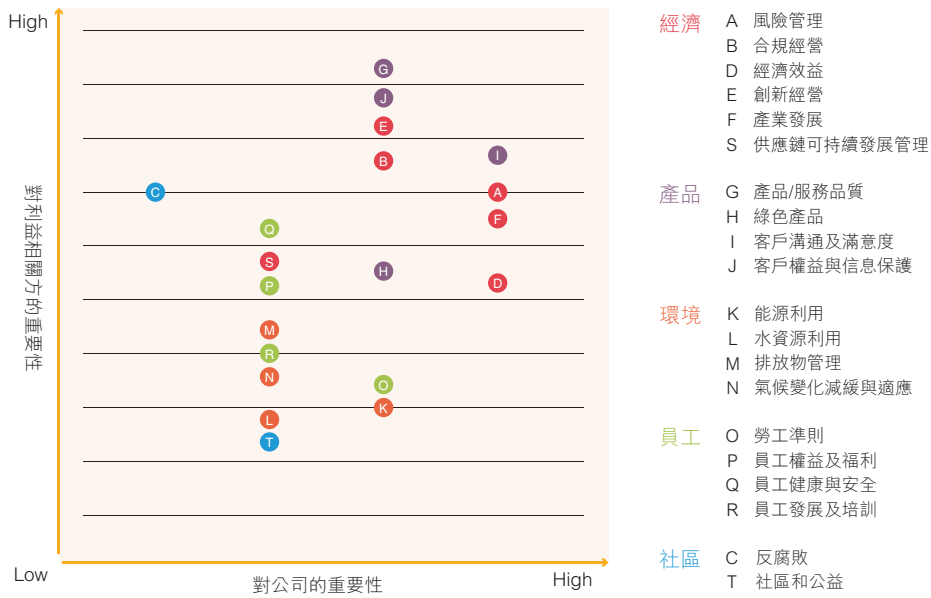
風險類別	風險內容	策略
戰略	戰略規劃	公司自上而下擬定戰略目標，並進行適當的分解，落實到企業經營的具體業務模塊中，確保戰略目標的達成
	監督與管理體系	完善的制度及流程，三道防線風險管理體系，有效保障戰略的實現
運營	研究與開發	完善的研發機閉環制，對研發的立項、執行、後評估全方位監控，持續、及時地開發有商業價值的新產品
	產品結構	對公司的產品結構進行定期分析，並根據消費者需求進行適時調整，確保產品結構符合市場需求
	信息安全	公司根據信息安全管理規則，建立信息安全框架和管理方針，每年度執行信息安全風險評估程序，確保公司、股東、客戶、供貨商及公司員工的最佳利益得以保存
	知識產權	知識產權保護意識及管理流程，合理保護公司自身及其客戶的知識產權
財務	資金流動	編制每月現金流動表，記錄現金流動，併發送相關部門作跟進
	匯率波動	涉及外幣的交易盡量使用現有外幣結算，減少兌換外幣的需要，減少匯率波動風險
環境及安全	環境	公司根據環境因素識別、評價和控制策劃管理程序，列出重大環境因素清單
	安全檢查	持續並定期開展以隱患排查和設備故障診斷為主的安全檢查
	職業健康	公司根據安全健康環境管理體系目標指標及方案管理程序，制定環境職業健康安全目標、指標及方案管理表

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實質性議題識別與分析

我們定期進行社會責任議題檢查工作，通過定期分析，綜合考慮公司戰略和運營方向，利益相關方關注的重點和期望，以及應當遵循的國內、國際標準和政策等內外部因素，按照識別、評估和篩選的程序，界定具有較強實質性的社會責任議題作為我們的行動及報告披露重點。

2017年，我們持續對標全球報告倡議組織(GRI)《可持續發展報告指南》(G4)，與內外部利益相關方進行實質性議題問卷調查。客戶溝通及滿意度在公司內部利益相關方的重要性最高，體現公司內部對客戶的重視程度；產品／服務品質以及客戶權益與信息保護對外部利益相關方的重要性最高，則反映了其對公司產品與服務的關注。

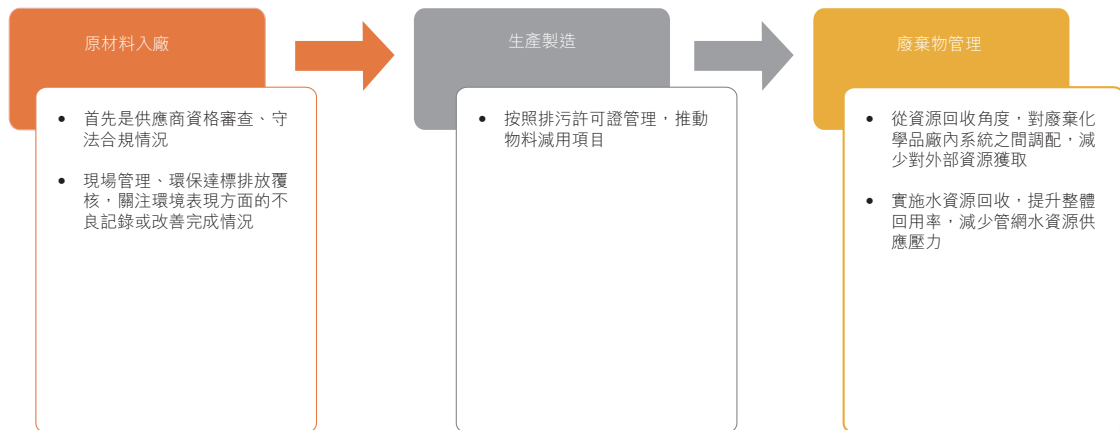


2 環境責任

我們將「零災害」和永續經營作為企業追求的目標，致力於清潔生產、持續改善。2017年，我們持續開展環保技改項目，並參與上海市發改委碳交易管理活動，努力在節能減排、廢棄物管理等方面追求更好的表現。

2.1 環境管理體系

2017年，公司繼續推進實施環境管理體系ISO14001:2015版新標，以生產管理為主逐漸向產品全生命周期管控、風險管控過渡，致力於提升從原材料入廠、生產製造到廢棄物管理全過程中每一環節的環境表現。我們制定了《生產過程污染風險管控綱要》，成立了污染管理委員會(CCB)，負責評估和管理新材料、新設備以及新工藝開發、工藝變更以及設備和工藝管控方式的變更等污染風險，確保生產線上的產品質量。在監督管理上，我們在公司內網的安全管理系統中增設審核追蹤系統，對在日常管理中發現的不符合環保規定的事項進行整理、列出清單，並通過系統定時提醒的方式，進行後續整改的跟蹤記錄。公司還積極開展對新員工的環保培訓，2017年共完成培訓11次，內容包括公司環保理念，環保設備，環保管理體系等。

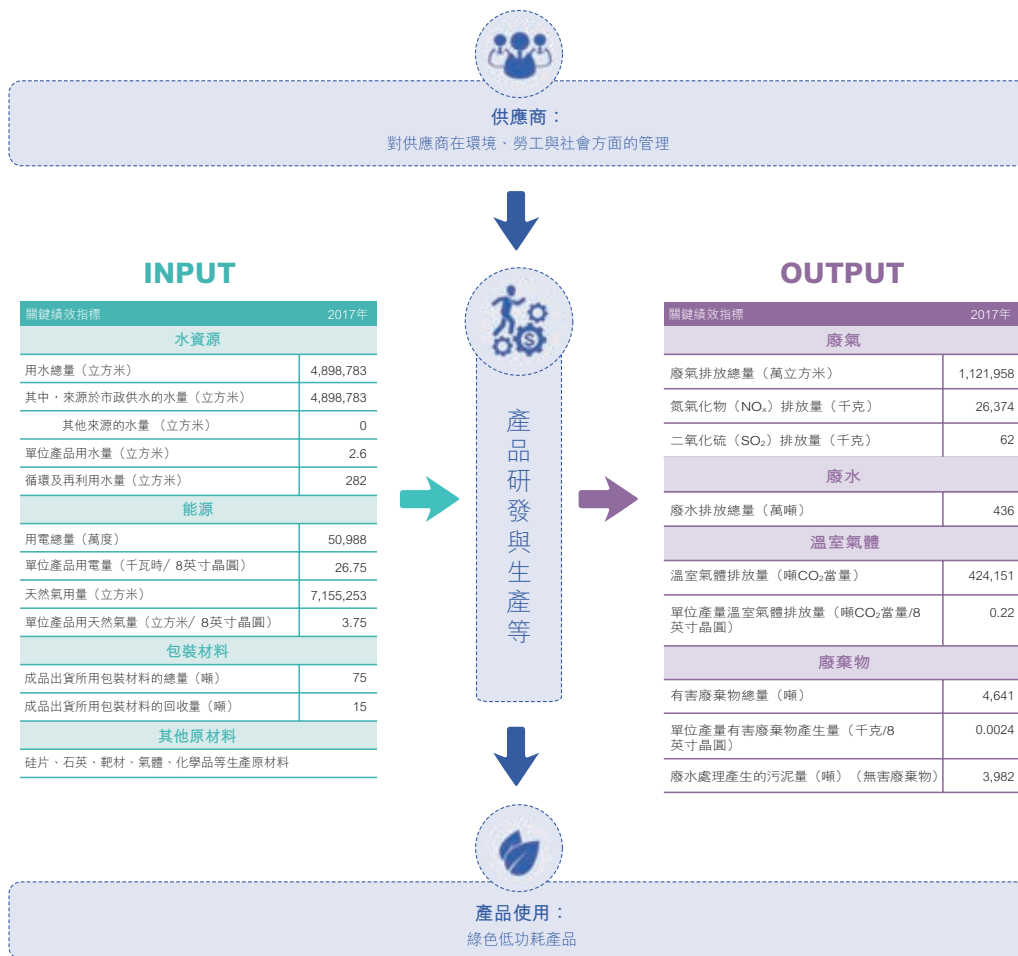


環境管理體系圖

2017年環境、社會及管治報告

環境管理績效概覽

公司充分考慮自身運營活動的環境影響：作為「輸入」，公司的生產運營要使用能源、水及其他原材料等資源；作為「輸出」，會產生廢氣、廢水、廢棄物等排放。此外，我們也考慮促進供應商的環境管理，並提供低功耗綠色產品，努力在價值鏈上下游都有更好的環境管理績效。





2017年環境、社會及管治報告

2.2 環境管理行動與績效

能源管理

2017年上海市政府發佈《上海市節能和應對氣候變化「十三五」規劃》，提出了上海市2020年能源總量控制和能源利用效率提升目標。清潔生產、節能減排也是公司每年開展的一項重要工作。

公司能源消費主要是電力、熱力、天然氣（及少量汽油、柴油），制定了《資源、能源管理程序》，明確了資源、能源管理的原則，以達到與環境相和諧的持續發展。即本着節能降耗減廢的原則，在滿足和提高生產率的同時進行源頭控制、持續改善，在降低生產成本的同時減少對環境的影響。2017年，公司對其《資源、能源管理程序》進行了改版，更加細化明確了財務部、總務部和安全保衛部的工作內容和職責。此外，公司響應上海市2020年能源利用目標，制定了公司在「十三五」期間的節能目標，即到2020年，公司萬元產值綜合能耗將較2015年下降12%，8英寸集成電路晶圓生產單耗較2015年下降13%，並委託第三方機構對公司進行能源審計，提出節能技改方案。公司開展了10余項工程刪減項目，共減少了88萬片次以上的製品作業，節約用電60.36萬度以上，還節省了化學藥品、水和氣等各種其他資源，產生經濟效益214萬元以上。

2017年主要節能項目和措施	成果
減少0.18umCE平台每枚硅片作業期間的SCR工程步驟	每年節約用電368.6kWh，減少能耗合148.9噸標煤。
Flash產品光罩減少	每年節約用電310kWh，減少能耗合125.24噸標煤。
三廠化學品倉庫MAU-31空調升級改造	每年節約用電265kWh，減少能耗合107.06噸標煤。
二廠外圍新風空調濕度控制設定調整	每年節約用電222.3kWh，減少能耗合89.81噸標煤。
在super-e機台上使用新型的節能chiller	每年節約用電70,080kWh。
三廠VOC-002控制和風閥調節改進	每年節約天然氣6.9萬立方米，減少能耗合81.21噸標煤。
純水原水預熱設定值下調節能項目	每年節約天然氣4.6萬立方米，減少能耗合55.57噸標煤。
活動FAB2冷純水替代溫純水	每年節約燃氣6萬m ³

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水資源管理

公司的用水主要來源是上海市政供水，此外還有少部分來源於純水製造過程中的回收用水和空調冷凝水。我們通過技術改進、循環利用等方式，積極尋求企業自身節水和水資源利用效率的提高。公司開展水循環利用，將純水回收用於工藝制程、其他（空調冷凝水）用於冷卻塔補水，全廠年回收水總量282萬噸，佔全廠總耗水量的57.6%。

2017年提升用水效益措施	成果
二廠純水UF濃水回收	每年節水5.83萬m ³
二廠Local Scrubber節水改造項目	每年節水1.21萬m ³
WPA QDR循環流量降低節約純水用量	每年節水0.95萬m ³
一廠新增RO水回收裝置	年回收水量>30萬立方
一廠新增OAC凝結水回收	年回收水量4.9萬立方

污染物防治

在污染物防治方面，我們貫徹落實環保法規及相關要求，針對生產過程中包括硫酸霧、氯化氫(HCl)、氮氧化物(NO_x)、氨(NH₃)、揮發性有機物(VOCs)等廢氣排放，我們已建立了廢氣處理系統，全部滿足達標排放的管理要求，其中VOCs的設計去除效率達到90%以上；在廢水排放方面，公司於2017年開始執行GBT31962-2015（污水排入城鎮下水道水質標準）B級標準。

在排污監控和信息公示方面，公司執行廢水在線監控，2017年繼續完善在線檢測系統，相關數據在上海企事業單位環境信息公開平台上公示，增加公司環境信息的透明性。

溫室氣體管理

CO₂等溫室氣體的大量排放是造成全球氣候變化的重要原因。我們認識到減緩氣候變化對於企業自身和全球都具有重要意義。我們積極參與到上海市發改委碳排放交易相關工作中，以促進溫室氣體減排、減緩氣候變化。

2017年公司已完成2016年度的碳額度清繳，並於5月在上海碳交易所交易平台採購碳額度2,500噸，用於儲備。



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廢棄物管理

晶圓的生產過程會產生廢酸、廢異丙醇等危險廢棄物，我們已委託有處理資質的第三方公司進行處理，處理方式主要包括焚燒、物化，以及再利用。同時，我們自身也尋求廢棄物減量，制定了針對各類危險廢棄物的年度削減計劃。2017年完成削減廢光刻膠、廢剝離液、廢硫酸、廢異丙醇、廢磷酸55.9噸。對於在廢水處理中產生的污泥等無害廢棄物，由廢棄物處理廠商採取填埋的方式處理。此外，公司委託上海市浦東新區廢棄物管理中心定期對生活垃圾、廚余垃圾進行統一清運。

有害廢棄物處理方式

處理方式	有害廢棄物類型
利用	如，廢酸液、異丙醇、廢磷酸
物化	如，廢玻璃瓶、200L化學桶、實驗室廢液
焚燒	如，抹布，塑料瓶、有機廢液、廢活性炭、廢樹脂、含砷廢物

2.3 綠色產品

有害物質管控

我們根據歐盟制定的《關於限制在電子電器設備中使用某些有害成分的指令》(RoHS, Restriction of Hazardous Substances)、《化學品的註冊、評估、授權和限制》(REACH, Registration, Evaluation, Authorisation and Restriction of Chemicals)以及客戶要求等，建立了有害物質管理體系，制定了有害物質管理標準，對生產過程中使用的原輔材料進行風險評估，確保產品符合法規和客戶對有害物質管理的要求，公司每年委託認證服務機構SGS(Societe Generale de Surveillance S.A.)對生產的產品進行有害物質的檢測，2017年客戶有害物質調查符合率達100%。公司的所有製造設施均被認為符合QC 080000電子電器元件和產品危害物質減免標準和要求。

電子產品節能

隨着綠色能源、工業4.0及新能源汽車等市場的不斷發展，節能減排需求日益旺盛，降低電子電器產品的高能耗成為當前業界關注的焦點之一。功率半導體器件在移動通信、消費電子、開關電源、馬達驅動、LED驅動、新能源汽車、智能電網等領域發揮着越來越重要的作用，是降低功耗、提高效率的關鍵核心器件。借助自主研發獨特的、富有競爭力的溝槽超級結(Deep Trench Super Junction, DT-SJ)工藝和場截止型IGBT(Field Stop, FS IGBT)工藝，我們為客戶提供導通電阻更低、芯片面積更小、開關速度更快和開關損耗更低的產品解決方案。未來公司將繼續深耕功率技術，提供更低功耗、更高效、更小尺寸的綠色「芯」製造平台，塑造綠色「芯」未來。



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2.4 綠色文化

我們持續在公司內外推廣環保觀念，實行環保措施。在日常營運及行政方面，公司善用科技來踐行可持續發展的理念，例如使用聯網打印，集中使用辦公自動化設備，以管理紙張耗用量，公司鼓勵使用再生紙張以支持循環再造。我們還開發上線了總務辦公應用系統、食材管理系統，極大地便利了相關工作的開展，提升了工作效率並節省了紙張的消耗。公司同時也非常支持使用電動車，公司班車均使用新能源汽車。公司參加阿拉環保的電子廢棄物回收活動，對廢棄物再生利用的同時杜絕對環境造成二次污染。公司依照浦東新區環境保護和市容衛生管理局對企事業單位生活垃圾強制分類的要求，對各廠區的生活垃圾進行干、濕、可回收、有害垃圾4類分類，並對員工和保潔人員進行垃圾分類的宣導。

3 員工責任

為員工提供平等、健康、安全、舒適的工作環境是我們持續關注的重點。我們遵照相關法律法規，保障員工的一切合法權益；構建安全的工作環境，定期進行員工安全培訓和應急演練；營造舒適的工作與生活氛圍，積極開展多彩的員工關愛活動。截至2017年末，公司未發生任何侵犯員工權益行為，也未受到監管部門的投訴或處罰。

3.1 權益與福利

員工僱傭

我們在員工招聘和僱傭中堅持公平、公正、公開的原則，承諾在招聘、錄用、晉升、調動、薪資等方面提供平等機會，不因國籍、地域、膚色、民族、宗教、年齡、家庭狀況或其他因素而存在歧視政策或行為；我們制定了《僱傭規程》和《實習生管理規程》，嚴格核查員工身份信息，不招聘未滿16周歲的員工；我們嚴格遵循《中華人民共和國勞動法》、《女職工勞動保護特別規定》等法律法規，杜絕一切強制勞動行為的發生；我們於2017年12月通過並簽署了《集體合同》與《女職工專項集體合同》。

薪資福利政策

為吸引與留任公司的人才，我們為員工提供有競爭力的薪酬和全面的福利保障計劃；依法足額繳納法定社會保險項目，並為員工購買意外險、重大疾病險等商業補充保險，為員工子女及困難家庭配偶提供補充醫療保險；在提供國家規定節假日的基礎上，為員工提供補充年休假；逢中秋、元旦等傳統節日，工會為員工準備節日慰問禮品；為幫助外地員工落戶，公司制定《外省市員工申辦上海市戶籍辦法》，解決員工後顧之憂，2017年共引進專業人才35人。



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民主溝通機制

通暢的溝通渠道和真誠的關懷對打造和諧的勞動關係至關重要。公司工會定期召開職代會活動，協調員工申訴事宜，了解員工訴求，讓員工參與公司的日常管理和制度建設；通過圓桌午餐會、合理化建議等多種形式多方聽取員工意見，保障溝通渠道的通暢。

公司於2016年8月1日正式建立合理化建議平台，鼓勵員工積極建言獻策。至2017年年底，平台共收到員工合理化建議282條，對應部門接受建議194條，建議內容涉及了總務、人事、安全、工會、IT等各大部門，採納建議並完成改善123條。合理化建議平台已成為員工認可的快捷且有效的溝通、建議渠道。

員工關懷

我們已建立員工幫扶機制，成立職工之家，為困難職工提供長期的扶持。針對退休工人，公司工會每年組織春節、重陽節慰問活動，為所有退休員工辦理上海市退休職工住院補充醫療互助保障險並每年續保，保障員工的退休生活。針對女職工，我們已在各廠建立了「媽咪小屋」，屋內配置了冰箱、工作台、電源、躺椅等設施，為孕期、哺乳期女員工提供一個私密、乾淨、舒適、安全的場所。此外，公司於2017年11月開始對已有的「媽咪小屋」的進行裝修，按照上海市總工會的創建標準進行設計和規劃，力爭2018年評上市級五星級標準單位。

3.2 健康與安全

職業健康與安全管理

為保障員工的健康和安全，我們已建立了符合OHSAS18001要求的職業健康安全體系，明確了職業健康安全方針，即嚴格遵循安全健康環保法規，致力於清潔生產，持續改善，為員工營造出安全健康舒適的工作環境，不懈追求「零災害」和永續經營的最高目標，成為模范世界公民。

2017年，我們加強了對《中華人民共和國職業病防治法》的學習，重新評估和調整了公司職業危害崗位和職業危害因素；按照《上海市危險化學品安全管理辦法》，制定了一系列化學品管理策略，包括對化學品供應商／運輸商資質檢查、化學品供應／收集防護的科學規劃等，並着重推行危險化學品出入庫信息化管理。

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2017年員工健康與安全保障措施

員工健康與安全保障措施	主要內容
健全安全責任體系	<ul style="list-style-type: none">對內，逐級簽署從總裁、執行副總裁、副總裁、廠長（總監）、部長、科長的《安全責任書》和全體員工的《安全承諾書》，健全按職能覆蓋至所有部門、員工的安全責任體系；對外，與在公司有駐廠服務作業的單位、施工作業承包商100%簽訂《安全管理協議》和《承包商安全教育承諾書》；推進公司安全管理信息化建設，促進化學品出入庫登記、化學物質管理、熱成像檢測&特種設備人員管理、員工培訓教材與崗位題庫等系統的一體化、信息化管理。
隱患排查，應急預案體系升級	<ul style="list-style-type: none">安全技改項目114項，投入人民幣2,000萬元；建立「1+4+1782」公司安全應急預案體系（即綜合預案1份+專項預案4份+1782份現場處置方案）；建立應對極端天氣的響應處置機制，加強安全檢查，做好預案演練，關注預警信息，強化應急值守，及時響應行動；在一、二、三廠建立微型消防站，配備消防裝備物資，對各廠ERC兼職人員進行消防員專門資格培訓；2017年組織4,000多名員工進行消防滅火訓練。
安全培訓標準化，強化效果考核	<ul style="list-style-type: none">針對消防「三懂三會」的宣傳、培訓，製作考試題庫，組織網上計算機考試，從制度上、系統上推動了安全培訓的標準化；2017年開展安全培訓60次，參加安全培訓5,258人次。
競賽活動，激發安全意識	<ul style="list-style-type: none">以「安康杯」勞動競賽系列活動和評選安全特別貢獻獎為載體，提高員工安全意識和安全防護能力。



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[醫] 食住行，全面保障

醫療方面：我們為全體員工提供一年一次的健康體檢；為特殊崗位員工提供崗前、崗中、離職職業健康體檢；2017年全員增加了甲狀腺體檢項目，並為40歲以上女員工增加了TCT體檢項目。在員工健康管理方面，我們通過員工健康檔案系統性的追蹤員工健康狀況的變化，提升相應管理水平。

飲食方面：公司各個廠區都已設立獨立的員工餐廳、咖啡廳，為全體員工提供安全、營養、健康的飲食。我們已建立食材集中採購及合格供應鏈管理模式，從制度和源頭上保證食材的安全可靠；並邀請員工、部門代表等進行監督；2017年我們推出食堂廚房操作指導書，對一、二、三廠的食堂飲食進行營養均衡搭配和控油控鹽管理，並積極引導員工樹立健康飲食的意識。

住宿方面：公司不斷完善在員工住宿方面的建設與服務。2017年公司新增開設一個員工宿舍，增加床位364個，確保每間房間都擁有獨立衛生間、24小時熱水和WIFI網絡。住宿區內還設有圖書室、電腦室、桌球室、洗衣房、電視房、豐巢快遞櫃等設施，滿足員工日常生活中各方面的需求。

出行方面：為了方便員工上下班通勤，公司為所有員工發放交通補貼，在園區、地鐵站、員工宿舍區之間提供免費班車服務。公司還對交通不便區域的員工開行通勤班線、以及對有周末需求的部門安排加班車。

3.3 培訓與職業發展

員工的發展是企業發展的動力源泉，我們關注並幫助員工進行自我職業生涯規劃，根據崗位性質設置管理、技術、職能三個職稱序列，為員工制定個性化的職業發展通道。在培訓方面，公司按照《教育培訓規程》為員工提供培訓，針對中高層管理人員、基層管理者、一線主管、新入職大學生、一線員工分別提供具有針對性的培訓方案。2017年接受定期績效及職業發展考評的員工比例達100%；同時，我們支持員工接受教育和繼續深造，提供在職學歷教育補貼，2017年工程碩士、博士學歷教育補貼4人。



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員工培訓方案

培訓對象	培訓內容
中高層管理人員	打造卓越領導力，提升中高層管理者的管理水平
基層管理者（包括主任、科長等基層管理者）	角色認知、自我管理、管理他人、工作管理
一線主管	一線班組長管理技能，培養高素質、高業務能力的一線管理隊伍，夯實公司管理基礎
新進大學生	職業素養、企業文化、專業入門等課程
一線員工	半導體製造工藝模塊的理論與實訓課程



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4 產品與客戶

我們持續追蹤產品與客戶相關的國際公約及經營地法律法規，定期對產品和服務的健康與安全、標籤及隱私等方面的管理制度進行更新，建立質量保證體系和客戶服務體系。截至2017年末，公司未發生過侵犯客戶權益的訴訟，也未發生因客戶對產品質量問題而引發的訴訟。

4.1 產品責任

質量控制

秉承「質量是企業生命」的理念，公司依照《質量管理方針》，致力推行涵蓋質量系統及客戶滿意、供應商管理及原材料分析、質量工程部、可靠性保證部、故障分析部5個綜合科室的全方位質量管理模式。通過人員管理、設備管理、供應鏈管理、環境管理、體系管理、過程管理、客戶質量管理等多重管理制度，減少人為失誤；借助可靠性管理系統，從產品研發與生產到售後反饋對產品全周期進行實時監控測試，並對整個生產與應用過程中可能出現的異常情況進行失效分析的處理，挖掘問題的本質，針對性的制定糾正及預防措施。公司已建立健全的產品召回制度，對於規定功能不達標或有害物質不達標的產品，客戶可於質保期內退還不合格產品，免費維修或更換相關產品。完善的體系化管理進一步保證了我們所製造的產品符合客戶需求、且在材料及工藝方面無瑕疵。截至2017年，公司產品在終端客戶端的失效率低於十億分之一，且未發生產品召回事件。

產品質量體系認證情況

認證名稱	通過認證時間
ISO 9001質量管理體系	2000/11/6
ISO/TS 16949汽車行業質量管理體系	2005/8/2
IECQ QC 080000有害物質管理體系	2009/11/18



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科技創新

「創新是核，創新是企業發展的源動力、必經之路。」公司始終堅持科技創新，持續加大在嵌入式非易失性存儲器(eNVM)、功率器件、射頻、模擬及混合信號、電源管理IC等多領域持續的研發力度，並結合科學技術協會、院士專家工作站等項目努力建設產學研「三劍合璧」的技術創新體系，取得了多項科技創新成果和專利授權的雙豐收。

公司科協自成立以來已組織各類論文徵集活動累計9次，包括CSTIC徵文、PCIM徵文、功率器件徵文、集團和公司科技論文評選；在各類評選中獲得佳績，包括2016年集團科技大會一、二、三等獎、以及浦東新區第九屆科技論文第三名等。近三年，院士專家工作站合作項目共申請中國發明專利347項，聯合培養博士生在SCI、EI檢索的核心期刊共發表論文14篇。截止2017年底，公司共擁有有效發明專利授權2,987件，其中美國有效專利授權122件。

知識產權保護

作為科技型企業，公司在從事智能卡芯片、信息安全芯片等專用集成電路的研究和開發中重視自主創新，尊重知識產權。我們持續履行《知識產權管理制度》，積極進行專利申報，對侵犯知識產權行為進行責任追究，同時我們也承諾不侵犯任何單位或個人的知識產權，對上下游合作伙伴的產品技術信息進行嚴格保密。

為避免因製造涉及侵犯他人知識產權的半導體器件或終端產品而遭到申訴的風險，我們接受來自聲譽良好的客戶及未發現潛在風險的產品訂單，並與主要技術公司訂立多項技術授權協議。



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4.2 客戶服務與權益保護

客戶服務體系

秉承「為客戶提供更加便捷安全的服務」的理念，公司已建立了完善的客戶服務體系，通過客服熱線、客戶調研、與主要客戶開展定期季度／半年度業務回顧、技術研討會、培訓等多種交流方式，着力提升客戶服務水平；依照客戶接觸的工作流程和操作標準，明確顧客對查詢、交易和投訴接觸方式的基本要求；借助《客戶投訴處理規程》，規定顧客投訴的處理流程、責任部門和處理要領，要求在正常投訴發生48小時內給出初步調查結果反饋；通過定期對顧客投訴反饋的相關信息進行整理和分析，要求相關部門制定改進計劃，並對整改效果進行監督、評價；根據《顧客滿意度測評規程》，每半年抽樣實施一次滿意度調查，針對顧客的評分和不滿項目制訂改善計劃。2017年，公司持續改進E-tapeout客戶服務系統與Engineering Notice等客戶產品需求傳遞管理系統，大大簡化了業務流程、減少了人工環節，減低了出錯概率，提高了工作效率，縮短了業務周期。2017年底每千枚出貨晶圓投訴率降低到0.0054（件／千晶圓）水平。

客戶信息保護

公司非常重視維護客戶信息安全，我們已建立了ISMS信息安全管理體系，從信息資產管理、人員安全、物理管控、邏輯管控等方面層層把控信息安全風險，保障信息安全，並通過了ISO27000認證。公司內部設立信息安全委員會，明確信息安全責任；對合作光罩廠進行審核，確保光罩廠數據管理和存儲的安全性；對於晶片生產過程中產生的廢棄光罩，我們採取寄回客戶或者進行銷毀的處理方式，從而最大程度的防止廢光罩內客戶信息的外洩；公司自2016年開始對客戶IP進行綁定，避免未經授權的IP地址登錄公司服務器。公司2017年全年未發生侵犯客戶隱私的違反法律法規事件。



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5 合規運營

我們持續追蹤合規運營相關的國際公約及經營地法律法規，定期更新供應鏈管理、風險管控、防止貪污賄賂與商業欺詐等方面的管理制度，嚴格遵守《中華人民共和國刑法》、《中華人民共和國合同法》、《中華人民共和國反不正當競爭法》等合規運營相關法律法規，深入落實供應商審核，積極進行廉潔從業宣傳和反腐治理。截至2017年末，公司未發生商業賄賂或貪污訴訟相關案件。⁽¹⁾

5.1 責任價值鏈

打造責任價值鏈，推動整個供應鏈企業的共同進步，是公司長遠發展的重要戰略。為此，我們已成立CSC採購審查委員會，主要採購均採取公開招標的形式進行，保證採購過程公正、公開、公平；作為法國ECOVadis組織的成員以監察供應商的環境社會風險；並與供應商簽訂《反商業賄賂書》，嚴格杜絕不正當競爭行為。同時我們承諾：拒絕採購衝突礦產，積極推進消除供應鏈中使用非法礦區生產、有關衝突礦產、低劣工作環境採礦而來的金屬，持續更新衝突礦產調查相關報告。

公司根據Responsible Business Alliance（原EICC）行為準則持續對供應商提出勞動，健康與安全，環境，倫理，管理系統等方面的要求並進行相關的培訓。通過每年一次的供應商考核制度，公司對不合格的供應商要求整改，進一步推動綠色供應鏈的發展。

我們積極支持國內供應商的成長和發展，持續幫助供應商提升管理能力和生產水平，積極推動中小企業參與包括氣體、化學品、硅片等關鍵原材料本土化，培養了一大批本土原材料供應商和設備供應商，有力地推動了國內芯片設計業的發展。

附註：

(1) 子公司相關信息詳見2017年度上海華虹宏力半導體製造有限公司獨立發佈的社會責任報告。

5.2 反貪污

公司設立合規部負責監督合規管理的整體情況，同時各主要部門設有代表負責合規事務，嚴格按照資本市場的要求建立完善的合規管理體系。在合同審閱、法律法規梳理、專利評審與申請、業務接洽等方面制定相應措施，防範合規風險。在嚴格的合規管理體系運行下，2017年公司未發生任何違反法律法規的事項。

公司長期致力於對外客戶廠商、對內管理幹部與重要崗位人員在廉潔從業方面的培訓與教育；持續推進《反商業賄賂承諾書》、《拒絕商業賄賂承諾書》簽署工作，定期進行訪問和抽查，截止2017年底，公司與204家廠商簽訂了《反商業賄賂承諾書》，與管理人員和重要崗位人員55人簽訂了《拒絕商業賄賂承諾書》，簽署率100%。

公司堅持廉潔從業宣傳，組織開展反腐倡廉培訓，2017年開展管理人員的廉潔從業宣導會3場，公司主任級及以上管理人員共有423人參加並觀看《巡視利劍》之四《巡視全覆蓋》，參與率達100%。公司開展了主題為反腐倡廉書畫展，共計收到30幅書畫作品。公司的《員工投訴與舉報管理辦法》提供郵件、電話、信箱等清晰的舉報渠道，鼓勵員工舉報可疑的內部違規行為。公司無違規、違紀情況，發生員工舉報次數為零。



2017年環境、社會及管治報告

6 公益與社區

我們堅持對社區持續關注和深度融合，將關注社區需求、尋求與社區的共同發展作為企業社會責任的重要方面，與社會各界協力回饋社會。在社區投資上，我們主要專注於精準扶貧、社區共建和志願服務。

精準扶貧

從2016年開始，我們與崇明區油橋村簽訂了結對幫扶協議，通過慰問金給予村域內符合條件的大病住院困難家庭提供補助。2017年，在了解到油橋村大米銷售困難情況後，公司出資購買21噸大米作為員工的新年慰問品，通過實際行動擴大幫扶範圍，加大幫扶力度。

社區共建與志願者服務

2017年，我們繼續堅持軍民共建，為周圍社區消防官兵送上了飲料、毛巾、洗浴用品等生活用品，表達我們對堅持一線執勤消防官兵的深情厚誼。

在社區志願服務方面，我們鼓勵員工服務當地社區、傳遞關懷，成立了志願者協會，目前志願者達78人、共提供志願服務156小時。除了已連續開展了12年的美馨養老院慰問活動以外，2017年公司還組織開展了浦江文匯學校慰問活動，通過手繪牆畫的方式為學校的孩子打造一個充滿童趣的美麗環境，並動員全體黨員捐贈書籍，為文匯小學建立圖書角；針對城市共享單車亂停亂放的問題，我們的員工對公司周邊道路隨意停放的共享單車進行了整治，以實際行動倡導和宣傳人人規範停車；為了增加社區居民安全意識，公司聯手上海悅安健康促進中心，在運營地所在社區開展了《兒童意外急救課程》，包括兒童急救常識及兒童心肺復蘇術應用，得到了社區居民的積極響應及好評。

7 2017年所獲社會認可

序號	獲獎名稱
1	全國及行業獎項
2	2016第三屆中國工業企業履責星級榜五星級企業
3	蟬聯大中華IC設計成就獎之最受認可晶圓代工企業殊榮
4	「2016年中國半導體製造十大企業」
5	「2016-2017中國功率器件市場年度成功企業」
6	集成電路行業最佳經濟效益前十名
7	「600V-1200V場截止型IGBT芯片製造工藝技術」榮獲「2017CITE創新產品和應用金獎」 和「第十一屆（2016年度）中國半導體創新產品和技術」獎
8	「90納米低功耗嵌入式閃存工藝」項目榮獲「國家金卡工程2017年度金螞蟻獎－最佳產品配套獎」
9	榮獲「2017優秀MCU製造工藝平台」獎項
10	中國電子信息行業最具影響力企業
11	2017優秀MCU製造工藝平台（0.11微米超低功耗雙柵型嵌入式閃存技術平台）
12	2017年度《中國電子報》編輯選擇獎之「半導體產業年度大獎」
13	省部級獎項
14	2015~2016年度上海市文明單位
15	上海市五星級誠信創建企業
16	上海市模範職工之家
17	2016年度上海市集成電路「製造業銷售前五名」和「最佳經濟效益前十名」
18	浦東新區科技創新突出貢獻獎
19	2016年度「外資企業進出口額百強」和「外資企業從業人數百強」
20	超級結項目榮獲2016年度浦東新區科技進步獎一等獎
21	2016年度上海市職工合理化建議項目創新獎
22	上海市優秀發明選拔賽優秀發明銅獎

2017年環境、社會及管治報告

8 數據篇

環境

績效指標	單位	2015年	2016年	2017年
排放物				
廢氣排放總量	萬立方米	1,210,151	1,060,281	1,121,958
氮氧化物(NO _x)排放量	千克	20,364	26,260	26,374
二氧化硫(SO ₂)排放量	千克	55	50	62
廢水排放總量	萬立方米	415.2	454	436
溫室氣體排放量	噸SO ₂ 當量	/	/	424,151
單位產量溫室氣體排放量	噸SO ₂ 當量/LO	/	0.20	0.20
有害廢棄物總量	噸	4,073.40	4,323.70	4,641.40
單位產量有害廢棄物產生量	千克/LO	0.0027	0.0024	0.0024
無害廢棄物 ¹	噸	2,786	2,746	3,982
資源使用				
用電總量	萬度	44,063	48,183	50,988
單位產品用電量	千瓦時/LO	297	271	26.75
天然氣用量	立方米	6,043,800	6,580,000	7,155,253
單位產品用天然氣量	立方米/LO	4.07	3.70	3.75
用水總量	立方米	4,722,000	5,045,000	4,898,783
單位產品用水量	立方米/LO	3.2	2.8	2.6
循環/再利用水量	萬噸	235.53	258.00	282.00
成品出貨所用包裝材料的總量	噸	51.18	71.33	75.02
成品出貨所用包裝材料的回收量	噸	9.78	12.91	15.63

1. 無害廢棄物為廢水處理產生的污泥量。

2017年環境、社會及管治報告

雇用與勞工實踐

績效指標	單位	2015年	2016年	2017年
僱傭				
員工總數	人	3,787	3,938	4,138
男性員工數	人	2,647	2,772	2,914
女性員工數	人	1,140	1,166	1,224
勞動合同制員工數	人	3,787	3,938	4,138
勞務派遣制員工數 ¹	人	160	225	215
小於30歲員工數	人	1,878	1,922	2,001
30-50歲員工數	人	1,827	1,936	2,054
大於50歲員工數	人	82	80	83
大陸員工數	人	3,777	3,928	4,128
海外員工數	人	10	10	10
新進員工數	人	606	885	890
離職員工數	人	509	681	704
大陸／海外離職員工數	人	507/2	681/0	704/0
男員工流失人數佔流失總人數的比例	%	/	/	69
女員工流失人數佔流失總人數的比例	%	/	/	31
健康與安全				
員工職業病發病率	%	0	0	0
因工作關係而死亡的人數	人	0	0	0
因工傷損失工作天數	天	149.5	201.0	193.0
發展與培訓				
全體員工人均接受培訓時長 ²	小時	78.5	101.8	72.3
其中：普通員工人均培訓時長	小時	65.8	103.7	72.6
管理層員工人均培訓時長	小時	3.6	9.3	11.6
女性員工人均培訓時長	小時	77.6	126.2	69.9
男性員工人均培訓時長	小時	79.2	91.4	74.3
全體員工受訓覆蓋率	%	100	100	100
其中：普通員工受訓覆蓋率	%	100	100	100
管理層員工受訓覆蓋率	%	100	100	100
女性員工受訓覆蓋率	%	100	100	100
男性員工受訓覆蓋率	%	100	100	100

¹ 包含保安、食堂等務工人員。

² 員工人均數除普通員工及管理層員工外，還涉及實習生和勞務派遣。

2017年環境、社會及管治報告

產品責任

績效指標	單位	2015年	2016年	2017年
產品責任				
產品退貨率 ¹	%	<0.1	<0.1	0.3
已售產品因安全與健康問題回收的比例	%	0	0	0
客戶滿意度分數	分(滿分10分)	8.49	8.38	8.60
客戶投訴事件	件	11	11	10
客戶投訴辦結率	%	100	100	100

供應鏈管理

績效指標	單位	2015年	2016年	2017年
供應鏈管理				
供應商總數	家	384	495	508
本土供應商數	家	298	375	385
海外供應商數	家	86	120	123
接受評估的供應商數目 ¹	家	23	31	115
要求整改的供應商數目	家	0	0	0
供應商合格率	%	100	100	100
簽訂《環保承諾書》的供應商數	家	/	/	104
原材料採購本土化比例 ²	%	20	22	23

¹ 指公司對其實施了勞工、健康安全、環境、道德方面的評估的供應商數目。

² 原材料採購包括：硅片、石英、靶材、氣體、化學品等生產原材料。

反貪污

績效指標	單位	2015年	2016年	2017年
反貪污				
反腐倡廉培訓舉辦次數	次	5	12	5
反腐倡廉培訓參與人次	人	2,150	2,982	2,530
涉及公司及僱員的貪污訴訟案件數目	件	0	0	0

2017年環境、社會及管治報告

社區投資

績效指標	單位	2015年	2016年	2017年
社區投資				
員工參與志願服務的人數	人	250	310	178
志願者活動累計時長	小時	480	560	356
公益捐贈金額 ¹	千元	0	8.0	4.1

¹ 2016、2017年數據均為向上海志願服務公益基金會捐贈的金額（財務記錄）。

合規

領域	主要法律法規名稱	遵守情況
EHS	《中華人民共和國環境保護法》、《中華人民共和國大氣污染防治法》、《中華人民共和國安全生產法》、《中華人民共和國職業病防治法》、《中華人民共和國勞動合同法》、《中華人民共和國婦女權益保障法》等	2017年公司未發生已確認的違規事件或任何申述
信息安全	《中華人民共和國產品質量法》、《中華人民共和國專利法》、《中華人民共和國著作權法》、《中華人民共和國商標法》、《中華人民共和國網絡安全法》等	
EICC	《中華人民共和國反不正當競爭法》、《中華人民共和國就業促進法》、《中華人民共和國社會保險法》、《中華人民共和國合同法》、《中華人民共和國勞動法》、《中華人民共和國刑法》等	



2017年環境、社會及管治報告

9 編製說明

報告簡介

《華虹半導體有限公司2017年度社會責任報告》(以下簡稱「本報告」) 闡述了公司2017年履行企業社會責任所秉持的原則及推行的工作績效，包括重要利益相關方所關注的有關經濟、環境及社會的可持續發展議題。

編寫依據

本報告依據香港聯合交易所有限公司刊發的《環境、社會及管治報告指引》，並參考全球報告倡議組織(GRI)的《可持續發展報告指南》(G4)編製。

報告範圍

組織範圍：本報告以華虹半導體有限公司為主體，涵蓋本集團所有成員。

時間範圍：2017年1月1日至2017年12月31日。

發佈周期：本報告為年度報告。

數據說明

報告中數據和案例來自集團實際運行的原始記錄或財務報告。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告



To the members of Hua Hong Semiconductor Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Hua Hong Semiconductor Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 173 to 263, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

致華虹半導體有限公司列位股東
(於香港註冊成立的有限公司)

意見

吾等已審核華虹半導體有限公司(「貴公司」)及其子公司(「貴集團」)載於第173至263頁的綜合財務報表，當中包括於二零一七年十二月三十一日的綜合財務狀況表，以及截至該日止年度的綜合損益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

吾等認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈的香港財務報告準則(「香港財務報告準則」)真實而公平地反映 貴集團於二零一七年十二月三十一日的綜合財務狀況，及其截至該日止年度的綜合財務表現及綜合現金流量，並已按照香港公司條例妥為編製。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

意見的基礎

吾等已根據香港會計師公會頒佈的香港審計準則（「香港審計準則」）進行審計。根據該等準則，吾等的責任於本報告核數師就審計綜合財務報表承擔的責任一節進一步闡述。根據香港會計師公會專業會計師道德守則（「守則」），吾等獨立於貴集團，並已遵循守則履行其他道德責任。吾等相信，吾等所獲得的審計憑證能充足和適當地為吾等的意見提供基礎。

關鍵審計事項

關鍵審計事項是根據吾等的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下來進行處理的，吾等不對這些事項提供單獨的意見。吾等對下述每一事項在審計中是如何應對的描述也以此為背景。

吾等已經履行本報告核數師就審計綜合財務報表承擔的責任一節所述的責任，包括有關該等事項的責任。因此，吾等的審計包括執行為應對綜合財務報表重大錯誤陳述風險的評估而設計的程序。吾等執行審計程序的結果，包括應對以下事項所執行的程序，為吾等就隨附的綜合財務報表的審計意見提供基礎。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
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Impairment of available-for-sale investment carried at cost

The Group's available-for-sale investment as at 31 December 2017 included an unlisted equity investment carried at cost less impairment amounting to US\$214 million. The management performed an impairment assessment and engaged external experts to assist in their work to estimate the recoverable amount using market approach in the valuation. This matter was significant to our audit because the carrying amount of the available-for-sale investment was material to the consolidated financial statements and the impairment assessment process was complex and involved significant judgements.

The Group's disclosures about impairment of available-for-sale investment are included in note 3 to the financial statements, which explains the major judgements and estimations the management exercised in the assessment.

Our audit procedures included, amongst others, evaluating the appropriateness of the methodology of the valuation and the reasonableness of the assumptions used in the valuation, with the assistance of our internal specialists.

關鍵審計事項 (續)

關鍵審計事項	關鍵審計事項在審計中是如何應對的
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按成本列賬的可供出售投資減值

於二零一七年十二月三十一日，貴集團錄得按成本值扣除減值列賬的一個非上市股權投資2.14億美元，被視為可供出售投資。管理層執行減值評估並聘請外部專家協助集團採用市場法評估投資的可收回金額。該事項對吾等的審計而言屬重大，乃由於可供出售投資的賬面值對綜合財務報表而言屬重要，且減值測試過程複雜，並涉及重大判斷。

吾等的審計程序包括(其中包括)在內部專家的協助下，評價評估模型使用的合理性及模型中使用假設的恰當性。

貴集團關於可供出售投資減值的披露載於財務報表附註3，其中說明管理層於評估時作出的重要判斷及估計。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
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Fair value of investment property

The Group recorded an investment property amounting to US\$180 million as at 31 December 2017. The Group measured its investment property at fair value at the end of each reporting period and engaged external experts to assess the fair value. This matter was significant to our audit because the carrying amount of the investment property was material to the consolidated financial statements and the valuation process was complex and involved significant judgements.

The Group's disclosures about the valuation of the investment property are included in note 3 and note 14 to the financial statements, which specifically explain the key assumptions management used in the valuation.

Our audit procedures, included amongst others, evaluating the appropriateness of the methodologies of the valuation and the reasonableness of the key assumptions (such as the estimated rental value, term yield, reversionary and long term vacancy rate) used by the Group's external experts to estimate the fair value of investment property, with the assistance of our internal specialists.

關鍵審計事項 (續)

關鍵審計事項	關鍵審計事項在審計中是如何應對的
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投資物業公平值

於二零一七年十二月三十一日，貴集團錄得投資物業1.80億美元。貴集團於各報告期末按公平值計量投資物業，並委聘外部專家對公平值進行評估。該事項對吾等的審計而言屬重大，乃由於投資物業的賬面值對綜合財務報表而言屬重要，且估值過程複雜，並涉及重大判斷。

貴集團關於投資物業估值的披露載於財務報表附註3及附註14，其中特別說明管理層於估值中所用的主要假設。

吾等的審計程序包括(其中包括)在內部專家協助下，評價評估模型使用的合理性及模型中外部評估師評估投資物業公平值時使用的重要假設(如估計租賃價值，年期回報率，復歸及長期空置率)的恰當性。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

年報所載的其他資料

貴公司董事須對其他資料負責。其他資料包括年報所載資料（綜合財務報表及吾等就此發出的核數師報告除外）。預期年報將於本核數師報告日期後提供予我們。

吾等對綜合財務報表的意見並不涵蓋其他資料，吾等亦將不會就其發表任何形式的鑒證結論。

就審計綜合財務報表而言，吾等的責任是當取得其他資料後閱讀其他資料，及在此過程中，考慮其他資料是否與綜合財務報表或吾等在審計過程中所了解的情況有重大不符，或者似乎有重大錯誤陳述。

董事對綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則和香港公司條例編製綜合財務報表以作出真實而公平的反映，並落實董事認為必須之內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大失實陳述。

在編製綜合財務報表時，貴公司董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會協助貴公司董事履行監督貴集團財務報告過程的責任。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審計綜合財務報表承擔的責任

吾等的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括吾等意見的核數師報告。吾等按照香港公司條例第405條僅向整體股東報告，除此之外本報告別無其他目的。吾等不會就本報告的內容向任何其他人士負上或承擔任何責任。

合理保證是高水平的保證，但不能保證按照香港審計準則進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或匯總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

我們根據香港審計準則進行審計的工作之一，是運用專業判斷，在整個審計過程中保持專業懷疑態度。我們亦：

- 識別及評估綜合財務報表由於欺詐或錯誤而導致的重大錯誤陳述風險，因應該等風險設計及執行審計程序，以及獲得充足及適當的審計憑證為我們的意見提供基礎。由於欺詐涉及合謀串通、偽造、故意遺漏、誤導性陳述或凌駕於內部控制之上，因此未能發現由此造成的重大錯誤陳述風險比未能發現由於錯誤而導致的重大錯誤陳述風險更高。
- 了解與審計有關的內部控制，以設計恰當的審計程序，但並非旨在對貴集團內部控制的有效性發表意見。
- 評估所用會計政策的恰當性，以及董事所作出的會計估算和相關披露的合理性。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

核數師就審計綜合財務報表承擔的責任(續)

- 總結董事採用以持續經營為基礎的會計法的恰當性，並根據已獲取的審計憑證，總結是否有可能對貴集團持續經營能力構成重大疑問的事件或情況等重大不確定因素。倘若我們總結認為有重大不確定因素，我們需要在核數師報告中提請注意綜合財務報表內的相關披露，或如果相關披露不足，則修訂我們的意見。我們的結論是基於截至核數師報告日期所獲得的審計憑證。然而，未來事件或情況可能導致貴集團不再具有持續經營的能力。
- 評估綜合財務報表（包括披露）的整體列報、架構和內容，以及綜合財務報表是否中肯反映相關交易及事項。
- 就貴集團內各實體或業務活動的財務資料獲得充足適當的審計憑證，以便就綜合財務報表發表意見。我們須負責指導、監督和執行貴集團的審計工作。我們須為我們的審計意見承擔全部責任。

我們就（其中包括）審計工作的計劃範圍和時間以及重大審計發現（包括我們在審計過程中發現的任何內部控制的重大缺失）與審核委員會進行溝通。

我們亦向審核委員會提交聲明，確認我們已遵守有關獨立性的道德要求，並就所有被合理認為可能影響我們獨立性的關係和其他事宜以及相關保障措施（如適用），與審核委員會進行溝通。

我們通過與審核委員會溝通，確定哪些是本期綜合財務報表審計工作的最重要事項，即關鍵審計事項。除非法律或法規不容許公開披露此等事項或在極罕有的情況下，我們認為披露此等事項可合理預期的不良後果將超過公眾知悉此等事項的利益而不應在報告中予以披露，否則我們會在核數師報告中描述此等事項。

INDEPENDENT AUDITORS' REPORT

獨立核數師報告

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is LEUNG WAI LAP, PHILIP.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 March 2018

核數師就審計綜合財務報表承擔的責任(續)

出具本獨立核數師報告的審計項目合夥人為梁偉立。

安永會計師事務所
執業會計師

香港中環
添美道1號
中信大廈22樓

二零一八年三月二十九日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017
截至二零一七年十二月三十一日止年度

綜合損益表

			2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Revenue	銷售收入	5	808,148	721,428
Cost of sales	銷售成本		(540,971)	(501,080)
Gross profit	毛利		267,177	220,348
Other income and gains	其他收入及收益	5	24,394	34,761
Fair value gain on an investment property	投資物業的公平值收益		89	72
Selling and distribution expenses	銷售及分銷費用		(7,232)	(6,814)
Administrative expenses	管理費用		(108,673)	(97,404)
Other expenses	其他費用	5	(10,712)	(666)
Finance costs	財務費用	7	(2,178)	(3,873)
Share of profit of an associate	分佔一家聯營公司 溢利		9,622	7,056
PROFIT BEFORE TAX	稅前溢利	6	172,487	153,480
Income tax expense	所得稅開支	10	(27,225)	(24,648)
PROFIT FOR THE YEAR	年內溢利		145,262	128,832
Attributable to owners of the parent	母公司擁有人應佔		145,262	128,832
EARNINGS PER SHARE	母公司普通股權持有人			
ATTRIBUTABLE TO ORDINARY	應佔每股盈利：			
EQUITY HOLDERS OF THE PARENT:		12		
Basic	基本			
– For profit for the year	– 年內溢利		US\$0.14 0.14美元	US\$0.12 0.12美元
Diluted	攤薄			
– For profit for the year	– 年內溢利		US\$0.14 0.14美元	US\$0.12 0.12美元

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

Year ended 31 December 2017
截至二零一七年十二月三十一日止年度

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
PROFIT FOR THE YEAR	年內溢利	145,262	128,832
OTHER COMPREHENSIVE INCOME/(LOSS)	其他全面收益／(虧損)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:	於其後期間重新分類至損益的其他全面收益／(虧損)：		
Exchange differences on translation of foreign operations	換算海外業務產生的外匯差額	94,477	(98,778)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	於其後期間重新分類至損益的其他全面收益／(虧損)淨額	94,477	(98,778)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	年內其他全面收益／(虧損)，扣除稅項	94,477	(98,778)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	年內全面收益總額	239,739	30,054
Attributable to owners of the parent	母公司擁有人應佔	239,739	30,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

31 December 2017
二零一七年十二月三十一日

			31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
	Notes 附註			
NON-CURRENT ASSETS		非流動資產		
Property, plant and equipment	13	物業、廠房及設備	733,462	656,517
Investment property	14	投資物業	179,586	169,074
Prepaid land lease payments	15	預付土地租賃款項	20,634	20,071
Intangible assets	16	無形資產	7,411	8,176
Investment in an associate	17	於聯營公司的投資	57,577	45,121
Available-for-sale investments	18	可供出售投資	215,864	203,330
Long term prepayments		長期預付款項	3,266	3,861
Deferred tax assets	27	遞延稅項資產	7,074	5,720
Total non-current assets		非流動資產總額	1,224,874	1,111,870
CURRENT ASSETS		流動資產		
Inventories	19	存貨	115,578	95,199
Trade and notes receivables	20	貿易應收款項及應收票據	112,372	106,078
Prepayments, deposits and other receivables	21	預付款項、按金及其他應收款項	10,074	8,963
Due from related parties	33(c)	應收關聯方款項	46,988	37,752
Restricted and time deposits	22	已凍結及定期存款	193,530	125,547
Cash and cash equivalents	22	現金及現金等價物	374,890	341,255
Total current assets		流動資產總額	853,432	714,794
CURRENT LIABILITIES		流動負債		
Trade payables	23	貿易應付款項	68,124	64,790
Other payables, advances from customers and accruals	24	其他應付款項、預收賬款及暫估費用	129,908	101,507
Interest-bearing bank borrowings	25	計息銀行借款	60,751	1,874
Government grants	26	政府補助	40,523	35,863
Due to related parties	33(c)	應付關聯方款項	10,885	9,689
Income tax payable		應付所得稅	26,648	24,222
Total current liabilities		流動負債總額	336,839	237,945
NET CURRENT ASSETS		流動資產淨額	516,593	476,849
TOTAL ASSETS LESS CURRENT LIABILITIES		資產總值減流動負債	1,741,467	1,588,719


continued 續/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

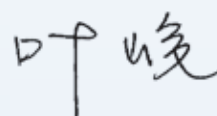
綜合財務狀況表

31 December 2017
二零一七年十二月三十一日

			31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
	<i>Notes</i> 附註			
NON-CURRENT LIABILITIES		非流動負債		
Interest-bearing bank borrowings	25	計息銀行借款	32,139	90,757
Deferred tax liabilities	27	遞延稅項負債	14,123	9,276
Total non-current liabilities		非流動負債總額	46,262	100,033
Net assets		淨資產	1,695,205	1,488,686
EQUITY		權益		
Equity attributable to owners of the parent		母公司擁有人應佔權益		
Share capital	28	股本	1,554,870	1,550,164
Reserves	30	儲備	140,335	(61,478)
Total equity		權益總額	1,695,205	1,488,686



Suxin Zhang
張素心
Director
董事



Jun Ye
葉峻
Director
董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 December 2017
截至二零一七年十二月三十一日止年度

		Attributable to owners of the parent 母公司擁有人應佔								
		Share capital	Merger reserve	Share option reserve	Other reserve and surplus 其他儲備及 重估盈餘 [#]	Revaluation surplus [#]	Statutory reserve fund 法定儲備基金	Exchange fluctuation reserve 外匯波動儲備	Accumulated losses	Total equity
Notes		US\$'000 千美元 (note 28) (附註28)	US\$'000 千美元	US\$'000 千美元 (note 29) (附註29)	US\$'000 千美元	US\$'000 千美元	US\$'000 千美元 (note 30) (附註30)	US\$'000 千美元	US\$'000 千美元	US\$'000 千美元
At 1 January 2016	於二零一六年一月一日	1,550,164	645,494*	1,331*	45,097*	99,257*	23,531*	117,819*	(992,003)*	1,490,690
Profit for the year	年內溢利	-	-	-	-	-	-	-	128,832	128,832
Other comprehensive losses for the year:	年內其他全面虧損:									
Exchange differences related to foreign operations	有關海外業務的外匯差額	-	-	-	-	-	-	(98,778)	-	(98,778)
Total comprehensive income for the year	年內全面收益總額	-	-	-	-	-	-	(98,778)	128,832	30,054
Final 2015 dividend declared	最終宣派二零一五年股息	-	-	-	-	-	-	-	(35,930)	(35,930)
Equity-settled share option arrangements	以權益結算的購股權安排	29	-	3,872	-	-	-	-	-	3,872
Transfer from retained profits generated by a subsidiary	轉撥自一間子公司產生的留存溢利	-	-	-	-	-	13,479	-	(13,479)	-
At 31 December 2016 and 1 January 2017	於二零一六年十二月三十一日及二零一七年一月一日	1,550,164	645,494*	5,203*	45,097*	99,257*	37,010*	19,041*	(912,580)*	1,488,686
Profit for the year	年內溢利	-	-	-	-	-	-	-	145,262	145,262
Other comprehensive income for the year:	年內其他全面收益:									
Exchange differences related to foreign operations	有關海外業務的外匯差額	-	-	-	-	-	-	94,477	-	94,477
Total comprehensive income for the year	年內全面收益總額	-	-	-	-	-	-	94,477	145,262	239,739
Final 2016 dividend declared	最終宣派二零一六年股息	-	-	-	-	-	-	-	(39,806)	(39,806)
Issue of shares	發行股份	29	4,706	(1,432)	-	-	-	-	-	3,274
Equity-settled share option arrangements	以權益結算的購股權安排	29	-	3,312	-	-	-	-	-	3,312
Transfer from retained profits generated by a subsidiary	轉撥自一間子公司產生的留存溢利	-	-	-	-	-	15,163	-	(15,163)	-
At 31 December 2017	於二零一七年十二月三十一日	1,554,870	645,494*	7,083*	45,097*	99,257*	52,173*	113,518*	(822,287)*	1,695,205

Revaluation surplus arose from a change in use from an owner-occupied property to an investment property carried at fair value.

重估盈餘源於按公平值列賬之一項自用物業的用途更改為投資物業。

* These reserve accounts comprise the consolidated reserves of US\$140,335,000 (2016 consolidated negative reserve: US\$61,478,000) in the consolidated statement of financial position.

* 該等儲備賬合計為綜合財務狀況表中的綜合儲備140,335,000美元(二零一六年綜合負債儲備: 61,478,000美元)。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 December 2017
截至二零一七年十二月三十一日止年度

	Notes 附註	2017 二零一七年 (US\$'000) 千美元	2016 二零一六年 (US\$'000) 千美元
CASH FLOWS FROM OPERATING ACTIVITIES	經營活動所得現金流量		
Profit before tax	稅前溢利	172,487	153,480
Adjustments for:	就以下各項作出的調整：		
Finance costs	財務費用	2,178	3,873
Share of profit of an associate	分佔一家聯營公司溢利	(9,622)	(7,056)
Interest income	利息收入	(6,838)	(5,093)
Loss/(gain) on disposal of items of property, plant and equipment	出售物業、廠房及設備項目所得虧損／(收益)	67	(16)
Depreciation	折舊	100,736	80,595
Changes in fair value of an investment property	投資物業公平值變動	(89)	(72)
Reversal of inventories to net realisable value	撥回存貨至可變現淨值	(204)	(1,810)
Reversal of impairment of trade receivables and other receivables	貿易應收款項及其他應收款項減值撥回	—	(14)
Impairment of items of property, plant and equipment	物業、廠房及設備項目減值	2,581	4,012
Amortisation of intangible assets	無形資產攤銷	3,240	3,819
Recognition of prepaid land lease payments	預付土地租賃款項確認	652	664
Equity-settled share option expense	以權益結算的購股權開支	3,312	3,872
		268,500	236,254
(Increase)/decrease in inventories	存貨(增加)／減少	(20,807)	12,220
Increase in trade and notes receivables	貿易應收款項及應收票據增加	(6,374)	(4,428)
Decrease in prepayments, deposits and other receivables	預付款項、按金及其他應收款項減少	415	1,929
Increase in amounts due from related parties	應收關聯方款項增加	(9,236)	(13,261)
Decrease in restricted and time deposits	已凍結及定期存款減少	189	1,257
Increase/(decrease) in trade payables	貿易應付款項增加／(減少)	3,334	(2,848)
Increase in other payables, advances from customers and accruals	其他應付款項、預收賬款及暫估費用增加	38,461	13,629
Increase/(decrease) in government grants	政府補助增加／(減少)	2,331	(15,083)
Increase in amounts due to related parties	應付關聯方款項增加	1,196	521
Cash generated from operations	經營活動產生的現金	278,009	230,190
Income tax paid	已付所得稅	(19,709)	(18,282)
Net cash flows from operating activities	經營活動所得現金流量淨額	258,300	211,908

continued 續/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017
截至二零一七年十二月三十一日止年度

綜合現金流量表

	Notes 附註	2017 二零一七年 (US\$'000) 千美元	2016 二零一六年 (US\$'000) 千美元
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動所得現金流量		
Interest received	已收利息	5,831	3,469
Purchases of items of property, plant and equipment	購買物業、廠房及設備項目	(136,089)	(168,692)
Purchases of items of intangible assets	購買無形資產項目	(1,998)	(3,944)
Proceeds from disposal items for property, plant and equipment	出售物業、廠房及設備項目所得款項	10	58
Receipt for government grants for property, plant and equipment	收到政府對物業、廠房及設備的補助	2,279	20,711
Increase in pledged and time deposits	已抵押及定期存款增加	(67,036)	(85,000)
Net cash flows used in investing activities	投資活動所用現金流量淨額	(197,003)	(233,398)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動所得現金流量		
Proceeds from issue of shares	發行股份所得款項	2,759	–
Dividends paid to shareholders	向股東支付股息	(39,693)	(35,922)
Interest paid	已付利息	(2,167)	(3,911)
Increase in restricted and time deposits	已凍結及定期存款增加	(5)	(8)
Repayment of bank loans	償還銀行貸款	(1,990)	(85,500)
Net cash flows used in financing activities	融資活動所用現金流量淨額	(41,096)	(125,341)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	現金及現金等價物增加／(減少)淨額	20,201	(146,831)
Cash and cash equivalents at beginning of year	年初現金及現金等價物	341,255	510,441
Effect of foreign exchange rate changes, net	外匯匯率變動影響，淨額	13,434	(22,355)
CASH AND CASH EQUIVALENTS AT END OF YEAR	年末現金及現金等價物	374,890	341,255
	22		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘分析		
Cash and bank balances	現金及銀行結餘	203,971	178,080
Non-pledged time deposits with original maturity of less than three months when acquired	於獲得時原到期日少於三個月的非抵押定期存款	170,919	163,175
Cash and cash equivalents as stated in the statement of financial position and in the statement of cash flows	財務狀況表及現金流量表中所列現金及現金等價物	374,890	341,255
	22		

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2017
二零一七年十二月三十一日

1. Corporate and Group Information

Hua Hong Semiconductor Limited (the "Company") is a limited liability company incorporated in Hong Kong on 21 January 2005. The registered office of the Company is located at Room 2212, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company's subsidiaries were principally engaged in the manufacture and sale of semiconductor products.

In the opinion of the directors, the parent and the ultimate parent of the Company are Shanghai Alliance Investment Ltd. ("SAIL") and INESA (Group) Co., Ltd. ("INESA"), formerly known as INESA Holding Group, which are state-owned companies established in the People's Republic of China ("PRC"), supervised by the State-owned Assets Supervision and Administration Commission ("SASAC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

1. 公司及集團資料

華虹半導體有限公司（「本公司」）為一家於二零零五年一月二十一日在香港註冊成立的有限公司。本公司的註冊辦事處為香港中環夏慤道12號美國銀行中心2212室。

本公司的主要活動為投資控股。於年內，本公司的子公司主要從事半導體產品的生產及銷售。

董事認為，本公司的母公司及最終控股公司為上海聯和投資有限公司（「上海聯和」）及上海儀電（集團）有限公司（「儀電集團」，前稱上海儀電控股（集團）有限公司），上海聯和及儀電集團均為於中華人民共和國（「中國」）成立並由國有資產監督管理委員會（「國資委」）監管的國有公司。

有關子公司的資料

本公司旗下主要子公司的詳情如下：

Name 名稱	Place of incorporation/ registration and business 註冊成立/ 登記地點及業務	Issued ordinary/ registered share capital ('000) 已發行普通/ 註冊股本 (千元)	Percentage of equity attributable to the Company 本公司應佔權益百分比		Principal activities 主要業務活動
			Direct 直接	Indirect 間接	
Grace Semiconductor Manufacturing Corporation ("Grace Cayman")*	Cayman Islands 開曼群島	US\$0.001 0.001美元	100%	-	Investment holding 投資控股
Shanghai Huahong Grace Semiconductor Manufacturing Corporation ("HHGrace")** 上海華虹宏力半導體製造有限公司（「華虹宏力」）**	PRC/Mainland China 中國／中國大陸	RMB5,865,538 人民幣5,865,538元	100%	-	Manufacture and sale of semiconductor products 生產及銷售半導體產品
Shanghai Huajie IC Technology Service Co., Ltd. ("Shanghai Huajie")*** 上海華傑芯片技術服務有限公司（「上海華傑」）***	PRC/Mainland China 中國／中國大陸	RMB41,385 人民幣41,385元	-	100%	Manufacture and sale of semiconductor products 生產及銷售半導體產品
Global Synergy Technology Limited ("GST")**** 力鴻科技有限公司（「力鴻科技」）	Hong Kong 香港	HK\$10 10港元	100%	-	Trading 貿易
HHGrace Semiconductor USA, Inc.*	USA 美國	-	100%	-	Sales office 銷售辦事處
HHGrace Semiconductor Japan Co., Ltd.*	Japan 日本	JPY10,000 10,000日圓	100%	-	Sales office 銷售辦事處

NOTES TO FINANCIAL STATEMENTS

31 December 2017
二零一七年十二月三十一日

財務報表附註

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

- * No audited financial statements have been prepared for these entities for the year ended 31 December 2017, as these entities were not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation.
- ** On 24 January 2013, HHGrace was established to consolidate the assets and liabilities of Shanghai Hua Hong NEC Electronics Co., Ltd. ("HHNEC") and Shanghai Grace Semiconductor Manufacturing Corporation ("Grace Shanghai"). This consolidation has been substantially completed. However, certain administrative formalities of HHNEC and Grace Shanghai have not been fulfilled.
- *** Shanghai Huajie is a domestic company established under PRC law.
- **** GST is a company established under Hong Kong law.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property which has been measured at fair value. These financial statements are presented in United States dollars ("US\$") and all values are rounded to the nearest thousands except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

1. 公司及集團資料 (續)

有關子公司的資料 (續)

- * 於截至二零一七年十二月三十一日止年度，概無編製該等實體的經審核財務報表，因為根據其註冊成立的司法權區的相關法律及法規，該等實體毋須進行任何法定審核。
- ** 於二零一三年一月二十四日，華虹宏力成立，以整合上海華虹NEC電子有限公司（「華虹NEC」）及上海宏力半導體製造公司（「上海宏力」）的資產及負債。整合大致上已完成，但華虹NEC及上海宏力的若干行政手續尚未完成。
- *** 上海華傑是根據中國法律成立的境內公司。
- **** GST乃根據香港法例成立的公司

2.1 編製基準

該等財務報表乃根據由香港會計師公會（「香港會計師公會」）頒佈的香港財務報告準則（「香港財務報告準則」），包括所有香港財務報告準則、香港會計準則（「香港會計準則」）及詮釋、香港公認會計準則以及香港公司條例編製。財務報表乃根據歷史成本慣例編製，惟已按公平值計量的投資物業除外。該等財務報表以美元（「美元」）呈列，而除另有指明外，所有數值已約整至最接近的千位數。

綜合基準

綜合財務報表包括本公司及其子公司（統稱為「本集團」）截至二零一七年十二月三十一日止年度的財務報表。子公司指受本公司直接或間接控制的實體（包括結構性實體）。倘本集團透過參與被投資方業務而享有或有權取得被投資方的可變回報，且有能力行使在被投資方的權力影響有關回報，則本集團擁有該實體的控制權（即現時賦予本集團指導被投資方相關活動的能力）。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2017
二零一七年十二月三十一日

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準 (續)

綜合基準 (續)

倘本公司直接或間接擁有的被投資方投票權或類似權利不及大半，則評估本公司對被投資方是否擁有權力時，本集團會考慮所有相關事實及情況，包括：

- (a) 與該被投資方其他投票權擁有人的合約安排；
- (b) 根據其他合約安排所享有的權利；及
- (c) 本集團的投票權及潛在投票權。

子公司與本公司的財務報表的報告期間相同，並採用一致會計政策編製。子公司的業績由本集團取得控制權之日起計合併入賬，並繼續合併入賬至該等控制權終止時為止。

損益及其他全面收入的各部份乃歸屬於本集團母公司擁有人及非控股權益，即使導致非控股權益產生虧絀結餘。本集團成員公司之間交易所產生的集團內部資產及負債、權益、收入、支出及現金流量均在綜合入賬時全數對銷。

倘事實及情況顯示上述三項控制因素之一項或多項出現變動，本集團會重新評估其是否控制被投資公司。子公司的所有權權益變動（沒有失去控制權），按權益交易入賬。

倘本集團失去對一間子公司的控制權，則其取消確認(i)該子公司的資產（包括商譽）及負債、(ii)任何非控制權益的賬面值及(iii)於權益內記錄的累計交易差額；及確認(i)所收代價的公平值、(ii)所保留任何投資的公平值及(iii)損益賬中任何因此產生的盈餘或虧損。先前於其他全面收入內確認的本集團應佔部份重新分類為損益或留存溢利（如適用），倘本集團已直接出售相關資產或負債則須以同一基準確認。

NOTES TO FINANCIAL STATEMENTS

31 December 2017
二零一七年十二月三十一日

財務報表附註

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 37 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.2 會計政策的變動及披露

本集團於本年度財務報表內首次採納下列經修訂香港財務報告準則。

香港會計準則第7號(修訂本)	<i>披露計劃</i>
香港會計準則第12號(修訂本)	<i>就未變現虧損確認遞延稅項資產</i>
納入香港財務報告準則二零一四年至二零一六年週期年度改進的香港財務報告準則第12號(修訂本)	<i>披露其他實體權益：澄清香港財務報告準則第12號的範圍</i>

上述香港財務報告準則的修訂本概無對該等財務報表產生重大財務影響。香港會計準則第7號的修訂本規定實體須披露資料，讓財務報表使用者可評估融資活動所產生負債的變動，包括因現金流量及非現金變動而產生的變動；本公司已於採用該修訂本後於財務報表附註37作出披露。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

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2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 28	<i>Long-term Interests in Associates and Joint Ventures³</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28¹</i>
<i>Annual Improvements 2015-2017 Cycle</i>	<i>Amendments to HKFRS 17 and HKAS 28³</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

While the adoption of some of the new and revised HKFRSs may result in changes in accounting policies, none of these HKFRSs is expected to have a significant impact on the Group's results of operations and financial position, except the followings:

2.3 已頒佈但尚未生效的香港財務報告準則

本集團並無於該等財務報表應用以下已頒佈但尚未生效的新訂及經修訂香港財務報告準則。

香港財務報告準則第2號 (修訂本)	以股份付款的交易的分類及計量 ¹
香港財務報告準則第4號 (修訂本)	採用香港財務報告準則第4號保險合約時一併應用香港財務報告準則第9號金融工具 ¹
香港財務報告準則第9號	金融工具 ¹
香港財務報告準則第9號 (修訂本)	具有負補償之提前還款特性 ²
香港財務報告準則第10號及香港會計準則第28號 (修訂本) (二零一一年)	投資者與其聯營公司或合營公司之間的資產出售或貢獻 ³
香港財務報告準則第15號	客戶合約收益 ¹
香港財務報告準則第15號 (修訂本)	客戶合約收益 (香港財務報告準則第15號澄清) ¹
香港財務報告準則第16號	租賃 ²
香港會計準則第40號 (修訂本)	投資物業轉讓 ¹
香港 (國際財務報告詮釋委員會) – 詮釋第22號	外幣交易及墊支代價 ¹
香港 (國際財務報告詮釋委員會) – 詮釋第23號	所得稅處理的不確定性 ²
香港財務報告準則第17號	保險合約 ³
香港財務報告準則第28號 (修訂本)	於聯營公司及合營企業的長期權益 ³
二零一四年至二零一六年週期年度改進	香港財務報告準則第1號及香港會計準則第28號 (修訂本) ¹
二零一五年至二零一七年週期年度改進	香港財務報告準則第17號及香港會計準則第28號 (修訂本) ³

¹ 於二零一八年一月一日或之後開始的年度期間生效

² 於二零一九年一月一日或之後開始的年度期間生效

³ 尚未釐定強制生效日期，惟可供採納

儘管採納部分新訂及經修訂香港財務報告準則或會導致會計政策變動，惟該等香港財務報告準則預期不會對本集團的經營業績及財務狀況造成重大影響，惟以下除外：

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transaction adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all its trade receivables, other receivables and amounts due from related parties. The Group has determined that the provision for impairment will not significantly change upon the initial adoption of the standard.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

於二零一四年九月，香港會計師公會頒佈香港財務報告準則第9號的最終版本，將金融工具項目的所有階段集合以代替香港會計準則第39號以及香港財務報告準則第9號的全部過往版本。該準則引入分類及計量、減值及對沖會計處理的新規定。本集團將自二零一八年一月一日起採納香港財務報告準則第9號。本集團將不會重述比較資料，而會確認對二零一八年一月一日權益年初結餘的任何過渡性調整。於二零一七年內，本集團已詳細評估採納香港財務報告準則第9號之影響。涉及分類及計量以及減值規定之預期影響概述如下：

(a) 分類及計量

本集團預期採納香港財務報告準則第9號不會對其金融資產之分類及計量造成重大影響。目前以公平值計量的金融資產將繼續以公平值計量。作為可供出售金融投資計量的股本投資將透過其他全面收入按公平值計量，此乃由於投資擬於可見未來持有，且本集團預期選擇於其他全面收入呈列公平值變動。投資終止確認時，於其他全面收入列賬的股本投資收益及虧損不得重新計入損益。

(b) 減值

香港財務報告準則第9號規定，透過其他全面收入按攤銷成本或公平值列賬的債務工具、租賃應收款項、貸款承諾及並非根據香港財務報告準則第9號按公平值計入損益入賬的財務擔保合約的減值，須基於十二個月或年期基準以預期信貸虧損模式入賬。本集團將應用簡化方式，並將根據於其所有貿易應收款項、其他應收款項及應收關聯方款項餘下年期內的所有現金差額現值估計的年期預期虧損入賬。本集團已確定，於初次採納該準則後，減值撥備將不會發生重大變動。

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2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives and* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transaction approach and reliefs will be adopted.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

於二零一六年五月頒佈之香港財務報告準則第16號取代香港會計準則第17號租賃、香港（國際財務報告詮釋委員會）— 詮釋第4號釐定安排是否包括租賃、香港（常務詮釋委員會）— 詮釋第15號經營租賃— 優惠及香港（常務詮釋委員會）— 詮釋第27號評估涉及租賃法律形式交易的內容。該準則載列確認、計量、呈列及披露租賃的原則，並要求承租人就大多數租賃確認資產及負債。該準則包括給予承租人兩項租賃確認豁免— 低價值資產租賃及短期租賃。於租賃開始日期，承租人將確認於租賃期作出租賃付款為負債（即租賃負債）及代表可使用相關資產的權利為資產（即有使用權資產）。除非有使用權資產符合香港會計準則第40號投資物業的定義或有關應用重估模式之物業、廠房及設備類別，否則有使用權資產其後按成本減累計折舊及任何減值虧損計量。租賃負債其後會就反映租賃負債利息而增加及因租賃付款而減少。承租人將須分別確認租賃負債的利息開支及有使用權資產的折舊開支。承租人將亦須於若干事件發生時重新計量租賃負債，例如由於租賃期變更或用於釐定該等付款的一項指數或比率變更而引致未來租賃付款變更。承租人一般將重新計量租賃負債的數額確認為有使用權資產的調整。香港財務報告準則第16號大致沿用香港會計準則第17號內出租人的會計處理方式。出租人將繼續使用與香港會計準則第17號相同的分類原則對所有租賃進行分類，並將之分為經營租賃及融資租賃。香港財務報告準則第16號要求承租人及出租人較根據香港會計準則第17號作出更多披露。承租人可選擇以全面追溯應用或部分追溯應用方式應用該準則。本集團預期自二零一九年一月一日採納香港財務報告準則第16號。本集團目前正評估採納香港財務報告準則第16號的影響，且正考慮會否選擇利用現有可行權宜方式，以及將會採用的過渡方式及寬免。

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2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

As disclosed in note 31 (b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately US\$26,010,000. Upon adoption of HKAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

如財務報表附註31(b)所披露，於二零一七年十二月三十一日，本集團根據不可撤銷經營租約擁有的未來最低租賃款項合共為約26,010,000美元。採納香港會計準則第16號後，當中所列部分金額或需確認為新有使用權資產及租賃負債。然而，本集團需作進一步分析，以確定將予確認的新有使用權資產及租賃負債的金額（包括但不限於涉及低價值資產租賃及短期租賃的任何金額）、所選其他可行權宜方式及寬免以及採用該準則日期前訂立的新租賃。

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2.4 Summary of Significant Accounting Policies

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 重大會計政策概要

於聯營公司的投資

聯營公司為一間本集團對其擁有一般不少於20%股本投票權的長期權益，且本集團可對其發揮重大影響力的實體。重大影響力指有權力參與投資對象的財務及經營決策，但並非對該等政策擁有控制或聯合控制權。

本集團於聯營公司的投資於綜合財務狀況表內按使用權益會計法計算的本集團應佔資產淨值扣減任何減值虧損列賬。

本集團應佔其聯營公司的收購後業績及其他全面收入分別列入綜合損益表及綜合其他全面收益表。此外，倘聯營公司的權益內直接確認某一變動，則本集團會於綜合權益變動表內確認其於任何變動（如適用）的應佔部份。本集團及其聯營公司進行交易所產生的未變現收益及虧損按本集團於該等聯營公司的投資進行撇銷，惟未變現虧損有證據顯示所轉讓資產出現減值者除外。收購聯營公司產生的商譽作為本集團於聯營公司或合營公司投資的一部份列報。

倘於聯營公司的投資變成於合營公司的投資或反之，保留權益不會重新計量。相反，該投資將繼續按權益法列賬。於所有其他情形下，倘本集團不再對聯營公司擁有重大影響力，本集團將按其公平值計量及確認任何保留投資。於失去重大影響力或共同控制權當日聯營公司的賬面值與保留投資的公平值及出售所得款項之間的任何差額於損益內確認。

倘於聯營公司的投資被分類為持作出售，則根據香港財務報告準則第5號持作出售非流動資產及終止持續經營業務列賬。

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

The Group measures its investment property at fair value at the end of each reporting period. 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 Group. 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 Group 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

2.4 重大會計政策概要 (續)

公平值計量

本集團於各報告期末按公平值計量投資物業。公平值指於計量日市場參與者之間的有序交易中，就出售資產所收取的價格或轉讓負債所支付的價格。計量公平值時假設出售資產或轉讓負債的交易於資產或負債的主要市場或（在未有主要市場的情況下）最有利市場進行。主要或最有利市場須為本集團能參與的市場。假設市場參與者基於最佳經濟利益行事，資產或負債的公平值使用市場參與者為資產或負債定價所用假設計量。

非金融資產的公平值計量會計及市場參與者將資產用於最高增值及最佳用途或售予會將資產用於最高增值及最佳用途的另一名市場參與者而創造經濟利益的能力。

本集團針對不同情況使用不同估值技術，確保有足夠數據計量公平值，並盡量利用相關可觀察輸入數據，減少使用不可觀察輸入數據。

公平值於財務報表確認或披露的所有資產及負債，均基於對計量公平值整體而言屬重大的最低層級輸入數據按下述公平值層級分類：

- 第1級 – 相同資產或負債於活躍市場的市場報價（未經調整）
- 第2級 – 採用對公平值計量而言屬重大的直接或間接可觀察最低層級輸入數據的估值技術
- 第3級 – 採用對公平值計量而言屬重大的不可觀察最低層級輸入數據的估值技術

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2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment property), 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 重大會計政策概要 (續)

公平值計量 (續)

對於按經常性基準於財務報表確認的資產及負債，本集團於各報告期末重新評估分類（基於對公平值計量整體而言屬重大的最低層級輸入數據），確定有否在不同層級之間轉移。

非金融資產減值

倘一項資產（存貨、金融資產及投資物業除外）存在減值跡象，或需要進行年度減值測試，則會估計資產的可收回金額。資產可收回金額按該資產或現金產生單位的使用價值及其公平值減出售成本兩者中的較高金額計算，並按個別資產釐定，除非該資產所產生的現金流入基本上不能獨立於其他資產或資產組別所產生的現金流入，在此情況下，可收回金額將按該資產所屬現金產生單位釐定。

減值虧損僅於資產賬面值超逾其可收回金額時確認。於評估使用價值時，估計未來現金流量乃按稅前貼現率貼現至其現值。稅前貼現率反映當時市場對貨幣時間值的評估及該資產的特有風險。減值虧損於其產生期間的損益表內在與減值資產的功能一致的相關開支類別中扣除。

於各報告期末，會評估是否有跡象顯示先前確認的減值虧損不再存在或可能已減少。倘有該等跡象存在，便會估計可收回金額。先前就資產（商譽除外）確認的減值虧損，僅於用以釐定該資產的可收回金額的估計有變時予以撥回，但撥回金額不得高於倘過往年度並無就該資產確認減值虧損情況下原應釐定的賬面值（扣除任何折舊／攤銷）。撥回的減值虧損於其產生期間計入損益表，惟倘該項資產以重估價值列賬，則減值虧損撥回會按該項重估資產適用的有關會計政策入賬。

2.4 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group 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 Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group 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 Group 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 Group or an entity related to the Group;
 - (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 Group or to the parent of the Group.

2.4 重大會計政策概要 (續)

關聯方

以下人士將被視為與本集團有關聯：

- (a) 倘為以下人士或其近親：
 - (i) 控制或共同控制本集團；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司的主要管理層成員；

或

- (b) 該人士為符合下列任何條件的實體：
 - (i) 該實體與本集團屬同一集團的成員公司；
 - (ii) 實體為另一實體（或另一實體的母公司、子公司或同系子公司）的聯營公司或合營企業；
 - (iii) 該實體與本集團為同一第三方的合營企業；
 - (iv) 實體為一名第三方實體的合營企業，而另一實體為該第三方實體的聯營公司；
 - (v) 該實體為本集團或與本集團有關聯的實體就僱員利益設立的離職後福利計劃；
 - (vi) 該實體由(a)項所列人士控制或共同控制；
 - (vii) (a)(i)項所列人士對該實體具有重大影響力或為該實體（或該實體的母公司）的主要管理層成員；及
 - (viii) 該實體或該實體所屬集團的任何成員公司為本集團或本集團的母公司提供主要管理人員服務。

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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 any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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 principal annual rates used for this purpose are as follows:

Buildings	3.8%
Plant and machinery	9.5% – 19.0%
Office equipment	19.0%
Motor vehicles	19.0%
Leasehold improvements	20.0%

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.

2.4 重大會計政策概要 (續)

物業、廠房及設備以及折舊

物業、廠房及設備(在建工程除外)乃按成本減累計折舊及任何減值虧損列賬。倘物業、廠房及設備項目被分類為持作出售或屬部分被分類為持作出售的部分,則不會對此進行折舊,而根據香港財務報告準則第5號列賬。物業、廠房及設備項目的成本包括其購買價及任何使資產達致操作狀況及地點作擬定用途的直接應佔成本。

物業、廠房及設備項目投入運作後所產生維修保養等支出,一般於其產生期間自損益表內扣除。倘達到確認標準,重大檢修的開支作為該資產的賬面值資本化為重置資產。倘物業、廠房及設備須定期替換的重大部份,則本集團將該等部份確認為具有特定可使用年期的獨立資產,並相應對此進行折舊。

折舊的計算是按直線法,在其預估可使用年限內將廠房及設備各項目的成本撇銷至剩餘價值。就此所用的主要年率如下:

樓宇	3.8%
廠房及機器	9.5%–19.0%
辦公設備	19.0%
汽車	19.0%
租賃改進	20.0%

倘物業、廠房及設備項目其中部份的可使用年期不同,該項目的成本會按合理基準分配至有關部份,而各部份均分開計提折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度末作出評估及按需要作出調整。

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2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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 arising on disposal or retirement recognised in the statement of profit or loss in the year the assets is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment property is interest in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair value of the investment property are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 重大會計政策概要 (續)

物業、廠房及設備以及折舊 (續)

物業、廠房及設備項目(包括任何初始確認的重大部份)於出售或預期使用或出售有關項目不會產生未來經濟利益時終止確認。於終止確認資產年度在損益表內確認的出售或報廢資產的收益或虧損,為出售有關資產所得款項淨額與其賬面值兩者間的差額。

在建工程乃按成本減任何減值虧損列賬,但不會計提折舊。成本包括建造期間的直接建設成本。在建工程於完工且可供使用時將重新分類為物業、廠房及設備的適當類別。

投資物業

投資物業乃為賺取租金收入及/或資本增值而持有的土地及樓宇權益(包括符合投資物業定義的物業於經營租賃下的租賃權益),而非用於生產或供應貨物或服務或用作行政用途;或用作在日常業務過程中銷售。該物業初步以成本(包括交易費用)計量。於初始確認後,投資物業以反映報告期末市況的公平值列賬。

投資物業公平值變動產生的收益或虧損計入其產生年度的損益表內。

因投資物業報廢或出售而產生的任何收益或虧損於報廢或出售年度的損益表內確認。

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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 either finite or indefinite. 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.

Process technology licence and software

Process technology licence and software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years of the underlying products, commencing from the date when the products are put into commercial production.

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group 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.

2.4 重大會計政策概要 (續)

無形資產

單獨取得的無形資產於初始確認時按成本計量。通過業務合併取得的無形資產的成本為收購日期的公平值。無形資產的可使用年期評定為有限期或無限期。有限期的無形資產隨後按可使用經濟年期攤銷，於有跡象顯示無形資產可能出現減值時評估減值。有限可使用年期的無形資產的攤銷期及攤銷方法至少於各財政年度末評估一次。

工藝技術許可及軟件

工藝技術許可及軟件按成本減任何減值虧損列賬，並以直線法在相關產品的五至十年估計可使用年限（自其投產日期起計）內攤銷。

研發成本

所有研發成本於產生時列支於損益表。

研發新產品項目所產生的開支僅會在本集團能夠顯示其在技術上能夠完成無形資產能供使用或出售、打算完成資產並能夠加以使用或將之出售、資產在未來如何帶來經濟利益、有足夠資源以完成項目並且有能力可靠地計量開發期間的開支的情況下，才會被資本化及遞延。倘未能符合以上標準，產品研發開支會在產生時費用化。

2.4 Summary of Significant Accounting Policies (continued)

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 Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. 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.

2.4 重大會計政策概要 (續)

租賃

出租人仍保留資產擁有權的絕大部份回報及風險的租賃均入賬列為經營租賃。倘本集團為出租人，本集團根據經營租賃出租的資產列入非流動資產，而經營租賃項下應收租金按租賃年期以直線法計入損益表。倘本集團為承租人，根據經營租賃的應付租金扣除從出租人收取的任何優惠後按租賃年期以直線法於損益表內扣除。

經營租賃項下的預付土地租賃款項初始按成本列賬，其後於租賃年期內按直線基準確認。

投資及其他金融資產

初始確認及計量

金融資產於初始確認時分類為貸款及應收款項，以及可供出售金融投資（倘適用）。當金融資產在初始確認時，均以公平值加收購金融資產應佔交易成本計量。

所有常規購入及出售的金融資產均於交易日確認，即本集團承諾購買或出售該項資產的日期。所謂金融資產的常規購入或出售乃指需按法規規定或市場慣例於一般規定的期間內交付資產的交易。

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2.4 Summary of Significant Accounting Policies (continued)

Investments and other 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 the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in administrative expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income and gains, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income and gains in accordance with the policies set out for "Revenue recognition" below.

2.4 重大會計政策概要 (續)

投資及其他金融資產 (續)

後續計量

金融資產其後按類別以下列方法計量：

貸款及應收款項

有固定或可確定付款但並無在活躍市場報價的貸款及應收款項為非衍生金融資產。於初始計量後，該等資產其後用實際利率方法以攤銷成本減任何減值撥備計量。計算攤銷成本時，將考慮任何收購折讓或溢價，並計入屬於實際利率不可分割部份的費用或成本。實際利率攤銷乃計入損益表的其他收入及收益。貸款及應收款項減值產生的虧損乃於損益表內確認為貸款的融資成本及應收款項的管理費用。

可供出售金融投資

可供出售金融投資指上市及非上市股本投資及債務證券中的非衍生金融資產。既非分類為持作買賣，又非指定為按公平值計入損益的股本投資歸類為可供出售。擬將無限期持有且可能因流動資金需求或市況改變而出售的債務證券歸類至該類別。

於初始確認後，可供出售金融投資其後以公平值計量，未變現收益或虧損於可供出售投資重估儲備確認為其他全面收入，直至終止確認投資（累計收益或虧損於損益表內確認為其他收入及收益）或投資被釐定為已減值（累計收益或虧損自可供出售投資重估儲備重新分類至損益表的其他收益或虧損）為止。持有可供出售金融投資所賺取的利息及股息分別呈報為利息收入及股息收入，並根據下文「銷售收入確認」所載政策於損益表內確認為其他收入。

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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 Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 重大會計政策概要 (續)

投資及其他金融資產 (續)

可供出售金融投資 (續)

當非上市股本投資的公平值由於(a)公平值合理估計範圍的變化對該投資而言屬重大或(b)上述範圍內各種預計的機率難以合理評估並用於估計公平值而無法可靠計量時，該等投資以成本減任何減值虧損列賬。

本集團評估在短期內出售其可供出售金融資產的能力及意向是否仍然適宜。在特殊情況下，當本集團因缺乏活躍市場而無法買賣該等金融資產時，如管理層有能力及意向在可預見將來持有該等資產或持有至到期，本集團可選擇重新分類該等金融資產。

就從可供出售類別重新分類的金融資產而言，重新分類當日的公平賬面值成為其新攤銷成本，而先前已於權益確認的該資產任何收益或虧損採用實際利率法於剩餘投資年期內在損益攤銷。新攤銷成本與到期金額之間的任何差額亦採用實際利率法於資產剩餘年期內攤銷。如資產其後被釐定為已減值，則計入權益的金額重新分類至損益表。

終止確認金融資產

出現以下情形時，金融資產(或(如適用)部份金融資產或一組同類金融資產的一部份)一般會終止確認(即自本集團綜合財務狀況表移除):

- 從資產收取現金流量的權利已屆滿; 或
- 本集團已根據「轉手」安排轉讓從資產收取現金流量的權利，或已承擔向第三方無重大延誤全額支付所收現金流量的責任; 及(a)本集團已轉讓資產的絕大部份風險及回報，或(b)本集團雖未轉讓或保留資產的絕大部份風險及回報，但已轉讓資產的控制權。

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2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the assets 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 重大會計政策概要 (續)

終止確認金融資產 (續)

倘本集團已轉讓從資產收取現金流量的權利或訂立轉手安排，則評估有否保留資產所有權的風險及回報及保留程度。倘本集團並無轉讓或保留資產的絕大部份風險及回報，亦無轉讓資產控制權，則本集團將以本集團持續參與程度為限繼續確認所轉讓資產。在該情況下，本集團亦確認相關負債。已轉讓資產及相關負債根據反映本集團所保留權利及責任的基準計量。

通過對已轉讓資產作出擔保的形式持續參與的計量，按資產原賬面值與本集團或須償還的最高代價兩者較低者計算。

金融資產減值

本集團於各報告期末評估是否有客觀跡象顯示一項金融資產或一組金融資產出現減值。倘資產首次確認後出現一項或多項事件而對能可靠估計的金融資產或一組金融資產的估計未來現金流量有影響，則說明已發生減值。減值跡象可能包括單個債務人或一組債務人有重大財務困難、拖欠利息或本金付款、可能破產或進行其他財務重組，以及可觀察數據顯示估計未來現金流量減少且可計量，例如與拖欠有關的欠款或經濟狀況變動。

按攤銷成本入賬的金融資產

對於按攤銷成本入賬的金融資產，本集團首先單獨評估個別重大的金融資產有否客觀減值跡象，或共同評估非個別重大的金融資產有否客觀減值跡象。倘本集團釐定個別已評估金融資產無客觀減值跡象，則有關資產不論是否重大，會計入一組信用風險特徵相若的金融資產，共同作減值評估。對於個別作減值評估的資產，倘其減值虧損會確認或繼續會確認，則不會計入共同減值評估。

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 and all collateral has been realised or has been transferred to the Group.

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 write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 重大會計政策概要 (續)

金融資產減值 (續)

按攤銷成本入賬的金融資產 (續)

已識別減值虧損金額以資產的賬面值與估計未來現金流量現值(不包括尚未發生的未來信用損失)的差額計量。估計未來現金流量的現值按金融資產的原實際利率(即初始確認時計算採用的實際利率)貼現。

資產賬面價值通過使用撥備賬扣減，虧損金額於損益表內確認。利息收入持續按已扣減賬面值累計，利率為計量減值虧損時貼現未來現金流量所使用的貼現率。倘不可能於未來實現回收且所有抵押品已變現或轉至本集團，則貸款及應收款項連同任何相關撥備可撇銷。

倘後續期間於減值確認後發生的事項導致估計減值虧損增加或減少，則以往確認的減值虧損通過調整撥備賬增加或減少。倘撇賬於日後收回，則轉回的減值虧損計入損益表的管理費用。

按成本入賬的資產

倘有客觀跡象顯示因未能可靠計量公平值而不按公平值入賬的未報價股本工具，或與該等未報價股本工具掛鉤且須以交付該未報價股本工具結算的衍生資產已產生減值虧損，則該虧損金額按該資產的賬面值與按同類金融資產的當前市場回報率折讓的估計未來現金流量現值的差額計量。該等資產的減值虧損不會撥回。

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2.4 Summary of Significant Accounting Policies (continued)

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, as appropriate.

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables, advances from customers and accruals, amounts due to related parties and interest-bearing bank borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

2.4 重大會計政策概要 (續)

金融負債

初始確認及計量

金融負債初始確認時視情況歸類為按公平值計入損益的金融負債、貸款及借貸。

所有金融負債初始按公平值確認，貸款及借貸則須扣除直接應佔交易成本。

本集團的金融負債包括貿易應付款項及計入其他應付款項的金融負債、預收賬款及暫估費用、應付關聯方款項以及計息銀行借款。

後續計量

金融負債其後按類別以下列方法計量：

貸款及借貸

初始確認後，計息貸款及借貸其後以實際利率法按攤銷成本計量，若貼現影響不大，則按成本列賬。收益及虧損於負債終止確認時透過實際利率攤銷程序於損益表確認。

計算攤銷成本時已計及任何收購折讓或溢價及屬實際利率不可分割部份的費用或成本。實際利率攤銷則計入損益表的財務費用。

終止確認金融負債

金融負債於負債的責任解除、註銷或屆滿時終止確認。

當現有金融負債被同一貸款人以條款明顯不同的負債取代時，或現有負債的條款有重大修改時，有關替換或修改則視為終止確認原有負債並確認一項新負債，而相關賬面值的差額於損益表確認。

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 a 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 estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and 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.

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

Provisions

A provision is recognised when there is 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 will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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

2.4 重大會計政策概要 (續)

抵銷金融工具

倘(且僅當)有現行可強制執行的法律權利抵銷已確認金額，並且擬以淨額基準進行結算或同時將資產變現及清償負債，方可將金融資產及金融負債抵銷，淨額於財務狀況表呈報。

存貨

存貨按成本及可變現淨值兩者中的較低者列賬。成本按加權平均基準釐定，而就在製品及製成品而言，成本包括直接材料、直接勞工及適當比例的生產費用。可變現淨值為估計售價減去任何在完成及出售過程中產生的估計費用。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及一般期限為自購入起計三個月內及可隨時轉換為已知數額現金且價值變動風險較低的短期高流動性投資。

就綜合財務狀況表而言，現金及現金等價物包括手頭及銀行現金(包括定期存款以及與現金性質類似的資產)(使用不受限制)。

撥備

倘因過往事件而須承擔法定或推定責任，而履行該責任可能導致未來資源外流，且該責任所涉金額能夠可靠估計，則確認撥備。

倘貼現影響重大，則確認撥備的數額為預期日後履行有關責任所需開支於報告期末的現值。倘已貼現的現值隨時間而有所增加，則該等增幅將於損益表列作財務費用。

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2.4 Summary of Significant Accounting Policies (continued)

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 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 countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and any 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 credits and unused tax losses can be utilised, except:

- when 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; and

2.4 重大會計政策概要 (續)

所得稅

所得稅包括即期及遞延稅項。與於損益外確認的項目有關的所得稅於損益外確認為其他全面收入或直接於權益中確認。

即期稅項資產及負債，根據於報告期末已頒佈或實質上已頒佈的稅率（及稅法），按預期獲稅務機關退回或向稅務機關支付的款項，並計及本集團經營所在國家現行法律詮釋及慣例計量。

遞延稅項於報告期末採用負債法就資產及負債稅基與財務報告所示賬面值的所有暫時差額撥備。

除下列情況外，遞延稅項負債會就所有應課稅暫時差額確認：

- 倘遞延稅項負債因非業務合併交易中初始確認資產或負債而產生，且於交易時遞延稅項負債不會影響會計溢利或應課稅溢利或虧損；及
- 就於子公司投資相關的應課稅暫時差額而言，倘可控制暫時差額的撥回時間，且於可見未來不會撥回暫時差額。

遞延稅項資產於有可能動用應課稅溢利以抵銷可扣減暫時差額的情況下，就所有可扣稅暫時差額、未動用稅項抵免及未動用稅項虧損結轉確認，而未動用稅項抵免及未動用稅項虧損結轉可以動用，惟下列情況除外：

- 倘涉及可扣減暫時差額的遞延稅項資產乃因初始確認非業務合併、且於交易時不影響會計溢利或應課稅損益的交易的資產或負債而產生；及

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 重大會計政策概要 (續)

所得稅 (續)

- 就於子公司投資相關的可扣減暫時差額而言，遞延稅項資產僅於可見未來可能撥回暫時差額，且可動用應課稅溢利以抵銷暫時差額的情況下確認。

遞延稅項資產賬面值於各報告期末檢討，並於不再可能有足夠應課稅溢利可容許動用全部或部份遞延稅項資產的情況下予以扣減。未確認遞延稅項資產於各報告期末重新評估，並在具備足夠應課稅溢利以容許收回全部或部份遞延稅項資產的情況下予以確認。

遞延稅項資產及負債按預期適用於變現資產或清償負債期間的稅率，依據於報告期末已頒佈或實質上已頒佈的稅率（及稅法）計量。

僅當本集團有可合法執行權利可將即期稅項資產與即期稅項負債抵銷，且遞延稅項資產與遞延稅項負債與同一稅務機關對同一應課稅實體或於各未來期間預期有大額遞延稅項負債或資產需要結算或清償時，擬按淨額基準結算即期稅項負債及資產或同時變現資產及結算負債之不同稅務實體徵收之所得稅相關，則遞延稅項資產與遞延稅項負債可予抵銷。

政府補助

政府補助在合理確定將會收取補助及將會符合一切所附條件時，按其公平值確認。如補助與開支項目有關，則於有關期間內確認為收入，以按系統基準將補助與擬補償的相關成本抵銷。

倘補助與資產有關，則公平值計入遞延收入賬，並按相關資產的預計可使用年期按年以等額分期轉撥至損益賬。

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2.4 Summary of Significant Accounting Policies (continued)

Government grants (continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group 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 and title have been transferred to the buyer, provided that the Group 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 service has been rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) 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; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

2.4 重大會計政策概要 (續)

政府補助 (續)

倘本集團就建造合資格資產而收取的政府貸款不付息或按低於市場利率計息，則政府貸款的初始賬面值使用實際利率法釐定，進一步詳情載述於上文「金融負債」的會計政策。授出的政府貸款福利不付息或按低於市場利率計息（為貸款的初始賬面值與所收取的所得款項的差額）視作政府補貼及於有關資產的預期可使用年期內逐年按等額分期撥回損益表。

銷售收入確認

當經濟利益很可能流入本集團且收入能可靠計量時，銷售收入按下列基準確認：

- (a) 銷售貨品的銷售收入於所有權及業權上的重大風險及回報已轉移至買方，且本集團不再對已售出商品保持通常與所有權有關的管理參與和有效控制權時確認；
- (b) 提供服務產生的銷售收入按所提供服務確認；
- (c) 就租金收入而言，於租期內按時間比例基準確認；
- (d) 就利息收入而言，按應計基準以實際利率法採用將金融工具預計可使用年期或較短期間（如適用）內的估計未來現金收入準確貼現至金融資產賬面淨值的利率確認；及
- (e) 就股息收入而言，於股東收取款項的權利確立時確認。

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 重大會計政策概要 (續)

以股份付款

本公司實施一項購股權計劃，旨在激勵與獎勵對本集團業務成功作出貢獻的合資格參與者。本集團僱員（包括董事）以股份付款的方式收取報酬，僱員提供服務作為收取股本工具的代價（「股權結算交易」）。

於授出相關與僱員進行股權結算交易的成本，乃參照授出日期的公平值而計量。公平值由外聘估值師採用二項式模式釐定，詳情載於財務報表附註29。

股權結算交易成本連同權益相應增加部份，在績效及／或服務條件達成時於期內在僱員福利開支確認。截至歸屬日期前於報告期末確認的股權結算交易的累計開支，反映歸屬期已到期部份及本集團對最終將會歸屬的股本工具數目的最佳估計。期內在損益表扣除或進賬，乃指期初與期終已確認的累計開支的變動。

釐定獎勵的授出日公平值並不考慮服務及非市場表現條件，惟能達成條件的可能性則被評定為將最終歸屬為本集團權益工具數目的最佳估計的一部份。市場表現條件將反映在授出日的公平值。附帶於獎勵中但並無相關聯服務要求的其他任何條件皆視為非歸屬條件。反映非歸屬條件的獎勵公平值若當中不包含服務及／或表現條件乃即時予以支銷。

因未能達至非市場表現及／或服務條件，而導致最終並無歸屬的獎勵並不會確認支銷，惟包括一項市場或非歸屬條件之獎勵，無論市場或非歸屬條件是否達成，其均會被視為已歸屬，前提是所有其他表現及／或服務條件須已達成。

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2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

Termination benefits

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

2.4 重大會計政策概要 (續)

以股份付款 (續)

倘股權結算獎勵的條款有變更，假設符合獎勵原條款，則所確認之開支最少須達到猶如條款並無任何變更的水平。此外，倘按變更日期之計量，任何變更導致以股份付款的公平值總額增加，或為僱員帶來其他利益，則就該等變更確認開支。

倘股權結算獎勵註銷，則視為已於註銷日期歸屬，任何尚未確認之獎勵（包括未能符合本集團或僱員可控制的非歸屬條件的任何獎勵）開支，均即時確認。然而，若已授出新獎勵代替已註銷的獎勵，並於授出日期指定為替代獎勵，則如前段所述，已註銷獎勵及新獎勵均視為原有獎勵的變更。

計算每股盈利時，未行使購股權的攤薄效應，反映為額外股份攤薄。

其他僱員福利

退休金計劃

本集團於中國內地營運的子公司屬下的僱員須參與由有關地方市政府營運的中央退休金計劃。該子公司須按僱員薪金若干百分比對中央退休金計劃供款。供款於按中央退休金計劃規則應付時在損益表內支銷。

離職福利

離職福利於目標公司不再能取消提供該等福利時及目標公司確認涉及支付離職福利之重組成本時之較早者確認。

2.4 Summary of Significant Accounting Policies (continued)

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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in US\$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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. All differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 重大會計政策概要 (續)

借款成本

收購、建設或生產合資格資產(即需要一段較長時間方可達致擬定用途或出售的資產)直接應佔的借款成本會撥充資本,作為該等資產的部份成本。當資產已大致可作擬定用途或出售時,則不會再將該等借款成本撥充資本。在特定借款用作合資格資產支出前暫作投資所賺取的投資收入須自撥充資本的借款成本扣除。所有其他借款成本於產生期間支銷。借款成本包括公司借款時產生的利息及其他成本。

股息

末期股息於股東在股東大會上批准時確認為負債。擬派末期股息乃於財務報表附註披露。

由於本公司的組織章程大綱及細則授權董事宣派中期股息,故中期股息乃同時予以擬派及宣派。因此,中期股息於擬派及宣派後隨即確認為負債。

外幣

該等財務報表以本公司的功能貨幣美元呈列。本集團各實體自行決定其功能貨幣,而各實體財務報表所載項目均採用該功能貨幣計量。本集團實體記錄的外幣交易初步採用其各自於交易日期的功能貨幣匯率入賬。以外幣計值的貨幣資產及負債按各報告期末的功能貨幣匯率換算。結算或換算貨幣項目產生的所有差額於損益表確認。

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2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associate are currencies other than the US\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US\$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US\$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

2.4 重大會計政策概要 (續)

外幣 (續)

根據以外幣計值的歷史成本計量的非貨幣項目採用首次交易日期的匯率換算。按外幣公平值計量的非貨幣項目採用計量公平值當日的匯率換算。換算以公平值計量的非貨幣項目產生的收益或虧損按與確認項目公平值變動的收益或虧損一致的方式處理(即公平值收益或虧損於其他全面收入或損益確認的項目的換算差額亦分別於其他全面收入或損益確認)。

若干海外子公司及聯營公司的功能貨幣為美元以外的貨幣。於報告期末，該等實體的資產及負債按各報告期末的通行匯率換算為美元，而其損益表按年內加權平均匯率換算為美元。

由此產生的匯兌差額於其他全面收入確認，並於匯率波動儲備中累計。出售國外業務時，有關特定國外業務的其他全面收入的組成部份於損益表確認。

就綜合現金流量表而言，海外子公司的現金流量乃按現金流量當日的匯率換算為美元。海外子公司年內重複產生的現金流量乃按年內的加權平均匯率換算為美元。

3. Significant Accounting Estimates and Assumptions

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

Judgements

In the process of applying the Group'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:

Lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment property and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some property comprises a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. 重要會計估計及假設

管理層在編製本集團財務報表時須作出判斷、估計及假設，而有關判斷、估計及假設會對收入、開支、資產及負債的呈報金額及其隨附披露，以及或然負債披露造成影響。該等假設及估計的不定性或會導致須對在未來遭受影響的資產或負債的賬面值進行重大調整。

判斷

於採納本集團會計政策的過程中，除涉及估計的會計政策外，管理層已作出對財務報表已確認金額構成最重大影響的判斷如下：

租賃分類 – 本集團作為出租人

本集團訂立有關投資物業組合的商務物業租賃。本集團基於對該等安排的條款及條件的評估確定本集團保留有關按經營租賃租出的該等物業所有權的所有重大風險及回報。

投資物業與自用物業的分類

本集團決定物業是否符合投資物業的資格，並已制訂作出此判斷的準則。投資物業是為賺取租金或資本增值或同時為此兩項目的而持有的物業。因此，本集團會考慮一項物業產生現金流量時是否基本上與本集團所持有的其他資產無關。某些物業的部份是為賺取租金或資本增值而持有，而物業內另一些部份是為用於生產或供應貨品或服務或作行政用途而持有。倘若此等部份可以分開出售或根據融資租賃分開出租，本集團會將有關部份分開入賬。倘若該等部份無法分開出售，則只會用於生產或供應貨品或服務或作行政用途而持有的部份並不重要時，有關物業才會列作投資物業。本集團對各項物業作出判斷，以決定配套服務是否重要以使物業並不符合投資物業的資格。

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3. Significant Accounting Estimates and Assumptions (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 assets and liabilities within the next financial year are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale investments carried at cost

The Group assesses whether there are any indicators of impairment for available-for-sale investments carried at cost at the end of each reporting period. Available-for-sale investments carried at cost are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Management must estimate the fair value in equity and choose appropriate assumptions to be applied in preparing market approach including a suitable price-to-book multiple and lack of marketability discount rate. The carrying amount of available-for-sale investments carried at cost was US\$215,864,000 (2016: US\$203,330,000). Further details are contained in note 18 to the financial statements.

3. 重要會計估計及假設 (續)

估計不確定性

於報告期末，有關未來的主要假設及估計不確定的其他主要來源（存在導致於下一財政年度內對資產及負債的賬面值作出重大調整的重大風險）論述如下。

非金融資產減值

本集團於各報告期末評估所有非金融資產是否出現任何減值跡象。其他非金融資產於有跡象顯示賬面值可能無法收回時測試減值。資產或現金產生單位賬面值超逾其可收回金額（即其公平值減出售成本與使用價值的較高者）時，則存在減值。計量公平值減出售成本時，按以公平基準就類似資產進行具有約束力的銷售交易可得數據，或可得市價減出售資產的已增加成本得出。當計算使用價值時，管理層必須估計來自資產或現金產生單位的預期未來現金流量，並選擇合適的貼現率，以計算該等現金流量的現值。

按成本列賬的可供出售投資減值

本集團於各報告期末評估按成本列賬的可供出售投資是否出現任何減值跡象。按成本列賬的可供出售投資於有跡象顯示賬面值可能無法收回時測試減值。管理層必須估計股權之公平值，並於編製市場法時選擇所應用的合適假設（包括適當的市賬率及缺乏市場流通性的折讓率）。按成本列賬的可供出售投資的賬面值為215,864,000美元（二零一六年：203,330,000美元）。更多詳情載於財務報表附註18。

3. Significant Accounting Estimates and Assumptions (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was US\$7,074,000 (2016: US\$5,720,000) as at 31 December 2017. Further details are contained in note 27 to the financial statements.

Estimation of fair value of investment property

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of the investment property as at 31 December 2017 was US\$179,586,000 (2016: US\$169,074,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. 重要會計估計及假設 (續)

估計不確定性 (續)

遞延稅項資產

遞延稅項資產於可能將有應課稅溢利可動用作抵銷虧損的情況下，就未動用稅項虧損予以確認。於釐定可予確認的遞延稅項資產金額時須根據未來應課稅溢利的可能時間及程度以及未來稅務規劃策略作出重大管理判斷。於二零一七年十二月三十一日，遞延稅項資產的賬面值為7,074,000美元（二零一六年：5,720,000美元）。更多詳情載於財務報表附註27。

投資物業公平值估計

倘類似物業在交投活躍的市場上並無現行市價，則本集團會考慮各項資料來源，包括：

- (a) 於活躍市場中，不同性質、狀況或地點的物業的現行價格，並就有關差別作出調整；
- (b) 於較非活躍的市場中，同類物業的近期價格，並就自按該等價格進行交易日期以來經濟環境變動作出調整；及
- (c) 根據可靠的未來現金流量估算、任何現有租約及其他合約的年期及（如可能）外在證據（如於同一地點及狀況下，類似物業的現行市值租金），以及使用可反映現金流量金額及出現時間不明朗因素的現時市場評估的貼現率計算而得出的貼現現金流量預測。

於二零一七年十二月三十一日，投資物業的賬面值為179,586,000美元（二零一六年：169,074,000美元）。進一步詳情（包括公平值計量及敏感度分析所採用的主要假設）載於財務報表附註14。

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4. Operating Segment Information

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of semiconductor products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

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

Revenues are attributed to geographic areas based on the locations of customers. Revenues regarding geographical segments based on the locations of customers for the year are presented as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
China (including Hong Kong)	中國(包括香港)	446,699	378,030
United States of America	美利堅共和國	141,356	141,186
Asia (excluding China and Japan)	亞洲(不包括中國及日本)	95,853	91,175
Europe	歐洲	64,792	68,468
Japan	日本	59,448	42,569
		808,148	721,428

Information about major customers

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the year ended 31 December 2017 (2016: Nil).

4. 經營分部資料

出於管理需要，本集團僅構組一個業務單元，主要包括製造及銷售半導體產品。管理層在作出分配資源的相關決策及評估本集團表現時審核綜合業績。因此，並無呈列分部分析。

本集團使用的主要資產位於中國上海，故並無按資產的地理位置於年內呈列分部分資料。

地理區域應佔收入乃按客戶所在地劃分。年內按客戶所在地劃分的地區分部有關收入呈列如下：

有關主要客戶的資料

截至二零一七年十二月三十一日止年度並無對單一客戶的銷售所得收益金額達本集團收入的10%或以上(二零一六年：無)。

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財務報表附註

5. Revenue, Other Income and Gains and Other Expenses

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains and other expenses are as follows:

5. 收入、其他收入及收益及其他費用

收入指年內扣除退貨及貿易折扣後的已出售貨品發票淨值。

對收入、其他收入及收益及其他費用的分析如下：

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Revenue	收入		
Sale of goods	銷售貨品	808,148	721,428
Other income	其他收入		
Rental income	租金收入	12,392	12,876
Interest income	利息收入	6,838	5,093
Government subsidies	政府補貼	4,542	8,228
Sale of scrap materials	銷售廢料	224	370
Rendering of services	提供服務	109	417
Others	其他	289	664
		24,394	27,648
Gains	收益		
Gain on disposal of items of property, plant and equipment	出售物業、廠房及設備項目所得收益	-	16
Foreign exchange gain, net	外匯匯兌收益淨額	-	7,097
		-	7,113
		24,394	34,761
Other expenses	其他費用		
Foreign exchange loss, net	外匯匯兌虧損淨額	10,269	-
Net loss on disposal of property plant, and equipment	出售物業、廠房及設備的虧損淨額	67	-
Others	其他	376	666
		10,712	666

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6. Profit Before Tax

The Group's profit before tax is arrived at after charging/
(crediting):

6. 稅前溢利

本集團的稅前溢利乃於扣除／(計入)
下列各項後達致：

			2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
	Notes 附註			
Cost of inventories sold	已售存貨成本		540,971	501,080
Depreciation	折舊	13	100,736	80,595
Recognition of prepaid land lease payments	確認預付土地租賃款項	15	652	664
Amortisation of intangible assets	無形資產攤銷	16	3,240	3,819
Research and development costs	研發成本		49,589	41,336
Minimum lease payments under operating leases	經營租賃最低租賃款項		3,385	2,978
Auditor's remuneration	核數師薪酬		488	467
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):	僱員福利開支(包括董事及最高行政人員的薪酬(附註8)):			
Wages, salaries and other benefits	工資、薪金及其他福利		150,993	137,962
Equity-settled share option expense	以權益結算的購股權開支	29	3,312	3,872
Pension scheme contributions	退休金計劃供款		16,974	12,086
			171,279	153,920
Rental income on an investment property, net	投資物業的租金收入淨額	5	(12,392)	(12,876)
Government subsidies	政府補貼	5	(4,542)	(8,228)
Foreign exchange loss/(gain), net	外匯匯兌虧損／(收益)淨額	5	10,269	(7,097)
Impairment on items of property, plant and equipment	物業、廠房及設備項目減值	13	2,581	4,012
Reversal for impairment of trade receivables and other receivables	貿易應收款項及其他應收款項減值撥回		-	(14)
Reversal of inventories to net realisable value	撥回存貨至可變現淨值		(204)	(1,810)
Fair value gain on an investment property	投資物業公平值收益	14	(89)	(72)

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財務報表附註

7. Finance Costs

7. 財務費用

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Interest on bank loans	銀行貸款利息	2,178	3,873

8. Directors' and Chief Executive's Remuneration

8. 董事及最高行政人員的薪酬

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:

根據上市規則及香港公司條例第383(1)(a)、(b)、(c)及(f)節及《公司(披露董事利益資料)規例》第2部披露的本年度董事及最高行政人員薪酬如下：

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Fees	袍金	216	225
Other emoluments:	其他酬金：		
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	155	157
Performance related bonuses	與表現掛鉤的花紅	179	168
Equity-settled share option expense	以權益結算的購股權開支	136	117
Pension scheme contributions	退休金計劃供款	7	6
		477	448
		693	673

In prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

於過往年度，若干董事根據本公司的購股權計劃因其向本集團提供的服務獲授購股權，其進一步詳情載於財務報表附註29。相關購股權的公平值已按歸屬期於損益表確認，並於授出日期釐定且於本年度財務報表入賬的金額已計入前述董事及最高行政人員的薪酬披露中。

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8. Directors' and Chief Executive's Remuneration (continued)

(a) Independent non-executive directors

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

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Stephen Tso Tung Chang	張祖同	72	75
Kwai Huen Wong, JP	王桂燦，太平紳士	72	75
Long Fei Ye	葉龍蜚	72	75
		216	225

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(b) Executive directors, non-executive directors and the chief executive

		Fees 袍金 (US\$'000) (千美元)	Salaries, allowances and benefits in kind 薪酬、津貼 及實物利益 (US\$'000) (千美元)	Performance related bonuses 與表現掛鉤 的花紅 (US\$'000) (千美元)	Equity- settled share option expense 以權益結算的 購股權開支 (US\$'000) (千美元)	Pension scheme contributions 退休金 計劃供款 (US\$'000) (千美元)	Total remuneration 薪酬總額 (US\$'000) (千美元)
2017	二零一七年						
Non-executive director:	非執行董事：						
Mr. Takayuki Morita	森田隆之先生	-	-	-	17	-	17
Chief executive:	最高行政人員：						
Mr. Yu Wang	王煜先生	-	155	179	119	7	460
		-	155	179	136	7	477
2016	二零一六年						
Non-executive director:	非執行董事：						
Mr. Takayuki Morita	森田隆之先生	-	-	-	14	-	14
Chief executive:	最高行政人員：						
Mr. Yu Wang	王煜先生	-	157	168	103	6	434
		-	157	168	117	6	448

Save as disclosed above, none of the directors received any emoluments during 2017 and 2016.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. 董事及最高行政人員的薪酬 (續)

(a) 獨立非執行董事

年內向獨立非執行董事支付的袍金如下：

年內並無應付予獨立非執行董事的其他酬金（二零一六年：無）。

(b) 執行董事、非執行董事及最高行政人員

除前述披露者外，概無董事於二零一七年及二零一六年收取任何薪酬。

於年內，概無董事作出安排放棄或同意放棄任何薪酬。

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9. Five Highest Paid Employees

The five highest paid employees during the year included one director, who is also the chief executive (2016: one director being also the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are not directors of the Company are as follows:

	2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Salaries, allowances and benefits in kind 薪酬、津貼及實物利益	1,092	1,120
Performance related bonuses 與表現掛鈎的花紅	343	357
Equity-settled share option expense 以權益結算的購股權開支	299	256
Pension scheme contributions 退休金計劃供款	17	14
	1,751	1,747

The number of highest paid employees who are not directors of the Company and whose remuneration fell within the following bands is as follows:

		Number of employees 僱員人數	
		2017 二零一七年	2016 二零一六年
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	1	3
HK\$2,500,001 to HK\$3,000,000	2,500,001港元至3,000,000港元	2	-
HK\$3,500,001 to HK\$4,000,000	3,500,001港元至4,000,000港元	-	1
HK\$4,000,001 to HK\$4,500,000	4,000,001港元至4,500,000港元	1	-
		4	4

In prior year, share options were granted to four non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. 五名最高薪僱員

年內，五名最高薪僱員包括一名董事（亦為最高行政人員）（二零一六年：一名董事（亦為最高行政人員）），其薪酬詳情載於上文附註8。年內，其餘四名（二零一六年：四名）並非本公司董事的最高薪僱員的薪酬詳情如下：

薪酬屬於以下範疇的並非本公司董事的最高薪僱員人數如下：

上年度，四名非董事及非最高行政人員的最高薪僱員因其向本集團提供服務獲授購股權，其進一步詳情於財務報表附註29披露。相關購股權的公平值已按歸屬期於損益表確認，並於授出日期釐定且於本年度財務報表入賬的金額已計入前述非董事及非最高行政人員的最高薪僱員的薪酬披露中。

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10. Income Tax

Hong Kong profits were subject to profits tax at the rate of 16.5% during the year (2016: 16.5%). No provision for Hong Kong profits tax has been made as the Company and a subsidiary incorporated in Hong Kong had no assessable income during the year (2016: Nil).

The Company's subsidiary incorporated in the Cayman Islands is not subject to corporate income tax ("CIT") as it does not have a place of business (other than a registered office) or carry on any business in the Cayman Islands.

All of the Group's subsidiaries registered in the PRC and only having operations in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25%.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries, HHGrace, is qualified as an enterprise producing integrated circuits of 0.25 μm below in width and thus is entitled to a preferential tax rate of 15% from 2017 to 2020.

The Company's subsidiary incorporated and operating in Japan is subject to corporation tax at a rate of 25.5% (2016: 25.5%).

The Company's subsidiary incorporated and operating in the United States is subject to federal corporation income tax at a rate of 34% during the year (2016: 34%), as well as state tax at 8.84% (2016: 8.84%).

10. 所得稅

於年內的香港溢利須按16.5% (二零一六年：16.5%) 的稅率繳納利得稅。由於本公司及一家在香港註冊成立的子公司於年內並無取得應評稅收入，故並無就香港利得稅作出撥備 (二零一六年：無)。

由於本公司在開曼群島註冊成立的子公司在開曼群島並無擁有營業地點 (註冊辦事處除外) 或經營任何業務，故有關子公司毋須繳納企業所得稅 (「企業所得稅」)。

所有本集團在中國註冊且僅在中國內地營運的子公司，應就其根據相關中國所得稅法調整的中國法定賬目所呈報應課稅收入按25%的法定稅率繳納中國企業所得稅。

根據中國相關法律及法規及獲稅務主管機關批准，本集團一家子公司華虹宏力符合資格成為生產工藝技術節點小於0.25 μm 集成電路的企業，故有權於二零一七年至二零二零年期間按15%的優惠稅率繳稅。

本公司在日本註冊成立及營運的子公司應按25.5% (二零一六年：25.5%) 的企業稅率繳稅。

本公司在美國註冊成立及營運的子公司應按34% (二零一六年：34%) 的聯邦企業所得稅率及8.84% (二零一六年：8.84%) 的州稅稅率繳稅。

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財務報表附註

10. Income Tax (continued)

The major components of income tax expense of the Group are as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Current income tax – PRC	當期所得稅 – 中國	20,608	19,617
Current income tax – elsewhere	當期所得稅 – 其他地區	474	349
Withholding tax on the distribution dividend from PRC subsidiary	中國子公司分派股息的預扣稅	2,260	2,017
Deferred tax (note 27)	遞延稅項 (附註27)	3,883	2,665
		27,225	24,648

A reconciliation of the tax expense applicable to profit before tax at the statutory rates of 25% for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Profit before tax	稅前溢利	172,487	153,480
Tax at the statutory tax rate of 25%	按法定稅率25%計算的稅項	43,122	38,370
Lower tax rates for specific provinces or enacted by local authority	特定省份或地方當局頒佈的較低稅率	(17,049)	(15,180)
Adjustments in respect of current tax of previous periods	就上一期間當期稅項的調整	(1,315)	(2,200)
Profits attributable to an associate	一家聯營公司應佔溢利	(1,443)	(1,058)
Income not subject to tax	免繳稅收入	(32)	(111)
Expenses not deductible for tax	不可扣稅開支	177	298
Tax losses not recognised	未確認稅項虧損	129	224
Temporary differences not recognised	未確認暫時差額	369	607
Additional deduction of research and development costs	研發成本其他扣減	(3,799)	(2,368)
Effect of withholding tax at 10% (2016: 5%) on the distributable profits of the Group's PRC subsidiary	按本集團中國子公司可供分派溢利以10% (二零一六年: 5%) 計算預扣稅影響	7,066	6,066
Tax charge at the Group's effective rate	按本集團實際稅率計算的稅項開支	27,225	24,648

本集團所得稅開支的主要組成部份如下:

按本公司及其大部分子公司經營所在司法權區的法定稅率25%計算的除稅前溢利的適用稅項開支，與按實際稅率計算的稅項開支的對賬如下:

The share of tax attributable to an associate amounting to US\$4,318,000 for the year (2016: US\$3,408,000) is included in "Share of profits of an associate" in the consolidated statement of profit or loss.

年內分佔聯營公司稅項為4,318,000美元 (二零一六年: 3,408,000美元) · 載於綜合損益表「分佔一家聯營公司溢利」。

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11. Dividend

	2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Proposed final dividend – HK\$31 cents (2016: HK\$30 cents) per ordinary share	建議末期股息 – 每股普通股 31港仙 (二零一六年: 30港仙)	39,963

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The Board recommended a final 2017 dividend of HK\$31 cents per share (2016: HK\$30 cents per share), amounting to HK\$322,271,659 (2016: HK\$310,161,497), which was equivalent to US\$41,074,000 (2016: US\$39,963,000). The amount of the final 2017 dividend was calculated based on the number of shares of the Company as of 28 March 2018.

11. 股息

本年度建議末期股息須待本公司股東於應屆股東週年大會上批准。

董事會建議派付二零一七年末期股息每股31港仙(二零一六年: 每股30港仙), 合計為322,271,659港元(二零一六年: 310,161,497港元), 相當於41,074,000美元(二零一六年: 39,963,000美元)。二零一七年末股息的金額乃根據本公司截至二零一八年三月二十八日的股份數目計算。

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財務報表附註

12. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,034,430,282 (2016: 1,033,871,656) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

12. 母公司普通股權益持有人應佔每股盈利

每股基本盈利乃基於母公司普通權益持有人應佔年內溢利及於年內已發行1,034,430,282股(二零一六年: 1,033,871,656股)普通股的加權平均數計算, 經調整以反映年內供股。

每股已攤薄盈利金額乃根據母公司普通權益持有人應佔年內溢利計算。計算時採用之普通股加權平均數為計算每股基本盈利時採用之年內已發行普通股數目加上假設所有潛在攤薄普通股被視為行使或兌換為普通股時以零代價發行之普通股加權平均數。

每股基本及攤薄盈利的計算乃基於:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Earnings	盈利		
Profit attributable to ordinary equity holders of the parent	母公司普通權益持有人應佔溢利	145,262	128,832
Number of shares 股份數目			
		2017 二零一七年	2016 二零一六年
Shares	股份		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	用於計算每股基本盈利的年內已發行普通股加權平均數	1,034,430,282	1,033,871,656
Effect of dilution-weighted average number of ordinary shares:	普通股攤薄加權平均數的影響:		
Share options	購股權	8,936,000	3,417,000
		1,043,366,282	1,037,288,656

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13. Property, Plant and Equipment

13. 物業、廠房及設備

		Buildings	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
		樓宇	廠房設施及機器	辦公設備	汽車	租賃物業裝修	在建工程	總計
		(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
		(千美元)	(千美元)	(千美元)	(千美元)	(千美元)	(千美元)	(千美元)
31 December 2017	二零一七年十二月三十一日							
At 31 December 2016 and at 1 January 2017:	於二零一六年十二月三十一日及二零一七年一月一日:							
Cost	成本	296,301	3,565,396	33,510	1,913	3,903	39,821	3,940,844
Accumulated depreciation and impairment	累計折舊及減值	(152,078)	(3,083,925)	(26,253)	(1,680)	(2,342)	(18,049)	(3,284,327)
Net carrying amount	賬面淨值	144,223	481,471	7,257	233	1,561	21,772	656,517
At 1 January 2017, net of accumulated depreciation and impairment	於二零一七年一月一日，扣除累計折舊及減值	144,223	481,471	7,257	233	1,561	21,772	656,517
Additions	添置	-	-	-	-	-	140,930	140,930
Transfers	轉撥	600	134,988	10,087	44	-	(145,719)	-
Disposals	處置	-	(7)	(67)	(3)	-	-	(77)
Depreciation provided during the year	年內計提折舊	(9,953)	(86,725)	(3,226)	(31)	(801)	-	(100,736)
Impairment	減值	-	(2,581)	-	-	-	-	(2,581)
Exchange realignment	匯兌調整	8,584	28,348	378	15	69	2,015	39,409
At 31 December 2017, net of accumulated depreciation and impairment	於二零一七年十二月三十一日，扣除累計折舊及減值	143,454	555,494	14,429	258	829	18,998	733,462
At 31 December 2017:	於二零一七年十二月三十一日:							
Cost	成本	315,187	3,923,939	45,280	2,041	4,143	36,507	4,327,097
Accumulated depreciation and impairment	累計折舊及減值	(171,733)	(3,368,445)	(30,851)	(1,783)	(3,314)	(17,509)	(3,593,635)
Net carrying amount	賬面淨值	143,454	555,494	14,429	258	829	18,998	733,462

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財務報表附註

13. Property, Plant and Equipment (continued)

13. 物業、廠房及設備（續）

		Buildings	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
		樓宇	廠房設施及機器	辦公設備	汽車	租賃物業裝修	在建工程	總計
		(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
		(千美元)	(千美元)	(千美元)	(千美元)	(千美元)	(千美元)	(千美元)
31 December 2016	二零一六年十二月三十一日							
At 31 December 2015 and at 1 January 2016:	於二零一五年十二月三十一日及二零一六年一月一日：							
Cost	成本	313,550	3,603,591	33,024	2,044	4,169	91,334	4,047,712
Accumulated depreciation and impairment	累計折舊及減值	(148,925)	(3,223,611)	(26,780)	(1,700)	(1,668)	(15,848)	(3,418,532)
Net carrying amount	賬面淨值	164,625	379,980	6,244	344	2,501	75,486	629,180
At 1 January 2016, net of accumulated depreciation and impairment	於二零一六年一月一日，扣除累計折舊及減值	164,625	379,980	6,244	344	2,501	75,486	629,180
Additions	添置	-	-	-	-	-	156,606	156,606
Transfers	轉撥	2,918	196,935	3,384	-	-	(203,237)	-
Disposals	處置	-	(8)	(34)	-	-	-	(42)
Depreciation provided during the year	年內計提折舊	(12,400)	(65,543)	(1,752)	(94)	(806)	-	(80,595)
Impairment	減值	(691)	-	-	-	-	(3,321)	(4,012)
Exchange realignment	匯兌調整	(10,229)	(29,893)	(585)	(17)	(134)	(3,762)	(44,620)
At 31 December 2016, net of accumulated depreciation and impairment	於二零一六年十二月三十一日，扣除累計折舊及減值	144,223	481,471	7,257	233	1,561	21,772	656,517
At 31 December 2016:	於二零一六年十二月三十一日：							
Cost	成本	296,301	3,565,396	33,510	1,913	3,903	39,821	3,940,844
Accumulated depreciation and impairment	累計折舊及減值	(152,078)	(3,083,925)	(26,253)	(1,680)	(2,342)	(18,049)	(3,284,327)
Net carrying amount	賬面淨值	144,223	481,471	7,257	233	1,561	21,772	656,517

As at 31 December 2017, certain of the Group's property, plant and equipment with a net carrying value of US\$636,767,000 (2016: US\$557,772,000) were pledged to banks to secure the Group's banking facilities (note 25).

於二零一七年十二月三十一日，本集團賬面淨值為636,767,000美元（二零一六年：557,772,000美元）的若干物業、廠房及設備已抵押予銀行以取得本集團的銀行信貸融資（附註25）。

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14. Investment Property

14. 投資物業

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Carrying amount at 1 January	於一月一日的賬面值	169,074	180,542
Net gain from a fair value adjustment	公平值調整的收益淨額	89	72
Exchange realignment	匯兌調整	10,423	(11,540)
Carrying amount at 31 December	於十二月三十一日的賬面值	179,586	169,074

The Group's investment property is situated in Shanghai, the PRC and is held under a medium term lease. The directors have determined that the investment property is an industrial property, based on the nature, characteristics and risks of the property.

The Group's investment property was revalued on 31 December 2017 based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer, on an open market value basis. The valuation is based on both capitalisation of income derived from the existing tenancy with allowance for the reversionary income potential of the property, and by referring to comparable market transactions.

Each year, the Group's property manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results annually when the valuation is performed for annual financial reporting.

The investment property is leased to a related party under an operating lease (note 31(a) and note 33(b)).

As at 31 December 2017 and 2016 the Group's investment property was pledged to banks to secure the Group's banking facilities (note 25).

本集團的投資物業位於中國上海，按中期租約持有。董事已基於物業的性質、特點及風險釐定投資物業為工業物業。

於二零一七年十二月三十一日，本集團的投資物業已根據一家具專業資格的獨立估值師仲量聯行企業評估及諮詢有限公司按公開市值進行了重估。該估值參考了現有租約收入扣除潛在可復歸收入後的金額及相關市場的可比較交易確定。

每年，本集團的物業經理及財務總監決定委任外聘評估師負責本集團物業的外部估值。選聘標準包括對市場的了解、聲譽、獨立性及是否具備專業水準。本集團的物業經理及財務總監就年度財務報告進行估值時，已與估值師每年討論一次估值假設及估值結果。

投資物業根據經營租約出租予關聯方(附註31(a)和33(b))。

於二零一七年及二零一六年十二月三十一日，本集團的投資物業已抵押予銀行以取得本集團的銀行信貸融資(附註25)。

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14. Investment Property (continued)

Fair value hierarchy

The recurring fair value measurement for the Group's investment property, which is an industrial property, was made using significant unobservable inputs (Level 3) as at 31 December 2017 and 2016. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of the investment property:

Industrial property 工業物業	Valuation techniques 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	Weighted average 加權平均
As at 31 December 2017	Term and reversion method	Estimated rental value (per sq.m. and per month)	US\$12.4 (RMB81.00 in equivalent)
於二零一七年十二月三十一日	年期及復歸法	估計租賃價值 (每平方米及每月)	12.4美元 (相當於 人民幣81.00元)
		Term yield 年期回報率	7.0%
		Reversionary yield 復歸回報率	7.5%
		Long term vacancy rate 長期空置率	5.0%
As at 31 December 2016	Term and reversion method	Estimated rental value (per sq.m. and per month)	US\$11.6 (RMB75.00 in equivalent)
於二零一六年十二月三十一日	年期及復歸法	估計租賃價值 (每平方米及每月)	11.6美元 (相當於 人民幣75.00元)
		Term yield 年期回報率	7.0%
		Reversionary yield 復歸回報率	7.5%
		Long term vacancy rate 長期空置率	5.0%

Under the term and reversion method, fair value is measured by taking into account the rental income derived from the existing lease with due allowance for the reversionary income potential of the lease, which is then capitalised into the value at appropriate rates.

The term value was estimated based on the existing rent, tenancy period as stated in the lease agreement and the yield during the term period (tenancy period). The reversionary value was estimated based on the market rents, market yield and the reversionary periods.

14. 投資物業 (續)

公平值層級

本集團投資物業(為工業物業)於二零一七年及二零一六年十二月三十一日的週期公平值計量乃使用重大不可觀察輸入數據(第3級)作出。於年內,第1級與第2級間並無公平值計量轉移,且第3級並無轉入或轉出(二零一六年:無)。

下文為投資物業估值所用估值技術及主要輸入數據概要:

根據年期及復歸法,公平值乃經計及現有租約產生的租金收入,並就該等租約的潛在可復歸收入計提適當撥備,其後按適用資本化比率撥充資本計算價值而達致。

定期價值乃根據租賃協議所訂明的現有租金、租期及年期內(租期)回報率估計。復歸價值乃根據市值租金、市場回報率及復歸期估計。

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14. Investment Property (continued)

Fair value hierarchy (continued)

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment property. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

15. Prepaid Land Lease Payments

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Carrying amount at 1 January	於一月一日的賬面值	20,703	22,798
Recognised during the year	年內確認	(652)	(664)
Exchange realignment	匯兌調整	1,257	(1,431)
Carrying amount at 31 December	於十二月三十一日的賬面值	21,308	20,703
Current portion included in prepayments, deposits and other receivables	預付款項、按金及其他應收款項的即期部份	(674)	(632)
Non-current portion	非即期部份	20,634	20,071

The Group's prepaid land lease payments with a carrying value of US\$21,308,000 as at 31 December 2017 (2016: US\$20,703,000) were pledged to banks to secure the Group's banking facilities (note 25).

14. 投資物業 (續)

公平值層級 (續)

估計租賃價值及市場租金年增長率單獨大幅上升(下降)將導致投資物業的公平值大幅增加(減少)。長期空置率及貼現率單獨大幅上升(下降)將導致投資物業的公平值大幅減少(增加)。一般而言,就估計租賃價值作出的假設變動同時,租金年增長率及貼現率出現同向變動,而長期空置率出現反向變動。

15. 預付土地租賃款項

於二零一七年十二月三十一日,賬面值為21,308,000美元(二零一六年:20,703,000美元)的本集團若干預付土地租賃付款已抵押予銀行以取得本集團的銀行信貸融資(附註25)。

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16. Intangible Assets

16. 無形資產

		Process technology licence 工藝技術許可 (US\$'000) (千美元)	Software 軟件 (US\$'000) (千美元)	Total 總計 (US\$'000) (千美元)
31 December 2017	二零一七年十二月三十一日			
At 31 December 2016 and at 1 January 2017: Cost	於二零一六年十二月三十一日及 二零一七年一月一日： 成本	282,999	81,312	364,311
Accumulated amortisation and impairment	累計攤銷及減值	(282,999)	(73,136)	(356,135)
Net carrying amount	賬面淨值	–	8,176	8,176
At 1 January 2017, net of accumulated amortisation and impairment	於二零一七年一月一日， 扣除累計攤銷及減值	–	8,176	8,176
Addition	添置	–	1,998	1,998
Amortisation provided during the year	年內作出攤銷	–	(3,240)	(3,240)
Exchange realignment	匯兌調整	–	477	477
At 31 December 2017, net of accumulated amortisation and impairment	於二零一七年十二月三十一日， 扣除累計攤銷及減值	–	7,411	7,411
At 31 December 2017: Cost	於二零一七年十二月三十一日： 成本	282,999	88,427	371,426
Accumulated amortisation and impairment	累計攤銷及減值	(282,999)	(81,016)	(364,015)
Net carrying amount	賬面淨值	–	7,411	7,411

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16. Intangible Assets (continued)

16. 無形資產 (續)

		Process technology licence 工藝技術許可 (US\$'000) (千美元)	Software 軟件 (US\$'000) (千美元)	Total 總計 (US\$'000) (千美元)
31 December 2016	二零一六年十二月三十一日			
At 31 December 2015 and at 1 January 2016:	於二零一五年十二月三十一日及 二零一六年一月一日：			
Cost	成本	282,999	102,090	385,089
Accumulated amortisation and impairment	累計攤銷及減值	(282,999)	(93,574)	(376,573)
Net carrying amount	賬面淨值	–	8,516	8,516
At 1 January 2016, net of accumulated amortisation and impairment	於二零一六年一月一日， 扣除累計攤銷及減值	–	8,516	8,516
Addition	添置	–	3,944	3,944
Amortisation provided during the year	年內作出攤銷	–	(3,819)	(3,819)
Exchange realignment	匯兌調整	–	(465)	(465)
At 31 December 2016, net of accumulated amortisation and impairment	於二零一六年十二月三十一日， 扣除累計攤銷及減值	–	8,176	8,176
At 31 December 2016:	於二零一六年十二月三十一日：			
Cost	成本	282,999	81,312	364,311
Accumulated amortisation and impairment	累計攤銷及減值	(282,999)	(73,136)	(356,135)
Net carrying amount	賬面淨值	–	8,176	8,176

Certain of the Group's intangible assets with a carrying value of US\$5,285,000 at 31 December 2017 (2016: US\$6,757,000) were pledged to banks to secure the Group's banking facilities (note 25).

於二零一七年十二月三十一日，賬面價值為5,285,000美元(二零一六年：6,757,000美元)的若干本集團無形資產已抵押予銀行以取得本集團的銀行信貸融資(附註25)。

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17. Investment in an Associate

17. 於聯營公司的投資

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Share of net assets	分佔資產淨值	57,577	45,121

Particulars of the material associate are as follows:

主要聯營公司詳情如下：

Name of company 公司名稱	Place and date of registration and place of business 登記地點及日期 及營業地點	Paid-in capital 實繳股本 RMB'000 人民幣千元	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比	Principal activities 主要業務
Shanghai Huahong Technology Development Co., Ltd. ("Huahong Technology Development") 上海華虹科技發展有限公司 (「華虹科技發展」)	PRC/ Mainland China 中國／中國內地	548,000	50%	Technology development and investment 科技開發及投資

The financial statements of this associate were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

該聯營公司的財務報表並未經香港安永會計師事務所或安永會計師事務所全球網絡的其他成員公司審核。

The Group's voting power held and profit sharing arrangement in relation to Huahong Technology Development are 40% and 50%, respectively.

本集團有關華虹科技發展持有的投票權及利潤分配安排分別為40%及50%。

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

本集團透過本公司的全資子公司持有該聯營公司的股權。

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17. Investment in an Associate (continued)

The following table illustrates the summarised financial information of the Group's associate:

17. 於聯營公司的投資（續）

下表概述本集團聯營公司的財務資料：

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Current assets	流動資產	115,903	165,813
Non-current assets	非流動資產	152,745	88,545
Current liabilities	流動負債	(49,758)	(69,978)
Non-current liabilities	非流動負債	(103,736)	(94,139)
Net assets	資產淨值	115,154	90,241
Net assets, excluding goodwill	資產淨值，不包括商譽	115,154	90,241
Reconciliation to the Group's interest in the associate:	本集團於聯營公司的權益對賬：		
Proportion of the Group's interest in the associate	本集團於聯營公司的權益比例	50%	50%
Group's share of net assets of the associate, excluding goodwill	本集團分佔聯營公司資產淨值，不包括商譽	57,577	45,121
		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Revenue	收入	10,332	5,302
Profit for the year	年內溢利	19,244	14,112
Other comprehensive income	其他全面收益	-	-
Total comprehensive income	全面收益總額	19,244	14,112
Dividend received	已收股息	-	-

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18. Available-for-sale Investments

18. 可供出售投資

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Unlisted equity investments, at cost	非上市股權投資，按成本值	215,864	203,330

As at 31 December 2017, the unlisted equity investments with a carrying amount of US\$215,864,000 (2016: US\$203,330,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

由於合理公平價值估計範圍太大，董事認為其公平值不能可靠計量，故於二零一七年十二月三十一日非上市股權投資賬面值215,864,000美元（二零一六年：203,330,000美元）乃按成本值扣除減值呈列。本集團近期無意出售該等投資。

19. Inventories

19. 存貨

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Raw materials	原材料	52,813	49,571
Work in progress	在製品	47,464	40,117
Finished goods	製成品	25,688	15,470
		125,965	105,158
Provision for inventories	存貨撥備	(10,387)	(9,959)
		115,578	95,199

20. Trade and Notes Receivables

20. 貿易應收款項及應收票據

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Trade receivables	貿易應收款項	72,754	83,173
Notes receivable	應收票據	41,165	24,372
		113,919	107,545
Impairment of trade receivables	貿易應收款項減值	(1,547)	(1,467)
		112,372	106,078

The Group's trading terms with its customers are mainly on credit and the credit period is generally 30 to 45 days, extending up to 150 days for major customers. There is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

本集團與其客戶的貿易賬期以信貸為主，信貸期一般為30至45天，對主要客戶的信貸期延長至最多150天。本集團並無重大集中信用風險。本集團並無就其貿易應收款項餘額持有任何抵押品或採取其他加強信用措施。貿易應收款項為免息。

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20. Trade and Notes Receivables (continued)

An ageing analysis of the trade receivables, based on the invoice date and net of provisions, is as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Within 3 months	3個月以內	71,113	80,165
3 to 6 months	3至6個月	94	213
Over 6 months	6個月以上	-	1,328
		71,207	81,706

The movements in provision for impairment of trade receivables are as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
At 1 January	於一月一日	1,467	1,554
Exchange realignment	匯兌調整	80	(87)
As at 31 December	於十二月三十一日	1,547	1,467

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of US\$1,547,000 as at 31 December 2017 (2016: US\$1,467,000), with a carrying amount before provision of US\$1,547,000 (2016: US\$1,467,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

20. 貿易應收款項及應收票據 (續)

按發票日期計，貿易應收款項（扣除撥備）的賬齡分析如下：

	2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Within 3 months	71,113	80,165
3 to 6 months	94	213
Over 6 months	-	1,328
	71,207	81,706

貿易應收款項減值撥備的變動如下：

	2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
At 1 January	1,467	1,554
Exchange realignment	80	(87)
As at 31 December	1,547	1,467

上述貿易應收款項減值撥備包括於二零一七年十二月三十一日就個別出現減值的貿易應收款項1,547,000美元（二零一六年：1,467,000美元）作出的撥備，於撥備前的賬面值為1,547,000美元（二零一六年：1,467,000美元）。

個別出現減值的貿易應收款項乃與遭遇財政困難或拖欠利息及／或本金還款的客戶有關，而預期僅可收回部份應收款項。

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20. Trade and Notes Receivables (continued)

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Neither past due nor impaired	既未逾期亦未減值	65,458	73,767
Less than 1 month past due	逾期少於1個月	5,654	7,320
1 to 3 months past due	逾期1至3個月	1	508
3 to 6 months past due	逾期3至6個月	94	55
6 to 12 months past due	逾期6至12個月	-	-
Over 1 year past due	逾期1年以上	-	56
		71,207	81,706

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 Group. Based on past experience, the directors 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 credit quality and the balances are still considered fully recoverable.

20. 貿易應收款項及應收票據 (續)

並無個別或共同被視為減值的貿易應收款項的賬齡分析如下：

既未逾期亦未減值的應收款項與眾多不同客戶有關，彼等近期並無拖欠紀錄。已逾期但未減值的應收款項與多名獨立客戶有關，彼等與本集團交易紀錄良好。根據過往經驗，董事認為無必要為該等結餘計提減值撥備，原因是信譽質素並無重大改變，且該等結餘被認為仍可全數收回。

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21. Prepayments, Deposits and Other Receivables

21. 預付款項、按金及其他應收款項

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
Other receivables	其他應收款項	6,387	5,170
Prepayments	預付款項	3,953	4,063
Current portion of prepaid land lease payments (note 15)	預付土地租賃款項的 即期部份 (附註15)	674	632
		11,014	9,865
Impairment of other receivables	其他應收款項減值	(940)	(902)
		10,074	8,963

The movements in provision for impairment of other receivables are as follows:

其他應收款項減值撥備的變動如下：

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
At 1 January	於一月一日	902	959
Impairment losses recognised	確認減值虧損	-	(14)
Exchange realignment	匯兌調整	38	(43)
As at 31 December	於十二月三十一日	940	902

Included in the above provision for impairment of other receivables was a provision for individually impaired other receivables of US\$940,000 as at 31 December 2017 (2016: US\$902,000), with a carrying amount before provision of US\$940,000 (2016: US\$902,000).

上述其他應收款項減值撥備包括於二零一七年十二月三十一日就個別出現減值的其他應收款項940,000美元(二零一六年：902,000美元)作出的撥備，於撥備前的賬面值為940,000美元(二零一六年：902,000美元)。

The individually impaired other receivables relate to debtors that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

個別出現減值的其他應收款項乃與遭遇財政困難或拖欠利息及／或本金還款的債務人有關，而預期僅可收回部份應收款項。

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22. Cash and Cash Equivalents and Restricted and Time Deposits

22. 現金及現金等價物以及已凍結及定期存款

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Cash and bank balances	現金及銀行結餘	203,971	178,080
Time deposits	定期存款	364,449	288,722
		568,420	466,802
Restricted and time deposits:	已凍結及定期存款：		
Pledged deposits for letters of credit	就信用證抵押存款	(350)	(539)
Other pledged deposits for payment of dividends	就支付股息其他已抵押存款	(13)	(8)
Time deposits with maturity of more than three months	到期日為三個月以上的定期存款	(193,167)	(125,000)
Cash and cash equivalents	現金及現金等價物	374,890	341,255

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to US\$269,411,000 (2016: US\$239,916,000). 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 Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Pledged deposits with a carrying value of US\$350,000 as at 31 December 2017 (2016: US\$539,000) were pledged to secure the issuance of letters of credit.

Other pledged deposits with a carrying value of US\$13,000 as at 31 December 2017 (31 December 2016: US\$8,000) were pledged to secure the payment of dividends to shareholders.

Time deposits with original maturity of more than three months with a carrying value of US\$193,167,000 as at 31 December 2017 (2016: US\$125,000,000) will mature within one year.

於報告期末，本集團的現金及銀行結餘以及定期存款乃以人民幣（「人民幣」）計值，為269,411,000美元（二零一六年：239,916,000美元）。人民幣不可自由兌換為其他貨幣。然而，根據中國內地的《外匯管理條例》及《結匯、售匯及付匯管理規定》，本集團獲准透過獲授權開展外匯業務的銀行將人民幣兌換為其他貨幣。

銀行現金乃根據每日銀行存款利率按浮動利率計息。短期的定期存款乃視乎本集團的即時現金需求為期七天至三個月不等，按各短期定期存款的利率賺取利息。銀行結餘乃存放於信譽良好且近期並無違約記錄的銀行。

於二零一七年十二月三十一日，已抵押賬面值為350,000美元（二零一六年：539,000美元）的已抵押存款以獲發行信用證。

於二零一七年十二月三十一日的賬面值為13,000美元（二零一六年十二月三十一日：8,000美元）的其他已抵押存款，以向股東支付股息。

於二零一七年十二月三十一日原到期日三個月以上的賬面值193,167,000美元（二零一六年：125,000,000美元）定期存款將於一年內到期。

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23. Trade Payables

An ageing analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Within 1 month	1個月以內	42,185	38,999
1 to 3 months	1至3個月	14,051	13,284
3 to 6 months	3至6個月	1,766	4,093
6 to 12 months	6至12個月	2,446	506
Over 12 months	12個月以上	7,676	7,908
		68,124	64,790

The trade payables are unsecured, non-interest-bearing and are normally settled on terms of 30 to 60 days.

24. Other Payables, Advances from Customers and Accruals

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Other payables and accruals	其他應付款項及暫估費用	76,534	52,245
Advances from customers	預收賬款	21,344	18,329
Payroll and bonus payables	應付薪金及花紅	32,017	30,925
Dividend payable	應付股息	13	8
		129,908	101,507

Other payables are unsecured, non-interest-bearing and repayable on demand.

23. 貿易應付款項

於各報告期末按發票日期計，本集團貿易應付款項的賬齡分析如下：

貿易應付款項為無抵押、不計息及一般於30天至60天期限內結清。

24. 其他應付款項、預收賬款及暫估費用

其他應付款項無抵押、免息及須於要求時償還。

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25. Interest-Bearing Bank Borrowings

25. 計息銀行借款

		31 December 2017 二零一七年十二月三十一日			31 December 2016 二零一六年十二月三十一日		
		Effective interest rate (%) 實際利率 (%)	Maturity 到期	US\$'000 千美元	Effective interest rate (%) 實際利率 (%)	Maturity 到期	US\$'000 千美元
Current	流動						
Current portion of long term bank loans – secured	長期銀行貸款的即期部份 – 有抵押	1.20-3.49	2018 二零一八年	60,751	1.20	2017 二零一七年	1,874
Non-current	非流動						
Secured bank loans	有抵押銀行貸款	1.20	2019-2025 二零一九年至二零二五年	32,139	1.20-2.79	2018-2025 二零一八年至二零二五年	90,757
				92,890			92,631

		2017 二零一七年 (US\$'000) 千美元	2016 二零一六年 (US\$'000) 千美元
Analysed into:	分析為：		
Bank loans repayable:	應償還銀行貸款：		
Within one year	一年內	60,751	1,874
In the second year	第二年	4,591	60,485
Beyond third year, inclusive	超過第三年（包括首尾兩年）	27,548	30,272
		92,890	92,631

Secured bank loans of US\$36,729,822 as at 31 December 2017 (2016: US\$36,471,097) were denominated in RMB, all other loans were denominated in US\$.

於二零一七年十二月三十一日，有抵押銀行貸款為以人民幣計值的36,729,822美元（二零一六年：36,471,097美元），所有其他貸款均以美元計值。

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25. Interest-Bearing Bank Borrowings (continued)

As at 31 December 2017 and 2016, the Group's bank loans were secured by the pledges of the Group's assets with carrying values as follows:

			2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Property, plant and equipment	物業、廠房及設備	13	636,767	557,772
Investment property	投資物業	14	179,586	169,074
Prepaid land lease payments	預付土地租賃款項	15	21,308	20,703
Intangible assets	無形資產	16	5,285	6,757
			842,946	754,306

In addition to the assets pledged above, the Group's secured bank loans as at 31 December 2017 and 2016 were secured by the Company's 36.23% of equity interest in its subsidiary, HHGrace.

於二零一七年及二零一六年十二月三十一日，本集團的銀行貸款由抵押本集團的資產作擔保，資產的賬面值如下：

除以上已抵押資產外，本集團於二零一七年及二零一六年十二月三十一日的有抵押銀行貸款乃以本公司於其子公司華虹宏力的36.23%股權作抵押。

26. Government Grants

			2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
At 1 January	於一月一日		35,863	53,881
Received during the year	年內收到		4,610	13,351
Released to offset cost of sales	撥入以抵銷銷售成本		—	(1,449)
Released to offset research and development costs	撥入以抵銷研發成本		—	(6,274)
Offset with long term assets	抵銷長期資產		(2,279)	(20,711)
Exchange realignment	匯兌調整		2,329	(2,935)
As at 31 December	於十二月三十一日		40,523	35,863

The Group received government funding for several government-sponsored projects focusing on the research and development of advanced technologies.

26. 政府補助

本集團的多個政府資助項目均獲得政府撥付資金資助，該等項目專注於開發先進技術。

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27. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities:

		Fair value gains on investment property 投資物業的公平值收益 (US\$'000) (千美元)	Withholding tax 預扣稅 (US\$'000) (千美元)	Total 總計 (US\$'000) (千美元)
As at 1 January 2016	於二零一六年一月一日	467	4,779	5,246
Deferred tax charged to profit or loss during the year (note 10)	年內扣自損益表的遞延稅項(附註10)	11	4,049	4,060
Exchange realignment	匯兌調整	(30)	-	(30)
As at 31 December 2016 and 1 January 2017	於二零一六年十二月三十一日及二零一七年一月一日	448	8,828	9,276
Deferred tax charged to profit or loss during the year (note 10)	年內扣自損益表的遞延稅項(附註10)	13	4,806	4,819
Exchange realignment	匯兌調整	28	-	28
As at 31 December 2017	於二零一七年十二月三十一日	489	13,634	14,123

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the year ended 31 December 2016, the applicable withholding tax rate of the Group was 5% in accordance with the approval from the local tax authority. The Group was subject to a tax rate of 10% for the year ended 31 December 2017.

年內遞延稅項負債及資產的變動如下：

遞延稅項負債：

根據《中華人民共和國企業所得稅法》，於中國內地成立的外資企業向外國投資者宣派的股息須按10%繳納預扣稅。因此，本集團須就於中國內地成立的該等子公司自二零零八年一月一日起產生的盈利所分派的股息繳納預扣稅。倘中國內地與外國投資者所屬司法權區間訂有稅務協定，可能適用較低的預扣稅率。截至二零一六年十二月三十一日止年度，根據當地稅務部門批准，本集團的預扣稅適用稅率為5%。截至二零一七年十二月三十一日止年度，本集團須按10%的稅率繳納稅項。

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財務報表附註

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27. Deferred Tax (continued)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets:

27. 遞延稅項 (續)

本公司向其股東派付股息並無附帶任何所得稅後果。

遞延稅項資產：

		Write-down of inventories and impairment of receivables 存貨撇減及 應收款項減值 (US\$'000) (千美元)	Accruals 暫估費用 (US\$'000) (千美元)	Share option 購股權 (US\$'000) (千美元)	Total 總計 (US\$'000) (千美元)
As at 1 January 2016	於二零一六年一月一日	2,155	2,537	-	4,692
Deferred tax (charged)/ credited to profit or loss during the year (note 10)	年內(扣自)/計入損益表 的遞延稅項(附註10)	(274)	889	780	1,395
Exchange realignment	匯兌調整	(128)	(198)	(41)	(367)
As at 31 December 2016 and 1 January 2017	於二零一六年十二月 三十一日及二零一七年 一月一日	1,753	3,228	739	5,720
Deferred tax (charged)/ credited to profit or loss during the year (note 10)	年內(扣自)/計入損益表 的遞延稅項(附註10)	(31)	470	497	936
Exchange realignment	匯兌調整	112	243	63	418
As at 31 December 2017	於二零一七年十二月 三十一日	1,834	3,941	1,299	7,074

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27. Deferred Tax (continued)

Deferred tax assets have not been recognised in respect of the following items:

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
Unused tax losses	未動用稅項虧損	6,843	6,062
Deductible temporary differences	可扣稅暫時差額	432,104	404,619
		438,947	410,681

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The temporary differences are available indefinitely for offsetting against future taxable profits of the companies. Deferred tax assets have not been recognised in respect of the temporary differences as it is not considered probable that taxable profits will be available against which the above items can be utilised.

27. 遞延稅項 (續)

以下項目並無確認遞延稅項資產：

由於遞延稅項資產乃源自已虧損多時的子公司，且不大可能有應課稅溢利可用以抵銷該等稅項虧損，故並無就該等虧損確認遞延稅項資產。

暫時差額可無限期地用以抵銷有關公司的未來應課稅溢利。由於不大可能有應課稅溢利可用以抵銷上述項目，故並無就暫時差額確認遞延稅項資產。

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28. Share Capital

28. 股本

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
Issued and fully paid: 1,037,570,661 (2016: 1,033,871,656) ordinary shares	已發行及繳足：1,037,570,661股 (二零一六年： 1,033,871,656股) 普通股	1,554,870	1,550,164

A summary of movements in the Company's share capital is as follows:

本公司股本的變動概述如下：

		Number of shares in issue 已發行股份數目 ('000) (千股)	Amount of share capital 股本金額 (US\$'000) (千美元)
At 1 January 2016, 31 December 2016 and 1 January 2017	於二零一六年一月一日、 二零一六年十二月三十一日及 二零一七年一月一日	1,033,872	1,550,164
Share option exercised (Note (a))	行使購股權 (附註 (a))	3,699	4,706
At 31 December 2017	於二零一七年十二月三十一日	1,037,571	1,554,870

Note:

附註：

(a) The subscription rights attaching to 3,699,000 share options were exercised at the subscription price of HK\$6.912 per share, resulting in the issue of 3,699,000 shares for a total cash consideration of US\$3,274,000. An amount of US\$1,432,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(a) 3,699,000份購股權附帶之認購權已按認購價每股6.912港元行使，引致發行3,699,000股股份，總現金代價為3,274,000美元。購股權獲行使後，1,432,000美元款項已由購股權儲備轉撥至股本。

29. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including a non-executive director and other employees of the Group. The Scheme became effective on 4 September 2015 and, unless otherwise cancelled or amended, will remain in force for 7 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of two to four years and ends on a date which is not later than the expiry date of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

29. 購股權計劃

本公司設有一項購股權計劃（「該計劃」），旨在為對本集團順利發展有所貢獻之符合資格參與者提供激勵及獎勵。該計劃之符合資格參與者包括本公司董事（包括一名非執行董事）及本集團其他僱員。該計劃由二零一五年九月四日起生效，除非另被取消或修訂，該計劃將由該日起計7年內有效。

現時可根據該計劃授出之未行使購股權數目不得超過該等購股權行使後本公司不時已發行股份之10%。於任何十二個月期間，該計劃各符合資格參與者根據購股權可獲發行之股份數目不得超過本公司任何時候已發行股份之1%。進一步授予超出此限額之購股權則須股東在股東大會上批准。

向各董事、本公司行政總裁或主要股東或彼等之任何聯繫人士授予購股權須事先取得獨立非執行董事批准。此外，倘若於任何十二個月期間，授予本公司主要股東或獨立非執行董事或彼等各自之任何聯繫人士之購股權超出本公司任何時候已發行股份之0.1%或總值（根據授出日期本公司股份價格計算）超逾500萬港元，則須事先在股東大會上取得股東批准。

承授人須於授出日期起計28日內決定是否接納獲授之購股權，並須於接納時繳交合共1港元之名義代價。購股權之行使期由董事決定，並於二至四年歸屬期後開始以及於該計劃屆滿之日前終止。

購股權之行使價為由董事釐定，惟不得少於以下兩者之最高者：(i)本公司股份於授予購股權日期在聯交所之收市價；及(ii)本公司股份於緊接授出日期前五個交易日在聯交所之平均收市價。

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29. Share Option Scheme (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The scheme includes the share options granted to directors and key management personnel ("Tranche A") and the share options granted to other employees ("Tranche B").

The following share options were outstanding under the Scheme during the year:

		2017 二零一七年		2016 二零一六年	
		Weighted average exercise price HK\$ per share 每股加權 平均行使價 (港元)	Number of options '000 購股權數目 (千份)	Weighted average exercise price HK\$ per share 每股加權 平均行使價 (港元)	Number of options '000 購股權數目 (千份)
At 1 January	於一月一日	6.912	28,662	6.912	30,120
Forfeited during the year	年內沒收	6.912	(1,353)	6.912	(1,458)
Exercised during the year	年內行使	6.912	(3,699)	-	-
At 31 December	於十二月三十一日	6.912	23,610	6.912	28,662

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017

Number of options 購股權數目 '000 千份	Exercise price* 行使價* HK\$ per share 每股港元	Exercise period 行使期
5,488	6.912	4 September 2017 to 3 September 2022 二零一七年九月四日至二零二二年九月三日
9,061	6.912	4 September 2018 to 3 September 2022 二零一八年九月四日至二零二二年九月三日
9,061	6.912	4 September 2019 to 3 September 2022 二零一九年九月四日至二零二二年九月三日
23,610		

29. 購股權計劃 (續)

購股權並非附帶可令持有人獲得股息或於股東大會投票的權利。

計劃包括授予董事及主要管理人員的購股權(「A部份」)及授予其他僱員的購股權(「B部份」)。

於本年度以下購股權尚未根據該計劃行使：

於報告期末尚未行使購股權的行使價及行使期如下：

二零一七年

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29. Share Option Scheme (continued)

2016

Number of options 購股權數目 '000 千份	Exercise price* 行使價* HK\$ per share 每股港元	Exercise period 行使期
9,554	6.912	4 September 2017 to 3 September 2022 二零一七年九月四日至二零二二年九月三日
9,554	6.912	4 September 2018 to 3 September 2022 二零一八年九月四日至二零二二年九月三日
9,554	6.912	4 September 2019 to 3 September 2022 二零一九年九月四日至二零二二年九月三日
28,662		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The 3,699,000 share options exercised during the year resulted in the issue of 3,699,000 ordinary shares of the Company for a total cash consideration of US\$3,274,000. An amount of US\$1,432,000 was transferred from the share option reserve to share capital upon the exercise of the share options, as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had 23,610,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 23,610,000 additional ordinary shares of the Company and additional share capital of US\$30,142,000 (including US\$9,265,000 transferred from the share option reserve to share capital).

At the date of approval of these financial statements, the Company had 21,308,000 share options outstanding under the Scheme, which represented approximately 2.1% of the Company's shares in issue as at that date.

29. 購股權計劃 (續)

二零一六年

* 倘若進行供股或紅股發行，或本公司之股本有其他類似改動，則購股權之行使價可予調整。

年內3,699,000份購股權獲行使，引致本公司發行3,699,000股普通股，總現金代價為3,274,000美元。如財務報表附註28所進一步詳述，購股權獲行使後，1,432,000美元款項已由購股權儲備轉撥至股本。

於報告期末，本公司擁有23,610,000份購股權尚未根據該計劃行使。根據本公司現時的股本架構，悉數行使尚未行使購股權可能會導致額外發行23,610,000股本公司普通股及增加股本30,142,000美元（包括由購股權儲備轉撥至股本的9,265,000美元）。

於批准該等財務報表日期，本公司擁有21,308,000份購股權尚未根據該計劃行使，佔該日本公司已發行股份的約2.1%。

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30. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 177 of the financial statements.

According to the relevant PRC laws and regulations for wholly-foreign-owned enterprises, which are applicable to the Company's subsidiaries in the PRC, profits of PRC subsidiaries, as determined in accordance with the applicable accounting rules and regulations in the PRC, are available for distribution in the form of cash dividends to the Company after PRC subsidiaries have (1) satisfied all tax liabilities; (2) provided for losses in previous years; and (3) made appropriations to the statutory reserve funds. The Company's subsidiaries in the PRC are required to appropriate not less than 10% of their profit after taxation to the statutory reserve funds until the reserve balance reaches 50% of their registered capital.

31. Operating Lease Arrangements

(a) As lessor

The Group leases its investment property (note 14) to Shanghai Huali Microelectronics Co., Ltd. ("Shanghai Huali"), under an operating lease arrangement, with a lease term of 20 years. The terms of the lease generally also require the tenant to provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Within one year	一年內	13,276	12,113
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	50,114	46,877
More than five years	超過五年	90,527	95,004
		153,917	153,994

The Group was advanced the future rentals from Shanghai Huali of US\$4,677,000 as at 31 December 2017 (2016: US\$4,773,000).

30. 儲備

本集團於本年度及過往年度的儲備及相關變動於財務報表第177頁綜合權益變動表中呈列。

根據中國有關外商獨資企業的法律及法規(適用於本公司的中國子公司),按照適用的中國會計規則及規例釐定的中國子公司的溢利,可於中國子公司(1)償付所有稅務負債;(2)就過往年度虧損作出撥備;及(3)就法定儲備金作出撥備後以現金股息形式向本公司作出分派。本公司的中國子公司須劃撥不少於其除稅後溢利的10%作為法定儲備金,直至儲備結餘達到其註冊資本的50%。

31. 經營租賃安排

(a) 作為出租人

本集團根據一項經營租賃安排,將其投資物業(附註14)出租予上海華力微電子有限公司(「上海華力」),租期為20年。該租約的條款一般亦規定承租人根據當時市況就定期租金調整作出撥備。

於二零一七年十二月三十一日,本集團根據不可撤銷經營租約於以下期間應收承租人的未來最低租賃款項總額如下:

於二零一七年十二月三十一日,本集團收到上海華力預付日後租金4,677,000美元(二零一六年:4,773,000美元)。

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31. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its office and dormitory properties under operating lease arrangements, negotiated for terms of one to twenty years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Within one year	一年內	2,430	1,789
In the second to fifth years, inclusive	第二至第五年 (包括首尾兩年)	6,585	5,949
More than five years	超過五年	16,995	17,463
		26,010	25,201

The Group advanced the future rentals to Huahong Real Estate Co., Ltd. ("Huahong Real Estate"), a subsidiary of Huahong Technology Development, of US\$427,000 as at 31 December 2017. The Group did not advance any future rentals to Huahong Real Estate as at 31 December 2016.

31. 經營租賃安排 (續)

(b) 作為承租人

本集團根據經營租賃安排租入若干辦公室及宿舍物業，經協商租期為一至二十年，可於租期結束後予以續期，屆時所有條款將重新協商。

於二零一七年十二月三十一日，本集團根據不可撤銷經營租約於以下期間應付的未來最低租賃款項總額如下：

於二零一七年十二月三十一日，本集團向上海華虹置業有限公司（「華虹置業」，華虹科技發展的全資子公司）預付未來租金427,000美元。於二零一六年十二月三十一日，本集團並無向華虹置業預付任何未來租金。

32. Commitments

In addition to the operating lease commitments detailed in note 31 (b) above, the Group had the following capital commitments at the end of the reporting period:

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Contracted, but not provided for: Property, plant and equipment	已訂約，但未撥備： 物業、廠房及設備	47,156	44,693

32. 承擔

除上文附註31(b)所述經營租賃承擔外，本集團於報告期末有以下資本承擔：

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33. Related Party Transactions and Balances

(a) Name and relationship

Name of related party 關聯方名稱	Relationship with the Group 與本集團的關係
Huahong Group and its subsidiaries 華虹集團及其子公司	
– Shanghai Huahong (Group) Co., Ltd. (“Huahong Group”) – 上海華虹(集團)有限公司(「華虹集團」)	Holding company of Hua Hong International Inc. 華虹國際有限公司的控股公司
– Hua Hong International Inc. (“Huahong International”) – 華虹國際有限公司(「華虹國際」)	Shareholder of the Company 本公司股東
– Shanghai Huahong Zealcore Electronics Co., Ltd. (“Huahong Zealcore”) – 上海華虹摯芯科技有限公司(「華虹摯芯」)	Subsidiary of Huahong Group 華虹集團子公司
– Shanghai Hongri International Electronics Co., Ltd. (“Hongri”) – 上海虹日國際電子有限公司(「虹日」)	Subsidiary of Huahong Group 華虹集團子公司
– Shanghai Integrated Circuit Research and Development Center (“ICRD”) – 上海集成電路研發中心(「集成電路研發」)	Subsidiary of Huahong Group 華虹集團子公司
– Shanghai Hua Hong Jitong Smart System Co., Ltd. (“Jitong”) – 上海華虹計通智能系統股份有限公司(「計通」)	Subsidiary of Huahong Group 華虹集團子公司
NEC Corporation (“NEC”)	
– NEC Management Partner, Ltd. (“NEC Management”)	Shareholder of the Company 本公司股東 Subsidiary of NEC NEC子公司
SAIL and its subsidiaries 上海聯和及其子公司	
– Sino-Alliance International Ltd. (“SAIL International”)	Shareholder of the Company 本公司股東
– Shanghai Huali Microelectronics Co., Ltd. (“Shanghai Huali”) – 上海華力微電子有限公司(「上海華力」)	Subsidiary of SAIL 上海聯和子公司
– QST Corporation (“QST”) – 上海矽睿科技有限公司(「矽睿科技」)	Subsidiary of SAIL 上海聯和子公司

33. 關聯方交易及結餘

(a) 名稱及關係

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33. Related Party Transactions and Balances (continued)

33. 關聯方交易及結餘 (續)

(a) Name and relationship (continued)

(a) 名稱及關係 (續)

Name of related party 關聯方名稱	Relationship with the Group 與本集團的關係
INESA and its subsidiaries 儀電集團及其子公司	
– Shanghai INESA Intelligent Electronics Co., Ltd. (“Shanghai INESA”) – 上海儀電智能電子有限公司 (「上海儀電」)	Subsidiary of INESA 儀電集團子公司
– Shanghai Nanyang Software System Integration Co., Ltd. (“Nanyang Software”) – 上海南洋軟件系統集成有限公司 (「南洋軟件」)	Subsidiary of INESA 儀電集團子公司
Huahong Technology Development 華虹科技發展	Associate of the Group 本集團聯營公司
Huahong Real Estate 華虹置業	Subsidiary of Huahong Technology Development 華虹科技發展子公司
Shanghai Huajin Property Management Co., Ltd. (“Huajin”) 上海華錦物業管理有限公司 (「華錦」)	Subsidiary of Huahong Technology Development 華虹科技發展子公司
CEC and its subsidiaries 中國電子及其子公司	
– China Electronics Corporation (“CEC”) – 中國電子信息產業集團有限公司 (「中國電子」)	Shareholder of Huahong Group 華虹集團股東
– CEC Huada Electronic Design Co., Ltd. (“Huada”) – 北京中電華大電子設計有限責任公司 (「華大」)	Subsidiary of CEC 中國電子子公司
– Shanghai Huahong Integrated Circuit Co., Ltd. (“Shanghai Huahong IC”) – 上海華虹集成電路有限責任公司 (「上海華虹集成電路」)	Subsidiary of CEC 中國電子子公司
– Shanghai Belling Co., Ltd. (“Shanghai Belling”) – 上海貝嶺股份有限公司 (「上海貝嶺」)	Subsidiary of CEC 中國電子子公司
– Hylintek Limited (“Hylintek”) – 香港海華有限公司 (「香港海華」)	Subsidiary of CEC 中國電子子公司

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33. Related Party Transactions and Balances (continued)

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

33. 關聯方交易及結餘 (續)

(b) 關聯方交易

除該等財務報表其他部份所披露交易及結餘外，本集團於年內已與關聯方進行以下重大交易：

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Sales of goods to related parties (note (i))	向關聯方出售貨品 (附註(i))		
Huada	華大	47,682	24,115
Shanghai Huahong IC ICRD	上海華虹集成電路集成電路研發	13,174	9,739
Huahong Zealcore#	華虹摺芯#	10,674	8,468
Shanghai Belling	華虹摺芯#	6,402	9,397
QST#	上海貝嶺	4,336	6,200
Hongri	矽睿科技#	2,975	2,393
	虹日	35	378
Purchases of goods from related parties (note (ii))	自關聯方購買貨品 (附註(ii))		
Hylintek	香港海華	12,694	10,410
Hongri	虹日	5,649	5,969
Huahong Zealcore#	華虹摺芯#	659	433
NEC Management	NEC Management	519	575
Jitong	計通	79	4
Service fee income from a related party (note (iii))	來自關聯方的服務費收入 (附註(iii))		
QST#	矽睿科技#	109	417
Service fee charged by related parties (note (iv))	關聯方收取的服務費 (附註(iv))		
Shanghai INESA#	上海儀電#	559	109
Huajin#	華錦#	222	189
Huahong Real Estate	華虹置業	157	132
Nanyang Software#	南洋軟件#	131	196

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財務報表附註

33. Related Party Transactions and Balances (continued)

33. 關聯方交易及結餘 (續)

(b) Related party transactions (continued)

(b) 關聯方交易 (續)

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Rental income from a related party (note (iii)) Shanghai Huali [#]	來自關聯方的租金收入 (附註(iii)) 上海華力 [#]	12,761	12,518
Rental expense charged by a related party (note (iv)) Huahong Real Estate [#]	關聯方收取的租金開支 (附註(iv)) 華虹置業 [#]	1,662	1,522
Expense paid on behalf of a related party (note (v)) Shanghai Huali	代關聯方支付的開支 (附註(v)) 上海華力	28,210	25,407

[#] The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

[#] 關聯方交易亦構成上市規則第14A章所界定的持續關連交易。

Note (i) The sales of goods to the related parties were made according to the prices and terms agreed between the related parties.

附註(i)：向關聯方出售的貨品乃根據與關聯方協定的價格及條款作出。

Note (ii) The purchases of goods from the related parties were made according to the prices and terms offered by the related parties.

附註(ii)：自關聯方購買的貨品乃根據關聯方提供的價格及條款作出。

Note (iii) The rental income and service fee income from related parties were received according to the prices and terms agreed between the related parties.

附註(iii)：來自關聯方的租金收入及服務費收入乃根據與關聯方協定的價格及條款收取。

Note (iv) The rental expense and service fees charged by related parties were paid according to the prices and terms agreed between the related parties.

附註(iv)：關聯方收取的租金開支及服務費乃根據與關聯方協定的價格及條款支付。

Note (v) The expense paid on behalf of the related party is interest-free and repayable on demand.

附註(v)：代關聯方支付的開支為不計息，及須按的要求償還。

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33. Related Party Transactions and Balances (continued)

33. 關聯方交易及結餘 (續)

(c) Outstanding balances with related parties

(c) 與關聯方之間的未結清餘額

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Amounts due from related parties	應收關聯方款項		
Huada	華大	28,760	16,107
Shanghai Huahong IC	上海華虹集成電路	7,565	4,430
Shanghai Huali	上海華力	6,869	13,735
QST	矽睿科技	1,430	482
Huahong Zealcore	華虹摯芯	1,137	1,820
Shanghai Belling	上海貝嶺	1,106	1,099
ICRD	集成電路研發	97	33
Huahong Real Estate	華虹置業	24	4
Hongri	虹日	-	41
Shanghai INESA	上海儀電	-	1
		46,988	37,752
Amounts due to related parties	應付關聯方款項		
Shanghai Huali	上海華力	4,677	4,773
Hylintek	香港海華	2,711	2,239
ICRD	集成電路研發	2,220	1,315
Hongri	虹日	391	904
Huahong Zealcore	華虹摯芯	257	106
Shanghai INESA	上海儀電	225	18
Huahong Real Estate	華虹置業	124	90
NEC Management	NEC Management	122	108
QST	矽睿科技	120	106
Jitong	計通	19	10
Nanyang Software	南洋軟件	19	-
Huajin	華錦	-	20
		10,885	9,689

Balances with the related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

與關聯方之間的結餘為無抵押、不計息及無固定還款期限。

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33. Related Party Transactions and Balances (continued)

(d) Compensation of key management personnel of the Group

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Short term employee benefits	短期僱員福利	2,924	3,205
Pension scheme contributions	退休金計劃供款	46	42
Equity-settled share option expense	以權益結算的購股權開支	698	660
Total compensation paid to key management personnel	支付予主要管理人員的酬金總額	3,668	3,907

Further details of directors' remuneration are included in note 8 to the financial statements.

董事薪酬之進一步詳情載於財務報表附註8。

34. Financial Instruments by Category

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

Financial assets – loans and receivables

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
Trade and notes receivables	貿易應收款項及應收票據	112,372	106,078
Financial assets included in prepayments, deposits and other receivables (note 21)	計入預付款項、按金及其他應收款項的金融資產(附註21)	5,447	4,268
Due from related parties	應收關聯方款項	46,988	37,752
Restricted and time deposits	已凍結及定期存款	193,530	125,547
Cash and cash equivalents	現金及現金等價物	374,890	341,255
		733,227	614,900

33. 關聯方交易及結餘 (續)

(d) 本集團主要管理人員的酬金

34. 按類別劃分的金融工具

各類金融工具於報告期末的賬面值如下：

金融資產 – 貸款及應收款項

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34. Financial Instruments by Category (continued)

Financial assets – available-for-sale financial assets

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
Available-for-sale investments	可供出售投資	215,864	203,330

Financial liabilities – at amortised cost

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
Trade payables	貿易應付款項	68,124	64,790
Financial liabilities included in other payables, advances from customers and accruals (note 24)	計入其他應付款項、預收賬款及暫估費用的金融負債(附註24)	65,922	50,491
Interest-bearing bank borrowings	計息銀行借款	92,890	92,631
Due to related parties	應付關聯方款項	10,885	9,689
		237,821	217,601

34. 按類別劃分的金融工具(續)

金融資產 – 可供出售金融資產

金融負債 – 按攤銷成本

35. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

35. 金融工具的公平值及公平值層級

本集團金融工具(不包括賬面值與公平值大致相若的金融工具)的賬面值及公平值載列如下:

		Carrying amounts 賬面值		Fair values 公平值	
		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)	2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Financial liability	金融負債				
Interest-bearing bank borrowing	計息銀行借款	38,720	36,471	31,431	30,637

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35. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Management has assessed that the fair values of cash and cash equivalents, restricted and time deposits, trade and notes receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, advances from customers and accruals, amounts due from/to related parties and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors annually for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2017 and 2016 was assessed to be insignificant. Management has assessed that the fair value of the non-current interest-bearing bank borrowings of the Group approximates to their fair value due to their floating interest rates, except for the loan disclosed above.

35. 金融工具的公平值及公平值層級 (續)

管理層已評估現金及現金等價物、已凍結及定期存款、貿易應收款項及應收票據、計入預付款項、按金及其他應收款項的金融資產、貿易應付款項計入其他應付款項、預收賬款及暫估費用的金融負債、應收／應付關聯方款項、計息銀行借款的流動部份的公平值，彼等均與其賬面值相若，主要是由於該等工具均於短期內到期。

本集團旗下以財務經理為首的財務部負責釐定金融工具公平值計量的政策及程序。財務部直接向財務總監報告。於各報告日期，財務部分析金融工具的價值變動並釐定估值中適用的主要輸入數據。估值由財務總監審核及批准。估值過程及結果由董事會每年討論一次，以進行年度財務申報。

金融資產及負債的公平值是按當前與自願方交易（而非被迫或清盤出售）中可交換有關工具的金額列賬。估計公平值乃使用以下的方法及假設：

計息銀行借款的非流動部份的公平值乃透過採用具有類似條款、信用風險及剩餘到期期限的工具的現有利率貼現預期未來現金流量而計算。本集團評估後認為，於二零一七年及二零一六年十二月三十一日其自身的計息銀行借款不履約風險並不大。由於按浮動利率計，管理層評估後認為本集團的非流動計息銀行借款的公平值與賬面值相若，惟上述貸款除外。

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36. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

		Increase/ decrease in interest rate 利率上升/ 下降	(Decrease)/ increase in profit before tax 稅前溢利 (減少)/增加 (US\$'000) (千美元)
Year ended 31 December 2017	截至二零一七年 十二月三十一日止年度	+1%/-1%	(562)/562
Year ended 31 December 2016	截至二零一六年 十二月三十一日止年度	+1%/-1%	(562)/562

Foreign currency risk

The Group has transactional currency exposure. These exposures arise from sales or purchases by its significant subsidiary operating in Mainland China in US\$ other than the subsidiary's functional currency, which is RMB. During the year, approximately 55% (2016: 51%) of the Group's sales are denominated in currencies other than the functional currency of the subsidiary making the sale, whilst 61% (2016: 60%) of costs of sales are denominated in the subsidiary's functional currency.

36. 財務風險管理目標及政策

本集團的主要金融工具包括銀行貸款、現金及短期存款。該等金融工具的主要用途乃為本集團的營運籌措資金。本集團有多種直接自其營運產生的其他金融資產及負債，如貿易及其他應收款項以及貿易及其他應付款項。

本集團金融工具所產生的主要風險為利率風險、外幣風險、信用風險及流動資金風險。董事會檢討及協定管理各類該等風險的政策，有關政策概述於下文。

利率風險

本集團面臨的市場利率變動風險主要與本集團按浮動利率計息的計息銀行借款有關。本集團的政策為，以定息及浮息債務組合的方式管理利息成本。

下表顯示在所有其他變量維持不變的情況下，本集團稅前溢利（受浮動利率借款的影響）對利率的合理可能變動的敏感度。

外幣風險

本集團面臨交易外匯風險。該等風險產生自其在中國內地經營的重要子公司以美元進行的買賣，而並非以其功能貨幣人民幣進行。於年內，本集團的銷售額中約55%（二零一六年：51%）乃以進行銷售的子公司的功能貨幣以外的貨幣計值，與此同時，銷售成本中61%（二零一六年：60%）乃以子公司的功能貨幣計值。

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36. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

		Increase/ (decrease) in foreign currency exchange rate 外幣匯率 上升/(下降)	Increase/ (decrease) in profit before tax 稅前溢利 增加/(減少) (US\$'000) (千美元)
Year ended 31 December 2017	截至二零一七年 十二月三十一日止年度		
If US\$ weakens against RMB	倘美元兌人民幣貶值	5%	(11,469)
If US\$ strengthens against RMB	倘美元兌人民幣升值	(5%)	11,469
Year ended 31 December 2016	截至二零一六年 十二月三十一日止年度		
If US\$ weakens against RMB	倘美元兌人民幣貶值	5%	(6,936)
If US\$ strengthens against RMB	倘美元兌人民幣升值	(5%)	6,936

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group'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 Group's exposure to bad debts is not significant.

The carrying amounts of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties and restricted and time deposit included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

36. 財務風險管理目標及政策 (續)

外幣風險 (續)

下表顯示在所有其他變量維持不變的情況下，於報告期末本集團稅前溢利（由於貨幣資產及負債公平值變動）對人民幣匯率的合理可能變動的敏感度：

信用風險

本集團僅與獲認可及信譽良好的第三方及關聯方交易。本集團的政策規定，所有擬按信用方式交易的客戶均須通過信用核實程序。此外，由於持續對應收款項結餘進行監控，故本集團的壞賬風險並不重大。

綜合財務狀況表內現金及現金等價物、貿易應收款項及應收票據及計入預付款項、按金及其他應收款項的金融資產、應收關聯方款項以及已凍結及定期存款的賬面值為本集團就其金融資產所面臨的最大信用風險。本集團並無其他存在重大信用風險的金融資產。

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36. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

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

	On demand 按要求	Less than 3 months 少於三個月	3 to 12 months 三至十二個月	1 to 5 years 一至五年	Over 5 years 五年以上	Total 總計
31 December 2017 二零一七年十二月三十一日	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)
Interest-bearing bank borrowings 計息銀行借款	–	491	62,437	19,522	14,063	96,513
Trade payables 貿易應付款項	13,001	55,123	–	–	–	68,124
Financial liabilities included in other payables, advances from customers and accruals 計入其他應付款項、預收賬款及暫估費用的金融負債	65,922	–	–	–	–	65,922
Amounts due to related parties 應付關聯方款項	10,885	–	–	–	–	10,885
	89,808	55,614	62,437	19,522	14,063	241,444

	On demand 按要求	Less than 3 months 少於三個月	3 to 12 months 三至十二個月	1 to 5 years 一至五年	Over 5 years 五年以上	Total 總計
31 December 2016 二零一六年十二月三十一日	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)	(US\$'000) (千美元)
Interest-bearing bank borrowings 計息銀行借款	–	396	3,061	75,777	17,766	97,000
Trade payables 貿易應付款項	12,642	52,148	–	–	–	64,790
Financial liabilities included in other payables, advances from customers and accruals 計入其他應付款項、預收賬款及暫估費用的金融負債	50,491	–	–	–	–	50,491
Amounts due to related parties 應付關聯方款項	9,689	–	–	–	–	9,689
	72,822	52,544	3,061	75,777	17,766	221,970

36. 財務風險管理目標及政策 (續)

流動資金風險

本集團的政策為定期監控現時及預期流動資金需要，以確保維持充裕的現金儲備及從主要金融機構獲得足夠的融資承擔額度，以應對其短期及長期流動資金需要。

於報告期末，本集團金融負債根據合約未貼現付款的到期情況如下：

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財務報表附註

36. Financial Risk Management Objectives And Policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the parent plus net debt. The Group includes, within net debt, trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to related parties, less cash and cash equivalents. The gearing ratios as at the end of each of the reporting periods were as follows:

36. 財務風險管理目標及政策 (續)

資本管理

本集團資本管理的首要目標為，維護本集團的持續經營能力及維持良好的資本比率，以支持其業務及實現股東價值最大化。

本集團根據經濟狀況的變動管理及調整其資本架構。為維持或調整資本架構，本集團或會調整派付予股東的股息、向股東返還資本或發行新股。本集團不受任何外部施加的資本要求規限。於年內，本集團管理資本的目標、政策或程序概無任何變動。

本集團以資產負債比率監控資本，資產負債比率按淨負債除以母公司擁有人應佔權益總額加淨負債計算。本集團將貿易應付款項、其他應付款項及暫估費用、計息銀行借款、應付關聯方款項扣除現金及現金等價物計入淨負債。各報告期末的資產負債比率如下：

		2017 二零一七年 (US\$'000) (千美元)	2016 二零一六年 (US\$'000) (千美元)
Trade payables	貿易應付款項	68,124	64,790
Other payables and accruals (note 24)	其他應付款項及暫估費用(附註24)	108,564	83,178
Interest-bearing bank borrowings	計息銀行借款	92,890	92,631
Amounts due to related parties	應付關聯方款項	10,885	9,689
Less: Cash and cash equivalents	減：現金及現金等價物	(374,890)	(341,255)
Net debt	淨負債	(94,427)	(90,967)
Equity attributable to owners of the parent	母公司擁有人應佔權益	1,695,205	1,488,686
Capital and net debt	資本及淨負債	1,600,778	1,397,719
Gearing ratio	資產負債比率	(5.90%)	(6.51%)

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37. Notes to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities are as follows:

37. 綜合現金流量表附註

融資活動所產生的負債變動如下：

		Interest-bearing bank borrowings	Interest payable included in other payables	Dividend payable included in other payables
		計息銀行借款	計入其他應付款項的應付利息	計入其他應付款項的應付股息
		(US\$'000)	(US\$'000)	(US\$'000)
		(千美元)	(千美元)	(千美元)
At 1 January 2017	於二零一七年一月一日	92,631	55	8
Changes from financing cash flows	融資現金流量變動	(1,990)	(2,167)	(39,693)
Interest expense	利息開支	–	2,178	–
2016 final dividend payable	應付二零一六年末期股息	–	–	39,806
Foreign exchange movement	外匯變動	2,249	–	(108)
At 31 December 2017	於二零一七年十二月三十一日	92,890	66	13

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財務報表附註

38. Event after the Reporting Period

On 29 March 2018, the directors proposed a final dividend of HK\$31 cents per ordinary share totalling approximately US\$41,074,000 for the year ended 31 December 2017 (based on the number of shares of the Company as at 28 March 2018), which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (note 11).

On 3 January 2018, the Company and China Integrated Circuit Industry Investment Fund Co., Ltd. ("China Integrated Circuit") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and China Integrated Circuit has conditionally agreed to subscribe for an aggregate of 242,398,925 shares of the Company (the "Subscription Shares") at the price of HK\$12.90 per Subscription Share.

On 3 January 2018, the Company, HHGrace, China Integrated Circuit, Hua Hong Semiconductor (Wuxi) Co., Ltd. ("HH-Wuxi") and Wuxi Xi Hong Lian Xin Investment Co., Ltd. ("Wuxi Xi Hong Lian Xin") entered into an agreement (the "JV Agreement"), pursuant to which, amongst others, the Company, HHGrace, China Integrated Circuit and Wuxi Xi Hong Lian Xin agreed to inject capital of US\$400,000,000, US\$518,000,000, US\$522,000,000 and US\$316,000,000 in cash, respectively into HH-Wuxi to engage in the design, research, manufacturing, testing, packaging and sale of integrated circuits, in particular, the production of 12-inch (300mm) wafers.

On 14 February 2018, the resolutions regarding the Subscription Agreement and the JV Agreement were approved at the extraordinary general meeting.

On 8 March 2018, the Company, IT Electronics Eleventh Design Research Institute Scientific and Technological Engineering Corporation Limited and Shanghai Construction Group Co., Ltd. entered into of the engineering, procurement and construction contract (the "EPC Contract") to implement the JV agreement. The total amount of the EPC contract was approximately RMB3,472 million.

38. 報告期後事項

於二零一八年三月二十九日，本公司董事建議派付截至二零一七年十二月三十一日止年度的末期股息每股普通股31港仙，總計為約41,074,000美元（根據本公司截至二零一八年三月二十八日的股份數目），惟須待本公司股東於應屆股東週年大會上批准後方可作實（附註11）。

於二零一八年一月三日，本公司與國家集成電路產業投資基金股份有限公司（「國家集成電路」）訂立一份認購協議（「認購協議」），據此，本公司已有條件同意配發而國家集成電路已有條件同意認購本公司合共242,398,925股股份（「認購股份」），價格為每股認購股份12.90港元。

於二零一八年一月三日，本公司、華虹宏力、國家集成電路、華虹半導體（無錫）有限公司（「華虹無錫」）及無錫錫虹聯芯投資有限公司（「無錫錫虹聯芯」）訂立一份協議（「合營協議」），據此（其中包括），本公司、華虹宏力、國家集成電路及無錫錫虹聯芯同意以現金分別向華虹無錫注資400,000,000美元、518,000,000美元、522,000,000美元及360,000,000美元，以從事集成電路的設計、研究、製造、測試、封裝及銷售，尤其是生產12英寸(300mm)晶圓。

於二零一八年二月十四日，已於股東特別大會上批准有關認購協議及合營協議的決議案。

於二零一八年三月八日，本公司、信息產業電子第十一設計研究院科技工程股份有限公司及上海建工集團股份有限公司訂立工程、採購及施工合同（「工程總承包合同」）以實行合營協議。工程總承包合同總額約人民幣34.72億元。

NOTES TO FINANCIAL STATEMENTS

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39. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

39. 本公司的財務狀況表

有關本公司報告期末的財務狀況表資料載列如下：

		31 December 2017 二零一七年 十二月三十一日 (US\$'000) (千美元)	31 December 2016 二零一六年 十二月三十一日 (US\$'000) (千美元)
NON-CURRENT ASSETS	非流動資產		
Investments in subsidiaries	投資於子公司	1,558,563	1,555,251
Total non-current assets	非流動資產總額	1,558,563	1,555,251
CURRENT ASSETS	流動資產		
Trade and notes receivables	貿易應收款項及應收票據	4,262	5,077
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	548	28
Due from a subsidiary	應收子公司款項	997	998
Restricted and time deposits	已凍結及定期存款	7,146	8
Cash and cash equivalents	現金及現金等價物	9,508	6,994
Total current assets	流動資產總額	22,461	13,105
CURRENT LIABILITIES	流動負債		
Other payables, advances from customers and accruals	其他應付款項、預收賬款及暫估費用	431	131
Due to subsidiaries	應付子公司款項	90,327	86,890
Total current liabilities	流動負債總額	90,758	87,021
NET CURRENT Liabilities	流動負債淨額	68,297	73,916
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債	1,490,266	1,481,335
Net assets	淨資產	1,490,266	1,481,335
EQUITY	權益		
Share capital	股本	1,554,870	1,550,164
Reserves (note)	儲備(附註)	(64,604)	(68,829)
Total equity	權益總額	1,490,266	1,481,335

Suxin Zhang
張素心
Director
董事

Jun Ye
葉峻
Director
董事

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財務報表附註

39. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

39. 本公司的財務狀況表（續）

附註：

本公司的儲備概述如下：

		Other reserve 其他儲備 (US\$'000) (千美元)	Share option reserve 購股權儲備 (US\$'000) (千美元)	Accumulated losses 累計虧損 (US\$'000) (千美元)	Total 總計 (US\$'000) (千美元)
As at 1 January 2016	於二零一六年一月一日	(68,260)	1,331	(6,808)	(73,737)
Profit for the year	年內溢利	-	-	36,966	36,966
Final 2015 dividend declared	最終宣派二零一五年股息	-	-	(35,930)	(35,930)
Equity-settled share option arrangements	以權益結算的購股權安排	-	3,872	-	3,872
At 31 December 2016 and 1 January 2017	於二零一六年十二月 三十一日及二零一七年 一月一日	(68,260)	5,203	(5,772)	(68,829)
Profit for the year	年內溢利	-	-	42,151	42,151
Final 2016 dividend declared	最終宣派二零一六年股息	-	-	(39,806)	(39,806)
Equity-settled share option arrangements	以權益結算的購股權安排	-	3,312	-	3,312
Issue of shares	發行股份	-	(1,432)	-	(1,432)
As at 31 December 2017	於二零一七年十二月 三十一日	(68,260)	7,083	(3,427)	(64,604)

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

40. 財務報表的批准

財務報表已於二零一八年三月二十九日獲董事會批准及授權刊發。

HGrace | 華弘宏力

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