SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP
Form 6-K
September 05, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2013

Commission File Number: 001-31994

Semiconductor Manufacturing International Corporation

(Translation of registrant s name into English)

18 Zhangjiang Road

Pudong New Area, Shanghai 201203

People s Republic of China

(Address of principal executive office)

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

x Form 20-F o Form 40-F

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

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

o Yes x No

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

Table of Contents

CONTENTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This interim report contains, in addition to historical information, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on SMIC s current assumptions, expectations and projections about future events. SMIC uses words like believe, anticipate, intend, estimate, expect, project and similar expressions to identify forward looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of SMIC s senior management and involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC s actual performance, financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, among others, risks associated with cyclicality and market conditions in the semiconductor industry, intense competition, timely wafer acceptance by SMIC s customers, timely introduction of new technologies, SMIC s ability to ramp new products into volume, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, components and raw materials, availability of manufacturing capacity, financial stability in end markets and intensive intellectual property litigation in high tech industry.

In addition to the information contained in this interim report, you should also consider the information contained in our other filings with the SEC, including our annual report on Form 20-F filed with the SEC on April 15, 2013, especially in the Risk Factors section and such other documents that we may file with the SEC or SEHK from time to time, including on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this interim report may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this interim report.

Except as required by law, SMIC undertakes no obligation and does not intend to update any forward-looking statement, whether as a result of new information, future events or otherwise.

1

Table of Contents

ADDITIONAL INFORMATION

References in this interim report to:

- 2013 AGM are to the Company s Annual General Meeting held on June 13, 2013;
- Board are to the board of directors of the Company;
- China or the PRC are to the People s Republic of China, excluding for the purpose of this interim report, Hong Kong, Macau and Taiwan;
- Company or SMIC are to Semiconductor Manufacturing International Corporation;
- Directors are to the members of the Board of the Company;
- EUR are to Euros;
- HK$ are to Hong Kong dollars;
- IFRS are to International Financial Reporting Standards as issued by the International Accounting Standard Board;
- JPY are to Japanese Yen;
- Listing Rules are to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;

- NYSE or New York Stock Exchange are to the New York Stock Exchange, Inc.;
- RMB are to Renminbi;
- SEC are to the U.S. Securities and Exchange Commission;
- SEHK , HKSE or Hong Kong Stock Exchange are to The Stock Exchange of Hong Kong Limited; and
- US$ or USD are to U.S. dollars.

All references in this interim report to silicon wafer quantities are to 8-inch wafer equivalents, unless otherwise specified. Conversion of quantities of 12-inch wafers to 8-inch wafer equivalents is achieved by multiplying the number of 12-inch wafers by 2.25. When we refer to the capacity of wafer fabrication facilities, we are referring to the installed capacity based on specifications established by the manufacturers of the equipment used in those facilities. References to key process technology nodes, such as 0.35 micron, 0.25 micron, 0.18 micron, 0.15 micron, 0.13 micron, 90 nanometer, 65 nanometer and 45 nanometer include the stated resolution of the process technology, as well as intermediate resolutions down to but not including the next key process technology node of finer resolution. For example, when we state 0.25 micron process technology, that also includes 0.22 micron, 0.21 micron, 0.20 micron and 0.19 micron technologies and 0.18 micron process technology also includes 0.17 micron and 0.16 micron technologies. Our financial information presented in this interim report has been prepared in accordance with IFRS.

Table of Contents

CORPORATE INFORMATION

Registered name	Semiconductor Manufacturing International Corporation (the Company)
Chinese name	*
Registered office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head office and place of business in PRC	18 Zhangjiang Road Pudong New Area Shanghai 201203 PRC
Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Suite 3003 30th Floor No. 9 Queen s Road Central Hong Kong
Website address	http://www.smics.com
Company secretary	Gareth Kung
Authorized representatives	Zhang Wenyi Lawrence Juen-Yee Lau
Places of listing	The Stock Exchange of Hong Kong Limited (HKSE) New York Stock Exchange, Inc. (NYSE)
Stock code	0981 (HKSE) SMI (NYSE)

* For identification purposes only

3

Table of Contents

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

We are very pleased to report that SMIC has achieved five consecutive quarters of historical high quarterly revenue and positive profit from operation. Meanwhile we recorded both historical high quarterly gross profit and profit from operation in the second quarter of 2013. Net profit in the first half of 2013 already surpassed USD100 million. In the first half of 2013, revenue had grown significantly year over year across the board regionally, including the North America, China and Eurasia regions. The growth was primarily driven by strong demand for mid-to-low end smart phone and tablet related applications. Revenue from our China customers exceeded expectations and grew 60.6% year over year, contributing 40.9% of total revenue in the second quarter of 2013, an all-time high. Customers from North America contributed 48.3% of total revenue in the second quarter of 2013, remaining the largest revenue source for SMIC. Gross margin improved to 25.0% in the second quarter of 2013 with fully-loaded capacity.

The exceptional performance in the first half of 2013 is a testament to the fruits of our differentiation strategy rooted in China. Demands from our customers are strong not only for differentiated technology on mature nodes, but also on advanced process nodes. Our 40/45nm revenue contributed 10.0% of total wafer revenue in the second quarter this year compared to 2.6% in the fourth quarter of last year. This demonstrates the rapid maturation of our advanced process and our improved quality and service which are recognized by our customers. Even with the industry inventory correction, we are targeting continued growth in our 40/45nm revenue in the second half of 2013. Our 28nm process development continues to be on track. We continue to strengthen and improve our differentiated technologies, aiming to be a first source foundry for customers in specialty areas. Revenue from our power management IC, CMOS image sensor and EERPOM grew 78.5% in the first half of 2013, compared to the first half of 2012. In order to further capture the market opportunities and to enhance our position in differentiated technologies, we are looking into various opportunities to expand our 8-inch capacity to meet the strong demand from global and domestic customers in this area.

In June 2013 we announced that we entered into a joint venture agreement with BIDIMC and ZDG in relation to the establishment of a joint venture company in Beijing, with a focus on 40/45nm and finer technologies. Funding for the joint venture will be contributed 55% by SMIC, and 45% by ZDG and BIDIMC. SMIC will be responsible for managing the daily operation of the joint venture company. This will provide relief to the financial pressure we are subject to in pursuing the development of advanced processes and capacity expansion in Beijing.

In 2013, our board of directors underwent some changes. Mr. Tsuyoshi Kawanishi, age 84, voluntarily retired as an Independent Non-executive Director. The Board would like to take this opportunity to express its sincere gratitude to Mr. Kawanishi for his contribution, devotion and invaluable advice to the Company for the past 12 years. Meanwhile, we are pleased to welcome Mr. Sean Maloney, the previous chairman of Intel China, and Mr. Tudor Brown, the previous president and director of ARM, who have joined the SMIC Board as Independent Non-Executive Directors. We believe that their thirty-plus years of successful industry experience, keen insight into sales, marketing and strategic planning, together with enormous influence in the global semiconductor industry will benefit SMIC s long-term development. Mr. Maloney has also been appointed as a member of the Company s Compensation Committee and Strategic Advisory Committee, while Mr. Brown will be appointed as a member of the Strategic Advisory Committee. We firmly believe that the addition of the two new directors will strengthen our industry engagement, enhance the Company s future corporate strategy development, and further improve our corporate governance.

Table of Contents

We are very pleased and encouraged by the performance of SMIC in the first half of 2013, notably given that it was achieved on top of four consecutive quarters of rapid growth in 2012. At the same time we will meet the challenges of the second half of 2013 with prudence and care. We acknowledge the short-term inventory correction problems from some of our customers, and the uncertainty of the global macroeconomic situation. We will continue to accelerate our development of both advanced and differentiated technologies and solidify partnerships with our customers, with the focus to achieve long-term sustainable profitability. We will execute business plans with prudence and care to serve the best interest of shareholders.

Once again, we express our sincere gratitude to our shareholders, customers, vendors, and employees for their ongoing commitment and support.

Zhang Wenyi
Chairman of the Board and Executive Director

Tzu-Yin Chiu
Chief Executive Officer and Executive Director

Shanghai, China

August 26, 2013

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Board of Directors (the Board) of Semiconductor Manufacturing International Corporation (the Company) would like to announce the unaudited interim results of operations of the Company and its subsidiaries for the six months ended June 30, 2013, and would like to express its gratitude to the shareholders and its staff for the support of the Company.

SALES

Sales increased by 38.2% from US$754.5 million for the six months ended June 30, 2012 to US$1,042.9 million for the six months ended June 30, 2013, primarily due to an increase in wafer revenue during this period as well as a significant increase in Chinese sales. The number of wafer shipments increased 31.5% from 1,003,372 8-inch wafer equivalents for the six months ended June 30, 2012 to 1,319,427 8-inch wafer equivalents for the six months ended June 30, 2013.

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 32.0% from US$613.0 million for the six months ended June 30, 2012 to US$809.4 million for the six months ended June 30, 2013.

The Company had a gross profit of US$233.5 million for the six months ended June 30, 2013 compared to a gross profit of US$141.6 million for the six months ended June 30, 2012, representing an increase of 65.0%. Gross margins increased to 22.4% for the six months ended June 30, 2013 from 18.8% for the six months ended June 30, 2012. The increase in gross margin was primarily due to a higher utilization rate in the first six months of 2013.

PROFIT (LOSS) FOR THE PERIOD FROM OPERATION

Profit (loss) from operations improved from US$(36.5) million for the six months ended June 30, 2012 to US$130.5 million for the six months ended June 30, 2013 primarily due to 1) shipment increase and high utilization in the first half of 2013, 2) Shanghai 12 inch fab successfully ramping up and reducing per wafer cost, 3) the gain arising from the disposal of part of the living quarters in Shanghai and 4) the gain arising from the disposal of the Company s total ownership interest in SMIC (Wuhan) Development Corporation (WHDM) which was mainly engaged in the construction, operation and management of the Company s living quarters and schools in Wuhan.

Research and development expenses decreased by 44.3% from US$110.3 million for the six months ended June 30, 2012 to US$61.5 million for the six months ended June 30, 2013. The decrease was mainly due to the Company s Shanghai 12 inch fab entering volume production in 4Q12 and afterwards, the related fab expense was recorded in cost of sales.

General and administrative expenses increased by 44.9% from US$53.0 million for the six months ended June 30, 2012 to US$76.8 million for the six months ended June 30, 2013. The increase is primarily due to an increase in employee bonus, city maintenance and construction tax expenses and extra charges for education in 2013.

Sales and marketing expenses increased by 22.8% from US$14.7 million for the six months ended June 30, 2012 to US$18.0 million for the six months ended June 30, 2013. The increase is primarily due to an increase in employee bonus.

Table of Contents

Other operating income (expense) were US$53.3 million and US$(0.1) million for the six months ended June 30, 2013 and 2012, respectively, and the increase was due to 1) the gains arising from the disposal of part of the Company s living quarters in Shanghai and 2) the gains arising from the disposal of the Company s total ownership interest in WHDM which was mainly engaged in the construction, operation and management of the Company s living quarters and schools in Wuhan.

As a result, the Company s profit from operations was US$130.5 million for the six months ended June 30, 2013 compared to loss of US$(36.5) million for the six months ended June 30, 2012.

DISPOSAL OF SMIC (WUHAN) DEVELOPMENT CORPORATION

During the current interim period, the Company entered into a sale agreement to dispose of its 100% equity interest in WHDM. The disposal was completed on May 23, 2013, on which date the Company lost control of WHDM. The amount of the consideration was US$60.4 million which included US$31.2 million receivable for the settlement of the amount due from WHDM. On May 23, 2013, the Company received US$30.2 million and recorded a gain of US$28.3 million. The consideration was fully settled by the buyer on July 26, 2013. WHDM was mainly engaged in the construction, operation and management of the Company s living quarters and schools in Wuhan, which is not the major line of business of the Company. Therefore, the disposal of WHDM is not classified as a discontinued operation.

PROFIT (LOSS) FOR THE PERIOD

Due to the factors described above, the Company had a profit attributable to holders of ordinary shares of US$115.8 million for the six months ended June 30, 2013 compared to a loss of US$(35.8) million for the six months ended June 30, 2012.

FUNDING SOURCES FOR MATERIAL CAPITAL EXPENDITURE IN THE COMING YEAR

In 2013, the Company plans to spend about US$675 million in capital expenditure for foundry operations. The planned capital expenditure is mainly to ramp-up our 45/40nm capacity in Shanghai to match our customers demand.

In addition, the Company has budgeted capital expenditures of another US$130 million in 2013 for the construction of living quarters for employees as part of the employee retention program. The Company plans to rent out or sell some of these living units to employees in the future.

The primary sources of capital resources and liquidity include funds generated from a combination of cash from operating, bank borrowings and other form of financing.

The 2013 planned capital expenditure does not account for additional expenditures that the Company incurs in connection with the establishment of the joint venture company in Beijing (Beijing Joint Venture) pursuant to the Joint Venture Agreement entered into by the Company with Semiconductor Manufacturing International (Beijing) Corporation (SMIB), Beijing Industrial Development Investment Management Co., Ltd. (BIDIMC) and Zhongguancun Development Group (ZDG).

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2013, the Company incurred capital expenditures of US$486.5 million compared to US$266.7 million for the six months ended June 30, 2012. The Company has financed capital expenditures substantially with cash flows generated from operating and financing activities.

The Company had US$263.0 million in cash and cash equivalents as of June 30, 2013. These cash and cash equivalents are held in the form of United States Dollars, Japanese Yen, Euros, and Chinese Renminbi. The net cash provided by operating activities increased by 93.1% from US$136.2 million for the six months ended June 30, 2012 to US$263.0 million for the six months ended June 30, 2013.

Net cash used in investing activities was US$325.2 million for the six months ended June 30, 2013, primarily attributable to purchases of plant and equipment for the fabs in Shanghai and Beijing. For the six months ended June 30, 2012, net cash used in investing activities was US$323.1 million primarily attributable to 1) purchases of plant and equipment for the fabs in Shanghai and Beijing, 2) changes in restricted cash being pledged against letters of credit and borrowings of the Company and 3) purchases of intangible assets for new R&D programs.

The Company s net cash (used in) generated from financing activities were US$(33.3) million and US$216.0 million for the six months ended June 30, 2013 and 2012, respectively. They were primarily the net result of proceeds from new bank borrowings and repayments of matured borrowings.

As of June 30, 2013, the Company s outstanding long-term liabilities primarily consisted of US$730.2 million in secured bank loans, of which, US$255.5 million classified as the current portion of long-term loans. The long-term loans are repayable in installments which will commence in September 2013 and will conclude in March 2016.

2011 EXIM Bank USD Loan (SMIC Shanghai)

In April 2011, Semiconductor Manufacturing International (Shanghai) Corporation (SMIS) entered into the Shanghai EXIM Bank USD loan I, a two-year loan facility in the principal amount of US$69.5 million with The Export-Import Bank of China. This two-year bank facility was used to finance the planned expansion for SMIS s 12-inch fab. As of Jun 30, 2013, SMIS had drawn down US$69.5 million and repaid US$3 million on this loan facility. The outstanding principal amount of $66.5 million will be repayable in December 2013. The interest rate on this loan was 4.51% for the six months ended June 30, 2013.

The Shanghai EXIM Bank USD loan I contains covenants to maintain certain minimum coverage ratios. SMIS was in compliance with these covenants as of June 30, 2013.

2012 EXIM Bank USD Loan (SMIC Shanghai)

In October 2012, SMIS entered into the Shanghai EXIM Bank USD loan II, a new two-year loan facility in the principal amount of US$70 million with The Export-Import Bank of China, which is secured by certain equipment of SMIS. This two-year bank facility was used to finance the planned expansion for SMIS s 12-inch fab. As of June 30, 2013, SMIS had drawn down US$70 million of the Shanghai EXIM Bank USD loan II. The principal amount of $70 million will be repayable in October 2014. The interest rate on this loan was 4.55% for the six months ended June 30, 2013.

The Shanghai EXIM Bank USD loan II contains covenants to maintain certain minimum coverage ratios. SMIS was in compliance with these covenants as of June 30, 2013.

Table of Contents

2012 USD Loan (SMIC Shanghai)

In March 2012, SMIS entered into a loan facility in the aggregate principal amount of US$268 million from a consortium of international and Chinese banks. This three-year bank facility was used to finance the working capital for SMIS s 8-inch fab. The facility is secured by the manufacturing equipment located in the SMIS 8-inch fabs, buildings and land use right of SMIS. As of Jun 30, 2013, SMIS had drawn down US$268 million of this loan facility. The principal amount is repayable from September 2013 to March 2015. The interest rate on this loan ranged from 3.78% to 4.16% for the six months ended June 30, 2013.

SMIS was in compliance with the related financial covenants as of June 30, 2013.

2011 EXIM USD & RMB Loan (SMIC Beijing)

In September 2011, SMIB entered into the USD & RMB Loan, a two-year working capital loan facility in the principal amount of US$25 million & RMB150 million (approximately US$24 million) with The Export-Import Bank of China. This two-year bank facility was used for working capital purposes. As of June 30, 2013, SMIB had repaid US$25 million & RMB$150 million on this loan facility. The interest rate on this loan facility ranged from 6.15% to 6.46% for the six months ended June 30, 2013.

2012 EXIM USD Loan (SMIC Beijing)

In March 2012, SMIB entered into the new USD Loan, a two-year working capital loan facility in the principal amount of US$30 million with The Export-Import Bank of China, which is unsecured. This two-year bank facility was used for working capital purposes. As of June 30, 2013, SMIB had drawn down US$20 million on this loan facility. SMIB repaid US$20 million on this loan facility on August 1, 2013. The interest rate on this loan facility ranged from 6.25% to 6.46% for the six months ended June 30, 2013.

2012 USD Loan (SMIC Beijing)

In March 2012, SMIB entered into the Beijing USD syndicated loan, a seven-year loan facility in the aggregate principal amount of US$600 million, with a syndicate of financial institutions based in the PRC. This seven-year bank facility was used to expand the capacity of SMIB s 12 inch fabs. The facility is secured by manufacturing equipment located in the SMIB and Semiconductor Manufacturing International (Tianjin) Corporation (SMIT) fabs, and a 100% equity pledge of SMIB and SMIT. As of June 30, 2013, SMIB had drawn down US$260 million on this loan facility which is repayable from March 2014 to March 2016. The interest rate on this loan ranged from 5.95% to 6.16% for the six months ended June 30, 2013.

SMIB was in compliance with the related financial covenants as of June 30, 2013.

2013 EXIM USD Loan (SMIC Beijing)

In June 2013, SMIB entered into the new USD Loan, a twenty-six-month working capital loan facility in the principal amount of US$60 million with The Export-Import Bank of China, which is unsecured. This bank facility was used for working capital purposes. As of June 30, 2013, SMIB had drawn down US$40 million on this loan facility. The principal amount is repayable in August 2015. The interest rate on this loan was 3.42% for the six months ended June 30, 2013.

2013 China Investment Development Corporation (CIDC) Entrusted Loan (SMIC Beijing) In June 2013, SMIB entered into the new RMB Loan, a two-year working capital entrusted loan facility in the principal amount of RMB70 million with CIDC through China CITIC Bank, which is unsecured. This two-year entrusted loan facility was used for the construction of living quarters in Beijing. As of June 30, 2013, SMIB had drawn down RMB35 million on this loan facility. The principal amount is repayable in June 2015. The interest rate on this loan facility was 12% for the six months ended June 30, 2013, which was in accordance with the living quarter investment & co-development agreement entered with CIDC and Zhongxin Xiecheng Investment (Beijing) Co., Ltd (Zhongxin).

Table of Contents

Short-term Credit Agreements

As of June 30, 2013, the Company had short-term credit agreements that provided total credit facilities up to approximately US$971.1 million on a revolving credit basis. As of June 30, 2013, the Company had drawn down approximately US$330.9 million under these credit agreements and approximately US$640.2 million is available for future borrowings. The outstanding borrowings under the credit agreements are unsecured, except for US$55.6 million, which is secured by time deposits of US$47.5 million, and an additional balance of US$15.3 million, which is secured by real property with an original cost of US$6.99 million. The interest rate on the loans ranged from 0.77% to 6.69% for the six months ended June 30, 2013.

COMMITMENTS

As of June 30, 2013, the Company had commitments of US$14.2 million for land use right obligations in Shanghai, US$36.4 million for facilities construction obligations in Beijing, Tianjin, Shanghai and Shenzhen and US$246.3 million to purchase machinery and equipment mainly for the Beijing, Tianjin, Shanghai and Shenzhen fabrication facilities.

DEBT TO EQUITY RATIO

As of June 30, 2013, the Company s debt to equity ratio was approximately 44.1% calculated by dividing the sum of the short-term borrowings and long-term debt by total shareholders equity.

FOREIGN EXCHANGE RATE FLUCTUATION RISK

The Company s revenues, expenses, and capital expenditure are primarily transacted in USD. However, since the Company has operations consisting of manufacturing, sales activities and capital purchasing conducted in currencies other than USD, the Company is exposed to the effect of changes in exchange rates primarily relating to Euros, Japanese Yen, and Chinese Renminbi.

To minimize these risks, the Company purchases foreign-currency forward exchange contracts with contract terms normally lasting less than twelve months to protect against the adverse effect that exchange rate fluctuations may have on foreign currency denominated activities. These forward exchange contracts are principally denominated in Chinese Renminbi, Japanese Yen or Euros and do not qualify for hedge accounting in accordance with IFRS. As of June 30, 2013, the Company had outstanding foreign currency forward exchange contracts with an aggregate notional amount of US$56.5 million, all of which will mature before June 2014. Notional amounts are stated in USD equivalent spot market exchange rates as of the respective dates.

For the six months ended June 30, 2013, the effect of marking the foreign currency forward exchange contracts to fair value was a loss of approximately US$0.08 million. The Company does not enter into foreign currency exchange contracts for speculative purposes.

Table of Contents

EMPLOYEES EQUITY INCENTIVE PLAN

Save as disclosed in this interim report, there is no material change to the information disclosed in the 2012 annual report of the Company in relation to the number and remuneration of employees, remuneration policies, bonus and share option schemes of employees.

PROSPECTS AND FUTURE PLANS

In the first half of 2013 we reached record highs in revenue, gross profit, and operating profit, and we will continue our strategic execution to capture growth opportunities via technology advancement and value-added differentiation. As for our overall outlook in 2013, we target another full year of record high revenue. In the second half of 2013, the industry is undergoing some inventory correction, and industry growth momentum will be relatively slower than the first half of 2013. Despite the inventory adjustment reported for the industry in the second half of the year, our goal is to outgrow the semiconductor industry projection this year.

With regard to SMIC s future plans, 8-inch demand continues to be a key growth driver for our business. Demand for our differentiated applications continues to be strong, especially in the areas of power management integrated circuit (PMIC), CMOS image sensors (CIS), and EEPROM. Revenue from our differentiated applications, specifically PMIC, CIS, and EEPROM, grew 78.5% in the first half of 2013 compared to the first half of 2012. In order to further capture the market opportunities and to enhance our position in the differentiated technologies, we are looking into various opportunities to expand our 8-inch capacity. In terms of advanced capacity for future expansion, as announced in June, 2013, SMIC will jointly establish a new 12-inch fab in Beijing, focusing on 45nm and finer technologies with a planned manufacturing capacity of 35,000 12-inch wafers per month to be ramped up over the next 3 to 5 years.

We believe that our strengthened position in value-creation through improved quality, enhanced operational efficiency, product differentiation, and faster turn-around, as well as our solidified partnership with both international and domestic customers, will lead us to being the preferred foundry service provider in China for the long term.

BEIJING JOINT VENTURE AGREEMENT

On June 3, 2013, the Company entered into the Joint Venture Agreement with SMIB, BIDIMC and ZDG in relation to the establishment of the joint venture company (subject to the approval of the relevant PRC authorities). The joint venture company, which has been established on July 12, 2013, will principally engage in, among other things, the testing, development, design, manufacturing, packaging and sale of integrated circuits. The Company expects that this project would require it to incur significant capital expenditures during the joint venture s start-up phase, and from time to time thereafter, and that the Company would need to borrow under its existing credit lines or otherwise obtain additional capital to satisfy its funding obligations under this project.

Table of Contents

CORPORATE GOVERNANCE REPORT

The Company is committed to remaining an exemplary corporate citizen and maintaining a high level of corporate governance in order to protect the interests of its shareholders.

CORPORATE GOVERNANCE PRACTICES

The HKSE s Corporate Governance Code (the CG Code) as set out in Appendix 14 of the Listing Rules contains code provisions to which an issuer, such as the Company, is expected to comply or advise as to reasons for deviations (the Code Provisions) and recommends best practices which an issuer is encouraged to implement (the Recommended Practices). The Corporate Governance Policy of the Company came into effect on January 25, 2005 after approval by the Board (the CG Policy). The CG Policy, a copy of which can be obtained on the Company s website at www.smics.com under Investor Relations > Corporate Governance > Policy and Procedures , incorporates all of the Code Provisions of the CG Code except for paragraph E.1.3 which relates to the notice period for general meetings of the Company, and many of the Recommended Practices. In addition, the Company has adopted or put in place various policies, procedures, and practices in compliance with the provisions of the CG Policy.

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the period from January 1, 2013 to June 30, 2013, in compliance with the CG Code.

BOARD DIVERSITY POLICY

The Board adopted a Board Diversity Policy on August 8, 2013 to comply with a new Code Provision on board diversity which will become effective on September 1, 2013. The Nomination Committee will give consideration to that policy when identifying suitably qualified candidates to become members of the Board. Nonetheless, Board appointments will always be made on merit against objective criteria, taking into account factors based on the Company s business model and specific needs from time to time, as well as the benefits of diversity on the Board, and the Board will review the Policy on a regular basis to ensure its effectiveness.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted an Insider Trading Compliance Program (the Insider Trading Policy) which encompasses the requirements of the Model Code as set out in Appendix 10 of the Listing Rules (the Model Code). The Company, having made specific enquiry of all Directors, confirms that all Directors have complied with the Insider Trading Policy and the Model Code throughout the six months ended June 30, 2013. The senior management of the Company as well as all officers, Directors, and employees of the Company and its subsidiaries are also required to comply with the provisions of the Insider Trading Policy.

THE BOARD

The Board has a duty to the Company s shareholders to direct and oversee the affairs of the Company in order to maximize shareholder value. The Board, acting by itself and through the various committees of the Board, actively participates in and is responsible for the determination of the overall strategy of the Company, the establishment and monitoring of the achievement of corporate goals and objectives, the oversight of the Company s financial performance and the preparation of the accounts, the establishment of corporate governance practices and policies, and the review of the Company s system of internal controls. The management of the Company is responsible for the implementation of the overall strategy of the Company and its daily operations and administration. The Board has access to the senior management of the Company to discuss enquiries on management information.

Table of Contents

The Board consists of ten Directors and one Alternate Director as at the date of this interim report. Directors may be elected to hold office until the expiration of their respective terms upon a resolution passed at a duly convened shareholders meeting by holders of a majority of the Company s issued shares being entitled to vote in person or by proxy at such meeting. The Board is divided into three classes with one class of Directors eligible for re-election at each annual general meeting of shareholders. Each class of Directors will serve a term of three years.

- The Class I Directors (Zhang Wenyi, Tzu-Yin Chiu, Gao Yonggang and William Tudor Brown) were re-elected for a term of three years at the 2011 AGM (except Mr. Zhang, Dr. Chiu and Mr. Brown whose appointment as Directors took effect on June 30, 2011, August 5, 2011 and August 8, 2013 respectively) to hold office until the 2014 AGM.

- The Class II Directors (Chen Shanzhi, Frank Meng and Lip-Bu Tan) were re-elected for a term of three years at the 2012 AGM to hold office until the 2015 AGM.

- The Class III Directors (Tsuyoshi Kawanishi, Zhou Jie, Lawrence Juen-Yee Lau and Sean Maloney) were re-elected at the 2013 AGM (except Mr. Tsuyoshi Kawanishi who did not offer himself for re-election and retired upon the conclusion of that AGM, and Mr. Maloney whose appointment as Director took effect on June 15, 2013) for a term of three years to hold office until the 2016 AGM.

Following the retirement of Mr. Kawanishi on June 13, 2013, the number of independent Non-executive Directors (INEDs) fell below the minimum number of INEDs required under Rules 3.10(1) and 3.10A of the Listing Rules. Following the appointment of Mr. Sean Maloney as INED on June 15, 2013, the Company complies with the minimum number requirements under Rules 3.10(1) and 3.10A.

Save as disclosed above, for the six months ended June 30, 2013, the Board has complied with the minimum requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing one-third of the Board (i.e. three INEDs), and complied with the requirement that these should include one such Director with appropriate professional qualifications or accounting or related financial management expertise.

As of the date of this interim report, the roles of the Chairman and Chief Executive Officer are segregated and such roles are exercised by Mr. Zhang Wenyi and Dr. Tzu-Yin Chiu, respectively.

The following table sets forth the names, classes and categories of the directors as at the date of this report:

Name of Director	**Category of Director**	**Class of Director**
Zhang Wenyi	Chairman, Executive Director	Class I
Tzu-Yin Chiu	Chief Executive Officer, Executive Director	Class I

Gao Yonggang	Executive Director	Class I
William Tudor Brown	Independent Non-executive Director	Class I
Chen Shanzhi	Non-executive Director	Class II
Lip-Bu Tan	Independent Non-executive Director	Class II
Frank Meng	Independent Non-executive Director	Class II
Sean Maloney	Independent Non-executive Director	Class III
Zhou Jie	Non-executive Director	Class III
Lawrence Juen-Yee Lau	Non-executive Director	Class III
Datong Chen	Alternate Director to Lawrence Juen-Yee Lau	

Table of Contents

On an annual basis, each Independent Non-executive Director confirms his independence to the Company, and the Company considers these Directors to be independent as such term is defined in the Listing Rules. There are no relationships among members of the Board, including between the Chairman of the Board and the Chief Executive Officer.

The Board meets in person at least on a quarterly basis and on such other occasions as may be required to discuss and vote upon significant issues affecting the Company. The Board meeting schedule for the year is planned in the preceding year. The Company Secretary assists the Chairman in preparing the agenda for meetings and the Board in complying with relevant rules and regulations. The relevant papers for the Board meetings are dispatched to Board members in accordance with the CG Code. Directors may include matters for discussion in the agenda if the need arises. Upon the conclusion of the Board meeting, minutes are circulated to all Directors for their comment and review prior to their approval of the minutes at the following or subsequent Board meeting. Transactions in which Directors are considered to have a conflict of interest or material interests are not passed by written resolutions and the interested Directors are not counted in the quorum and abstain from voting on the relevant matters.

All Directors have access to the Company Secretary, who is responsible for assisting the Board in complying with applicable procedures regarding compliance matters. Every Board member is entitled to have access to documents provided at the Board meeting or filed into the Company s minute-book. Furthermore, the Board has established the procedures pursuant to which a Director, upon reasonable request, may seek independent professional advice at the Company s expense in order for such Director to exercise such Director s duties. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to assist the Company s compliance with and maintenance of good corporate governance practices. Each new Director is provided with training with respect to such Director s responsibilities under the Listing Rules and other regulatory requirements and the Company s corporate governance policies and practices.

Please refer to the section entitled Changes in Directorate and Update of Directors Information under item 6 of Other Information for further details on the changes in certain information relating to the Directors during the course of their respective terms of office.

BOARD COMMITTEE

The Board has established the following principal committees to assist it in exercising its obligations. These committees consist of a majority of Independent Non-executive Directors who have been invited to serve as members. The committees are governed by their respective charters setting out clear terms of reference.

Audit Committee

As of June 30, 2013, the Company s Audit Committee (the Audit Committee) consisted of three members, namely Mr. Lip-Bu Tan (chairman of Audit Committee), Mr. Frank Meng and Mr. Zhou Jie. None of the members of the Audit Committee has been an executive officer or employee of the Company or any of its subsidiaries. In addition to acting as an Audit Committee member of the Company, Mr. Lip-Bu Tan currently also serves on the audit committee of another publicly traded company, SINA Corporation. In general and in accordance with section 303A.07(a) of the Listed Company Manual of the New York Stock Exchange, the Board considered and determined that such simultaneous service would not impair the ability of Mr. Tan to effectively serve on the

Company s Audit Committee.

Table of Contents

The responsibilities of the Audit Committee include, among other things:

- making recommendations to the Board concerning the appointment, reappointment, retention, evaluation, oversight and termination of the work of the Company s independent auditor;

- reviewing the experience, qualifications and performance of the senior members of the independent auditor team;

- pre-approving all non-audit services to be provided by the Company s independent auditor;

- approving the remuneration and terms of engagement of the Company s independent auditor;

- reviewing reports from the Company s independent auditor regarding the independent auditor s internal quality-control procedures; and any material issues raised in the most recent internal or peer review of such procedures, or in any inquiry, review or investigation by governmental, professional or other regulatory authority, respecting independent audits conducted by the independent auditor, and any steps taken to deal with these issues; and (to assess the independent auditor s independence) all relationships between the Company and the independent auditor;

- pre-approving the hiring of any employee or former employee of the Company s independent auditor who was a member of the audit team during the preceding three years and the hiring of any employee or former employee of the independent auditor for senior positions regardless of whether that person was a member of the Company s audit team;

- reviewing the Company s annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of the Company s disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;

- reviewing the scope, planning and staffing of internal audits, the organization, responsibilities, plans, results, budget and staffing of the Company s Internal Audit Department (as defined and discussed below), the quality, adequacy and effectiveness of the Company s internal controls and any significant deficiencies or material weaknesses in the design or operation of internal controls;

- reviewing the Company s risk assessment and management policies;

- reviewing any legal matters that may have a material impact and the adequacy and effectiveness of the Company s legal and regulatory compliance procedures;

- establishing procedures for the treatment of complaints received by the Company regarding financial reporting, internal control or possible improprieties in other matters; and

- obtaining and reviewing reports from management, the Company s internal auditor and the Company s independent auditor regarding compliance with applicable legal and regulatory requirements.

The Audit Committee reports its work, findings and recommendations to the Board regularly.

Table of Contents

The Audit Committee meets in person at least four times a year on a quarterly basis and on such other occasions as may be required to discuss and vote upon significant issues. The meeting schedule for the year is planned in the preceding year. The Company Secretary assists the chairman of the Audit Committee in preparing the agenda for meetings and assists the Audit Committee in complying with the relevant rules and regulations. The relevant papers for the Audit Committee meetings were dispatched to the Audit Committee in accordance with the CG Code. Members of the Audit Committee may include matters for discussion in the agenda if the need arises. Within a reasonable time after an Audit Committee meeting is held, minutes are circulated to the members of the Audit Committee for their comment and review prior to their approval of the minutes at the following or a subsequent Audit Committee meeting.

At each quarterly Audit Committee meeting, the Audit Committee reviews with the Chief Financial Officer and the Company s independent auditors the financial statements for the financial period and the financial and accounting principles, policies and controls of the Company and its subsidiaries. In particular, the Committee discusses (i) the changes in accounting policies and practices, if any; (ii) the going concern assumptions, (iii) compliance with accounting standards and applicable rules and other legal requirements in relation to financial reporting and (iv) the internal controls of the Company and the accounting and financial reporting systems. Upon the recommendation of the Audit Committee, the Board approves the financial statements.

Compensation Committee

As of June 30, 2013, the members of the Company s Compensation Committee (the Compensation Committee) were Mr. Lip-Bu Tan (chairman of Compensation Committee), Mr. Sean Maloney and Mr. Zhou Jie. None of these members of the Compensation Committee has been an executive officer or employee of the Company or any of its subsidiaries.

The responsibilities of the Compensation Committee include, among other things:

- approving and overseeing the total compensation package for the Company s executive officers and any other officer, evaluating the performance of and determining and approving the compensation to be paid to the Company s Chief Executive Officer and reviewing the results of the Chief Executive Officer s evaluation of the performance of the Company s other executive officers;

- determining the compensation packages of executive Directors and making recommendations to the Board with respect to non-executive Director compensation, including equity-based compensation;

- administering and periodically reviewing and making recommendations to the Board regarding the long-term incentive compensation or equity plans made available to the Directors, employees and consultants;

- reviewing and making recommendations to the Board regarding executive compensation philosophy, strategy and principles and reviewing new and existing employment, consulting, retirement and severance agreements proposed for the Company s executive officers; and

- ensuring appropriate oversight of the Company s human resources policies and reviewing strategies established to fulfill the Company s ethical, legal, and human resources responsibilities.

The Compensation Committee reports its work, findings and recommendations to the Board periodically but no less than four times per year.

Table of Contents

The Compensation Committee meets in person at least four times per year and on such other occasions as may be required to discuss and vote upon significant issues affecting the compensation policy of the Company. The meeting schedule for the year is planned in the preceding year. The Company Secretary assists the chairman of the Compensation Committee in preparing the agenda for meetings and assists the Compensation Committee in complying with the relevant rules and regulations. The relevant papers for the Compensation Committee meeting are dispatched to Compensation Committee members in accordance with the CG Code. Members of the Compensation Committee may include matters for discussion in the agenda if the need arises. Within a reasonable time after a Compensation Committee meeting is held, minutes are circulated to the members of the Compensation Committee for their comment and review prior to their approval of the minutes at the following or a subsequent Compensation Committee meeting.

Nomination Committee

As of June 30, 2013, the Company s Nomination Committee (the Nomination Committee) comprised of Mr. Zhang Wenyi (chairman of Nomination Committee), Mr. Frank Meng and Mr. Lip-Bu Tan.

The responsibilities of the Nomination Committee include:

- reviewing the structure, size and composition (including the skills, knowledge and experience, as well as diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company s corporate strategy;

- monitoring the implementation of Board Diversity Policy (including any measurable objectives and the progress in achieving those objectives), and ensuring that appropriate disclosures are made regarding board diversity in the Corporate Governance Report set out in the Company s Annual Report;

- identifying individuals suitably qualified to become Board members, consistent with criteria approved by the Board, and making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of independent non-executive Directors; and

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

Internal Audit Department

The Company s Internal Audit Department (the Internal Audit Department) works with and supports the Company s management team and the Audit Committee to evaluate and contribute to the improvement of risk management, control, and governance systems. The risk-based audit plan is approved by the Audit Committee. Audit results are reported to the Chairman of the Board, the CEO and the Audit Committee every quarter and throughout the year.

Based on this annual audit plan, the Internal Audit Department audits the practices, procedures, expenditure and internal controls of the various departments in the Company. The scope of the audit includes:

- reviewing management s control to ensure the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;

- reviewing the systems established or to be established to ensure compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining whether the Company is in compliance;

Table of Contents

- reviewing the means of safeguarding assets and, when appropriate, verifying the existence of assets;

- appraising the economy and efficiency with which resources are employed;

- identifying significant risks, including fraud risks, to the ability of the Company to meet its business objectives, communicating them to management and ensuring that management has taken appropriate action to guard against those risks; and

- evaluating the effectiveness of controls supporting the operations of the Company and providing recommendations as to how those controls could be improved.

In addition, the Internal Audit Department will audit areas of concern identified by senior management or conduct reviews and investigations on an ad hoc basis. In conducting these audits, the Internal Audit Department has free and full access to all necessary functions, records, properties and personnel.

After completing an audit, the Internal Audit Department furnishes the Company s management team with analysis, appraisals, recommendations, counsel, and information concerning the activities reviewed. Appropriate managers of the Company will be notified of any deficiencies cited by the Internal Audit Department, which will follow up with the implementation of audit recommendations. In addition, the Internal Audit Department will report their findings directly to the Audit Committee on at least a quarterly basis.

The Internal Audit Department has direct access to the Board through the chairman of the Audit Committee. The Internal Audit Department may upon request meet privately with the Audit Committee, without the presence of members of the Company s management or the independent accounting firm.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board has adopted a code of business conduct and ethics (the Code of Conduct) which provides guidance about doing business with integrity and professionalism. The Code of Conduct addresses issues including among others, fraud, conflicts of interest, corporate opportunities, protection of intellectual property, transactions in the Company s securities, use of the Company s assets, and relationships with customers and third parties. Any violation of the Code of Conduct is reported to the Company s Compliance Office, which will subsequently report such violation to the Audit Committee.

U.S. Corporate Governance Practices

Companies listed on the New York Stock Exchange must comply with certain corporate governance standards under Section 303A of the New York Stock Exchange Listed Company Manual. Because the Company s American Depositary Shares are registered with the United States Securities and Exchange Commission and are listed on the New York Stock Exchange, the Company is also subject to certain U.S. corporate governance requirements, including many of the provisions of the Sarbanes-Oxley Act of 2002. However, because the Company is a foreign private issuer , many of the corporate governance rules in the NYSE Listed Company Manual, or the NYSE Standards, do not apply to the Company. The Company is permitted to follow corporate governance practices in accordance with Cayman Islands law and the Hong Kong Stock Exchange Listing Rules in lieu of most of the corporate governance standards contained in the NYSE Standards.

Table of Contents

Set forth below is a brief summary of the significant differences between the Company s corporate governance practices and the corporate governance standards applicable to U.S. domestic companies listed on the NYSE, or U.S. domestic issuers:

- The NYSE Standards require U.S. domestic issuers to have a nominating/corporate governance committee composed entirely of independent directors. We are not subject to this requirement, and we have not established a nominating/corporate governance committee. Instead, our Board has established a nomination committee to review the structure, size and composition (including the skills, knowledge and experience as well as diversity of perspectives of the Board at least annually, monitor the implementation of Board Diversity Policy, make recommendations on any proposed changes to the Board to complement the Company s corporate strategy, identify individuals suitably qualified to become Board members consistent with criteria approved by the Board, assess the independence of Independent Non-executive Directors, make recommendations to the Board on the selection of individuals nominated for directorships, and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer. However, such nomination committee is not responsible for developing and recommending to the Board a set of corporate governance guidelines applicable to the Company and overseeing the evaluation of the Board and management.

- The NYSE Standards provide detailed tests that U.S. domestic issuers must use for determining independence of directors. While we may not specifically apply the NYSE tests, our Board assesses independence in accordance with Hong Kong Stock Exchange Listing Rules, and in the case of audit committee members in accordance with Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended, and considers whether there are any relationships or circumstances which are likely to affect such director s independence from management.

- We believe that the composition of our board and its committees and their respective duties and responsibilities are otherwise generally responsive to the relevant NYSE Standards applicable to U.S. domestic issuers. However, the charters for our audit and compensation committees may not address all aspects of the NYSE Standards. For example, NYSE Standards require compensation committees of U.S. domestic issuers to produce a compensation committee report annually and include such report in their annual proxy statements or annual reports on Form 10-K. We are not subject to this requirement, and we have not addressed this in our compensation committee charter. We disclose the amounts of compensation of our directors on a named basis and the five highest individuals on an aggregate basis in our 2012 annual report in accordance with the requirements of the Hong Kong Stock Exchange Listing Rules.

- The NYSE Standards require that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans. We comply with the requirements of Cayman Islands law and the Hong Kong Stock Exchange Listing Rules in determining whether shareholder approval is required, and we do not take into consideration the NYSE s detailed definition of what are considered material revisions .

Table of Contents

OTHER INFORMATION

1. DIVIDENDS

The Board of the Company proposed not to declare an interim dividend for the six-month period ended June 30, 2013.

2. SHARE CAPITAL

During the six months ended June 30, 2013, the Company issued 50,115,328 and 25,376,449 ordinary shares of the Company (Ordinary Shares) as a result of the exercise of equity awards granted pursuant to the Company s 2004 stock option plan (the Stock Option Plan) and the Company s 2004 equity incentive plan (the 2004 Equity Incentive Plan), respectively.

	Number of Shares Outstanding
Outstanding Share Capital as of June 30, 2013:	
Ordinary Shares	32,075,631,400

Under the terms of the Company s 2004 Equity Incentive Plan, the Compensation Committee may grant restricted share units (Restricted Share Units) to eligible participants. Each Restricted Share Unit represents the right to receive one Ordinary Share. Restricted Share Units granted to new employees and existing employees generally vest at a rate of 25% upon the first, second, third, and fourth anniversaries of the vesting commencement date. Upon vesting of the Restricted Share Units and subject to the terms of the Insider Trading Policy and the payment by the participants of applicable taxes, the Company will issue the relevant participants the number of Ordinary Shares underlying the awards of Restricted Share Unit.

Table of Contents

3. SUBSTANTIAL SHAREHOLDERS INTERESTS

Set out below are the names of the parties (not being a director or chief executive of the Company) which were interested in five percent or more of the nominal value of the share capital of the Company and the respective numbers of shares in which they were interested as of June 30, 2013 as recorded in the register kept by the Company under section 336 of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) (SFO).

Name of Shareholder	Long/Short Position	Number of Ordinary Shares Held	Derivatives	Aggregate Interests	Percentage of Aggregate Interests to Total Issued Share Capital (Note 1)
Datang Telecom Technology & Industry Holdings Co., Ltd. (**Datang**)	Long Position	6,166,138,341 (Note 2)		6,166,138,341	19.22%
China Investment Corporation	Long Position	3,605,890,530 (Note 3)		3,605,890,530	11.24%
Shanghai Industrial Investment (Holdings) Company Limited (**SIIC**)	Long Position	1,923,277,340 (Note 4)		1,923,277,340	6.00%

Notes:

(1) Based on 32,075,631,400 Ordinary Shares in issue as at June 30, 2013.

(2) All such shares are held by Datang Holdings (Hongkong) Investment Company Limited which is a wholly-owned subsidiary of Datang Telecom Technology & Industry Holdings Co., Ltd.

(3) All such shares are held by Country Hill Limited. Country Hill Limited is a wholly-owned subsidiary of Bridge Hill Investments Limited, which is a subsidiary controlled by China Investment Corporation.

(4) This comprises of 90,008,000 Ordinary Shares held by SIIC Treasury (B.V.I.) Limited, which is a wholly-owned subsidiary of SIIC, and 1,833,269,340 Ordinary Shares held by S.I. Technology Production Holdings Limited (SITPHL), which is an indirect wholly-owned subsidiary of SIIC. SITPHL is a wholly-owned subsidiary of Shanghai Industrial Financial (Holdings) Company Limited (SIFHCL) which in turn is a wholly-owned subsidiary of Shanghai Industrial Financial Holdings Limited (SIFHL). By virtue of the SFO, SIIC and its subsidiaries, SIFHCL and SIFHL are deemed to be interested in the 1,833,269,340 Ordinary Shares held by SITPHL. As at June 30, 2013, the Company s Director, Mr. Zhou Jie, is an executive director and the president of SIIC. He is also an executive director, the vice chairman and the chief executive officer of Shanghai Industrial Holdings Limited. It is the Company s understanding that voting and investment control over the shares beneficially owned by SIIC are

maintained by the board of directors of SIIC.

Table of Contents

4. SHAREHOLDING INTERESTS OF THE DIRECTORS OF THE COMPANY

As of June 30, 2013, the interests or short positions of the Directors in the Ordinary Shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and SEHK pursuant to the Model Code) were as follows:

Board member	Long/Short Position	Nature of Interests	Number of Ordinary Shares Held	Derivatives Options	Derivatives Other	Aggregate Interests	Percentage of Aggregate Interests to Total Issued Share Capital (Note 1)
Executive Director							
Zhang Wenyi	Long Position	Personal		21,746,883 (Note 2)	9,320,093 (Note 3)	31,066,976	0.097%
Tzu-Yin Chiu	Long Position	Personal	13,326,759	86,987,535 (Note 4)	27,960,279 (Note 5)	128,274,573	0.400%
Gao Yonggang	Long Position	Personal		16,753,568 (Note 6)		16,753,568	0.052%
Non-executive Director							
Chen Shanzhi	Long Position	Personal		3,145,319 (Note 7)		3,145,319	0.010%
Lawrence Juen-Yee Lau							
Zhou Jie							
Independent Non-executive Director							
Sean Maloney	Long Position	Personal		4,490,377 (Note 8)		4,490,377	0.014%
Frank Meng	Long Position	Personal		4,471,244 (Note 9)		4,471,244	0.014%
Lip-Bu Tan							