(Incorporated in the Cayman Islands with limited liability)
Stock Code: 0981

Interim Report

poses only*

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

We are pleased to announce that SMIC recorded a historical high in revenues and gross profit for the first half of this year. We also achieved a gross profit margin of 30.9% for the first half of this year, a historical high for the same periods of previous years. Profit attributable to owners of the Company exceeded US$130 million, an increase of 72% as compared to the same period of last year. Despite the uncertainty in the entire industry during this year and substantial slowdown of demand growth in the smart phone market, we achieved growth for two consecutive quarters during the first half of the year, recording a total revenue of US$1.056 billion for the first half of this year, representing an increase of 9.8% YOY. We also target a slight growth for the third quarter. Revenues from PRC-based customers experienced a significant growth for the first half of this year, achieving an increase of 26.5% as compared to the corresponding period of last year and representing a record high of 49% of our global sales. The revenues from our Eurasia region (which includes Europe and Asia and excludes PRC and Hong Kong) also recorded a growth of 20% YOY, representing 14.5% of our global sales. In June, we were awarded "2014 Foundry Supplier of the Year" by our customer Qualcomm Technologies, Inc.. This award demonstrates our customer's recognition of SMIC's excellence in technical reliability, product quality, and customer service.

Our outstanding performance for the first half of this year reflects our initial success in our strategy to differentiate and diversify products and customers, with our position in the PRC. With continuous launch and gradual maturity of our new products and technology, we are optimistic that our differentiated processes will generate increasing revenues. Not only are customers' demands for mature processes strong, but also their orders for advanced node processes are robust. The capacity utilization in our 12-inch fab recovered rapidly. Despite the inventory correction in the industry, we maintained significant growth in our revenue from 40/45nm process during the first half of the year, recording a growth of 49% as compared to that for the corresponding period of last year. We commenced risk production of our 28nm process in the second quarter and the yield has steadily improved. We target to commence the mass production in the second half of the year, and begin revenue contribution. In order to capture the market opportunities and strengthen our competitive edge in differentiated technology, our Shenzhen 8-inch fab will commence commercial production in the third quarter as scheduled and is expected to contribute to our revenues. We plan to install 20,000 wafers per month capacity by the end of this year.

The Company, Huawei, imec and Qualcomm jointly invested in and established SMIC Advanced Technology Research & Development Corporation in June this year to jointly develop the next generation of CMOS logic technology and build China's most advanced integrated circuit (IC) development R&D platform. This project represents a major breakthrough in the cooperation model, among integrated circuit manufacturers, international trade corporations and research institutions, and by integrating the strengths and resources of upstream and downstream companies and international leading edge research institutions in the semiconductor industry, which is aimed to shorten the time to market for our advanced nodes. At the initial stage, we will focus on the development of 14nm CMOS technology for mass production. Going forward, industry enterprises, universities and research institutions will continue to work together on this platform to enhance the core competitiveness of the PRC's integrated circuit manufacturing industry.

It is the third year in which we have implemented the "SMIC Liver Transplant Program for Children". As more attention from the general public has been drawn to this charitable project, a number of semiconductor enterprises are eagerly participating in this activity. SMIC announced that it donated RMB2 million (including donations from the employees) to China Soong Ching Ling Foundation for the project in June. It is the third donation the Company has made to the foundation. Up to this date, SMIC has donated a total of RMB6 million with which has helped 72 impoverished children from all over China to receive treatment so that they are able to enjoy their new lives.

Mr. Frank Meng, our Independent Non-executive Director, was appointed by one of our major customers, Qualcomm, to serve as its Chairman for its China Region; subsequently, he has retired as an Independent Non-executive Director of SMIC upon the conclusion of the annual general meeting held in June this year. The Board would like to express our sincere gratitude to Mr. Frank Meng for his wholehearted dedication during his term of office as a director of SMIC. We are also pleased to welcome Mr. Ren Kai to join the Board of SMIC as a new member.

We are pleased with the results that SMIC has achieved amid the slowdown of demand in the industry during the first half of 2015. Meanwhile, we are cautious and prudent in meeting the challenges which may arise in the second half of 2015. We are aware of the inventory correction that some of our customers are facing and the uncertainties clouding the global macro economy. Thus, we will be committed to diligently and carefully execute our business plan for the best interests of our shareholders. We would like to again express our sincere gratitude to all of our shareholders, customers, suppliers, and employees for their continued care and support of SMIC's development.

Zhou Zixue
Chairman of the Board and Executive Director

Tzu-Yin Chiu
Chief Executive Officer and Executive Director

Shanghai, China
August 28, 2015

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" or "SMIC") would like to announce the unaudited interim results of operations of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended June 30, 2015, and would like to express its gratitude to the shareholders and its staff for their support for the Group.

SALES

Sales increased by 9.8% from US$962.4 million for the six months ended June 30, 2014 to US$1,056.4 million for the six months ended June 30, 2015, primarily due to an increase in wafer shipments during this period including a significant increase in China sales. The number of wafer shipments increased by 15.7% from 1,230,385 8-inch wafer equivalents for the six months ended June 30, 2014 to 1,423,861 8-inch wafer equivalents for the six months ended June 30, 2015.

COST OF SALES AND GROSS PROFIT

Cost of sales slightly increased by 0.9% from US$723.3 million for the six months ended June 30, 2014 to US$730.1 million for the six months ended June 30, 2015.

The Group had a gross profit of US$326.3 million for the six months ended June 30, 2015 compared to a gross profit of US$239.2 million for the six months ended June 30, 2014, representing an increase of 36.4%. Gross margin increased to 30.9% for the six months ended June 30, 2015 from 24.9% for the six months ended June 30, 2014. The increase in gross margin was primarily due to a higher utilization rate and a favourable change in product-mix in the first half of 2015.

PROFIT FOR THE PERIOD FROM OPERATING

Profit from operations increased from US$87.8 million for the six months ended June 30, 2014 to US$106.2 million for the six months ended June 30, 2015 primarily due to shipment increase and high utilization in the first half of 2015.

Research and development expenses increased by 32.9% from US$81.7 million for the six months ended June 30, 2014 to US$108.7 million for the six months ended June 30, 2015. The increase was mainly due to an increase in R&D activities.

General and administrative expenses increased by 61.0% from US$58.7 million for the six months ended June 30, 2014 to US$94.5 million for the six months ended June 30, 2015. The increase was primarily due to 1) the start-up expenses relating to the two new fab projects — the 8-inch fab in Shenzhen and the 12-inch fab in Beijing and 2) an increase in accrued employee bonus in the first half of 2015.

Sales and marketing expenses slightly decreased by 1.9% from US$18.7 million for the six months ended June 30, 2014 to US$18.4 million for the six months ended June 30, 2015.

Other operating income were US$1.4 million and US$7.8 million for the six months ended June 30, 2015 and 2014, respectively, and the decrease was due to the gains arising from the partial disposal of the Group's living quarters recorded in the first half of 2014.

As a result, the Group's profit from operations increased to US$106.2 million for the six months ended June 30, 2015 from US$87.8 million for the six months ended June 30, 2014.

PROFIT FOR THE PERIOD

Due to the factors described above, the Group had a profit of US$123.3 million for the six months ended June 30, 2015 compared to US$76.1 million for the six months ended June 30, 2014.

FUNDING SOURCES FOR MATERIAL CAPITAL EXPENDITURE IN THE COMING YEAR

In 2015, the Group plans to spend approximately US$1.5 billion in capital expenditures for foundry operations which are subject to adjustment based on market conditions. The capital expenditures are mainly for 1) the capacity expansion in the 12-inch fab of Semiconductor Manufacturing North China (Beijing) Corporation ("SMNC"), 2) the capacity expansion in the 12-inch fab in Shanghai, 3) the capacity expansion in the new 8-inch fab in Shenzhen and 4) research and development equipment, mask shops and intellectual property acquisition.

In addition, the Group budgeted approximately US$150 million in 2015 as capital expenditures for non-foundry operations. This is mainly for the construction of living quarters for employees as part of the Group's employee retention program. The Group plans to rent out or sell some of these living units to employees in the future.

The Group's actual expenditures may differ from its planned expenditures for a variety of reasons, including changes in its business plan, process technology, market conditions, equipment prices, or customer requirements. The Group will monitor the global economy, the semiconductor industry, the demands of its customers, and its cash flow from operations and will adjust its capital expenditures plans as necessary.

The primary sources of capital resources and liquidity include cash generated from operations, bank borrowings and debt or equity issuances and other forms of financing. Future acquisitions, mergers, strategic investments, or other developments also may require additional financing. The amount of capital required to meet the Group's growth and development targets is difficult to predict in the highly cyclical and rapidly changing semiconductor industry.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2015, the Group incurred capital expenditures of US$513.0 million compared to US$250.8 million for the six months ended June 30, 2014. The Group financed its capital expenditures primarily from cash flows generated from operating and financing activities.

The Group had US$766.2 million in cash and cash equivalents as of June 30, 2015. These cash and cash equivalents are held in the form of United States Dollars, Japanese Yen, Euro, and Chinese Renminbi. The net cash from operating activities increased by 3.7% from US$278.7 million for the six months ended June 30, 2014 to US$288.9 million for the six months ended June 30, 2015.

Net cash used in investing activities was US$319.3 million for the six months ended June 30, 2015, primarily attributable to 1) purchases of plant and equipment for the fabs in Shanghai and Beijing, 2) the net result of proceeds from selling and payments for acquiring financial assets and 3) payments for acquiring long-term investment. Net cash used in investing activities was US$355.3 million for the six months ended June 30, 2014, primarily attributable to 1) purchases of plant and equipment for the fabs in Shanghai and Beijing, and 2) the net result of proceeds from selling and payment for acquiring financial assets.

Net cash generated from financing activities was US$193.6 million for the six months ended June 30, 2015, which was primarily 1) the net result of proceeds from new bank borrowings and repayments of bank borrowings and 2) net proceeds from the issue of new Ordinary Shares in the first half of 2015. Net cash generated from financing activities was US$188.8 million for the six months ended June 30, 2014, which was primarily due to 1) the net result of proceeds from new bank borrowings and repayments of bank borrowings and 2) net proceeds from the issue of the convertible bonds and net proceeds from the issue of new Ordinary Shares in the first half of 2014.

As of June 30, 2015, the Group's outstanding long-term liabilities primarily consisted of US$70.2 million in secured bank loans, US$79.3 million in unsecured bank loans, US$385.9 million in convertible bonds and US$492.4 million in USD bond. Of which, US$64.0 million was classified as the current portion of long-term loans. The long-term loans are repayable in installments which will commence in August 2015 and will mature in December 2019.

2013 USD Loan (SMIC Shanghai)

In August 2013, Semiconductor Manufacturing International (Shanghai) Corporation ("SMIS") entered into a loan facility in the aggregate principal amount of US$470 million with a syndicate of financial institutions based in the PRC. This seven-year bank facility was used to finance the planned expansion for SMIS' 12-inch fab. The facility is secured by the manufacturing equipment located in the SMIS' 12-inch fab. As of June 30, 2015, SMIS had drawn down US$260 million and repaid US$249.2 million on this loan facility in advance by June 2015. The outstanding balance of US$10.8 million is repayable from August 2015 to August 2020. The interest rate on this loan facility ranged from 4.33% to 4.83% for the six months ended June 30, 2015.

SMIS was in compliance with the related financial covenants as of June 30, 2015.

2015 USD Loan (SMIC Shanghai)

In April 2015, SMIS entered into a loan facility in the aggregate principal amount of US$66.1 million with US Export-Import Bank. This five-year bank facility was used to finance the planned expansion for SMIS' 12-inch fab. The facility is secured by the manufacturing equipment located in the SMIS' 12-inch fab. As of June 30, 2015, SMIS had drawn down US$66.1 million and repaid US$6.6 million on this loan facility by June 2015. The outstanding balance of US$59.5 million is repayable from December 2015 to December 2019. The interest rate on this loan facility was 1.21% for the six months ended June 30, 2015.

SMIS was in compliance with the related financial covenants as of June 30, 2015.

2013 EXIM USD Loan (SMIC Beijing)

In June 2013, Semiconductor Manufacturing International (Beijing) Corporation ("SMIB") entered into a 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 twenty-six-month bank facility was used for working capital purposes. As of June 30, 2015, SMIB had drawn down US$40 million on this loan facility. The principal amount was repaid in August 2015. The interest rate on this loan facility was 3.33% for the six months ended June 30, 2015.

2013 China Investment Development Corporation ("CIDC") Entrusted Loan (SMIC Beijing)

In June 2013, SMIB entered into a new RMB Loan, a two-year working capital entrusted loan facility in the principal amount of RMB70 million (approximately US$11.4 million) with CIDC through China CITIC Bank, which was unsecured. This two-year entrusted loan facility was used for working capital purposes. SMIB drawn

down RMB70 million (approximately US$11.4 million) and had repaid the outstanding balance on this loan facility in advance by May 2015. The interest rate on this loan facility was 12.0% for the six months ended June 30, 2015.

2014 EXIM RMB Loan (SMIC Beijing)

In December 2014, SMIB entered into the new RMB Loan, a two-year working capital loan facility in the principal amount of RMB240 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, 2015, SMIB had drawn down RMB240 million (approximately US$39.2 million) on this loan facility. The principal amount is repayable in December 2016. The interest rate on this loan facility ranged from 3.65% to 3.90% for the six months ended June 30, 2015.

Short-term Credit Agreements

As of June 30, 2015, the Group had 26 short-term credit agreements that provided total credit facilities up to US$1,187.4 million on a revolving credit basis. As of June 30, 2015, the Group had drawn down US$55.8 million under these credit agreements. The outstanding borrowings under these credit agreements are unsecured. The interest rate on this loan facility ranged from 1.92% to 4.20% for the six months ended June 30, 2015.

In May 2012, SMIS entered into a four-year strategic framework credit facility in the aggregate amount of RMB5 billion with China Development Bank. The 2013 USD Loan (SMIC Shanghai) constituted part of this strategic framework credit facility.

CO-INVESTMENT IN RELATION TO PROPOSED ACQUISITION OF STATS CHIPPAC

On December 22, 2014, (i) SilTech Shanghai, an indirectly wholly-owned subsidiary of the Company; (ii) Jiangsu Changjiang Electronics Technology Co., Ltd ("JCET"); and (iii) China Integrated Circuit Industry Investment Fund Co., Ltd., ("China IC Fund") entered into a co-investment agreement to form an investment consortium in connection with the proposed acquisition of STATS ChipPAC Ltd. ("STATS ChipPAC"), a leading provider of advanced semiconductor packaging and test services in the world and a company incorporated in the Republic of Singapore, shares of which are listed on the Singapore Exchange Securities Trading Limited.

On June 18, 2015, according to the co-investment agreement, the Group invested US$102 million as a capital contribution for 19.6% equity interest in Suzhou Changjiang Electric Xinke Investment Co., Ltd. ("Changjiang Xinke"), a company incorporated in Jiangsu province, China. The transaction was recorded as an investment in associate of the Group.

On June 26, 2015, JCET-SC (Singapore) Pte. Ltd. ("JCET-SC"), a company incorporated in the Republic of Singapore, the subsidiary of Changjiang Xinke, announced a voluntary conditional cash offer (the "Offer") for all the shares in STATS ChipPAC at SGD0.46577 per share. On August 5, JCET-SC's financial advisers announced, for and on behalf of JCET-SC, that all conditions to the Offer had been fulfilled and the Offer had become and was declared unconditional in all respects. The unconditional acceptance announcement offer was closed on August 27, 2015.

JOINT VENTURE AGREEMENT IN RELATION TO SMIC ADVANCED TECHNOLOGY RESEARCH AND DEVELOPMENT (SHANGHAI) CORPORATION

On June 23, 2015, the Company, Huawei, Qualcomm Global Trading Pte. Ltd. ("Qualcomm"), and IMEC International ("imec") jointly issued a press release in relation to the formation of SMIC Advanced Technology Research & Development (Shanghai) Corporation, an equity joint venture company. The joint venture company will focus on R&D towards next generation CMOS logic technology and is designed to build China's most advanced integrated circuit (IC) development R&D platform. SMIC Advanced Technology R&D (Shanghai) Corporation will be majority owned by SMIC, while Huawei, imec, and Qualcomm will be minority shareholders. The current focus of the joint venture company will be on developing 14nm logic technology.

COMMITMENTS

As of June 30, 2015, the Group had commitments of US$145.9 million for facilities construction obligations in connection with the Group's Shanghai, Beijing, Tianjin and Shenzhen facilities, US$485.7 million to purchase machinery and equipment mainly for the Shanghai, Beijing, Tianjin and Shenzhen fabs and US$21.3 million to purchase intellectual property.

DEBT TO EQUITY RATIO

As of June 30, 2015, the Group's debt to equity ratio was approximately 28.2%.

FOREIGN EXCHANGE RATE FLUCTUATION RISK

The Group's revenue, expenses, and capital expenditures are primarily transacted in U.S. dollars. The Group also enters into transactions in other currencies. The Group is primarily exposed to changes in exchange rates for the Euro, Japanese Yen, and RMB against the US dollar.

To minimize these risks, the Group 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 transactions. These forward exchange contracts are principally denominated in RMB, Japanese Yen or Euro against the US dollar and do not qualify for hedge accounting in accordance with IFRS.

EMPLOYEES EQUITY INCENTIVE PLAN

Save as disclosed in this interim report, there is no material change to the information disclosed in the 2014 annual report of the Company in relation to the number and remuneration of employees, remuneration policies, bonus and share option schemes of employees.

ISSUE OF EQUITY SECURITIES UNDER GENERAL MANDATE

Issue of 4,700,000,000 New Ordinary Shares

On February 12, 2015, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with the China Integrated Circuit Industry Investment Fund Co., Ltd., a company established under the laws of the PRC (the "China IC Fund") whereby (i) the Company has conditionally agreed to allot and issue to the China IC Fund, and the China IC Fund has conditionally agreed to subscribe, through its wholly-owned subsidiary incorporated in Hong Kong, for 4,700,000,000 new Ordinary Shares of US$0.0004 each (the "New Share(s)") at the subscription price of HK$0.6593 per New Share (the "Subscription Price"). The aggregate nominal value of the New Shares was US$1,880,000. The Subscription Price represented a

discount of approximately 7.14% to the closing price of HK$0.710 per Ordinary Share as quoted on the Hong Kong Stock Exchange on February 12, 2015, being the last full trading day immediately before the execution of the Share Purchase Agreement.

The New Shares were allotted and issued to Xinxin (Hongkong) Capital Co., Limited, a wholly-owned subsidiary of the China IC Fund, on June 8, 2015. The net proceeds from the issue of the New Shares were approximately US$399.5 million (US$0.085 per New Share). The net proceeds from the issue of the New Shares would be used for capital expenditure, debt repayment and general corporate purposes.

The Company considered that the China IC Fund would bring strategic value to the Company and the funds raised in this transaction would improve the working capital position of the Group and enhance its overall liquidity; the transaction therefore would enhance shareholders' value and is in the interests of the Company and its shareholders as a whole.

PROSPECTS AND FUTURE PLANS

In the first half of 2015, the Group achieved its record high revenue, gross margin, and utilization. This was in part a result of enhanced operational efficiency and careful execution of its differentiation strategy. The Group has guided the third quarter revenue to continue to increase by 1% to 3% quarter over quarter. However, the Group is cautious about the remainder of 2015 given the industry's ongoing inventory correction. Despite the inventory correction situation, SMIC has successfully ramped up new products to maintain good utilizations, and targets to continue to implement its strategy of product differentiation and customer diversification.

With regard to SMIC's future plans, the Group believes demand for its differentiated technology and advanced 28nm process are key growth drivers for its business. In response to the capacity demand, the Group continues to expand its 8-inch and 12-inch capacities. The Group targets to install an additional 10,000 8-inch wafers per month capacity in its Shenzhen 8-inch fab by the end of 2015. In terms of advanced capacity, the Group targets to install 6,000 12-inch wafers per month capacity in its joint-venture 12-inch fab in Beijing and an additional 2,000 12-inch wafers per month capacity in its Shanghai 12-inch fab by the end of 2015.

The Group continues to focus on sustaining profitability and delivering carefully planned growth. Furthermore, the Group will continue to pursue its strategy to capture growth opportunities in China and is committed to delivering sustainable profitability and building value for all stakeholders.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Hong Kong Stock Exchange Listing Rules contains code provisions (the "Code Provisions") which an issuer, such as the Company, is

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 its various committees, 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.

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 term 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 the Company. Each class of Directors (including all non-executive Directors) serves a term of three years.

- The Class I Directors are Dr. Zhou Zixue, Dr. Tzu-Yin Chiu, Dr. Gao Yonggang and Mr. William Tudor Brown. All Class I Directors (except Dr. Zhou) were re-elected for a term of three years at the 2014 AGM to hold office until the 2017 AGM. Dr. Zhou, whose initial appointment as Director took effect from March 6, 2015, retired from office and was re-elected as a Class I Director at the 2015 AGM pursuant to Article 126 of the Company's Articles of Association to hold office until the 2017 AGM.

- The Class II Directors are Dr. Chen Shanzhi, Mr. Lip-Bu Tan and Ms. Carmen I-Hua Chang. All Class II Directors were re-elected for a term of three years at the 2015 AGM to hold office until the 2018 AGM.

- The Class III Directors are Mr. Zhou Jie, Mr. Sean Maloney and Mr. Ren Kai. Mr. Zhou was re-elected for a term of three years at the 2013 AGM to hold office until the 2016 AGM. Mr. Maloney, whose initial appointment as Director took effect on June 15, 2013, retired from office and was re-elected as a Class III Director at the 2014 AGM pursuant to Article 126 of the Company's Articles of Association to hold office until the 2016 AGM. Mr. Ren, whose initial appointment as Director took effect from August 11, 2015, shall retire from office at the 2016 AGM pursuant to Article 126 of the Company's Articles of Association. Mr. Ren will, being eligible, offer himself for re-election as a Class III Director at the 2016 AGM.

As of the date of this interim report, the roles of Chairman and Chief Executive Officer are segregated and such roles are performed by Dr. Zhou Zixue and Dr. Tzu-Yin Chiu, respectively.

Rules. Following the appointment of Mr. William Tudor Brown, an independent non-executive Director, as a member of the Audit Committee on August 7, 2015, the Company has complied with the requirements under Rule 3.21 of the Hong Kong Stock Exchange Listing Rules.

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, interim and quarterly 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;
- considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 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.

The Audit Committee meets 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 a given year is planned in the preceding year. The Company Secretary assists the chairman of the Audit Committee in preparing the agenda for meetings and also assists the Audit Committee in complying with the relevant rules and regulations. The relevant papers for the Audit Committee meetings are 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 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 auditor 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 the date of this interim report, 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 Directors' 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

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, or the NYSE, 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 SEC 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.

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 the 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 Committee and Compensation Committee 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 2014 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".

OTHER INFORMATION

1. DIVIDENDS

The Board did not propose to declare an interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

2. SHARE CAPITAL

During the six months ended June 30, 2015, the Company issued 101,616,170 and 63,178,000 Ordinary Shares as a result of the exercise of equity awards granted pursuant to the Company's 2004 stock option plan (the "2004 Stock Option Plan") and the Company's 2004 equity incentive plan (the "2004 Equity Incentive Plan"), respectively. During this period, there were 1,783,027 and 27,429,599 Ordinary Shares issued as a result of the exercise of equity awards granted pursuant to the Company's 2014 stock option plan (the "2014 Stock Option Plan") and the Company's 2014 equity incentive plan (the "2014 Equity Incentive Plan") which have replaced the 2004 Stock Option Plan and the 2004 Equity Incentive Plan, respectively, upon their termination.

	Number of Shares Outstanding
Outstanding Share Capital as of June 30, 2015:	
Ordinary Shares	40,750,102,963

Under the terms of the Company's 2014 Equity Incentive Plan, the Compensation Committee may grant restricted share units ("RSUs") to eligible participants. Each RSU represents the right to receive one Ordinary Share. RSUs 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 RSUs 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 RSUs.

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, 2015 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	Percentage of Ordinary Shares Held to Total Issued Share Capital of the Company (Note 1)	Derivatives	Total Interests	Percentage of Aggregate Interests to Total Issued Share Capital of the Company (Note 1)
Datang Telecom Technology & Industry Holdings Co., Ltd. ("**Datang Telecom**")	Long Position	7,784,557,231 (Note 2)	19.10%	—	7,784,557,231	19.10%
Xinxin (Hongkong) Capital Co., Limited	Long Position	4,700,000,000 (Note 3)	11.53%	—	4,700,000,000	11.53%
China Investment Corporation ("**CIC**")	Long Position	2,968,642,465 (Note 4)	7.28%	313,437,589 (Note 5)	3,282,080,054	8.05%

Notes:

(1) Based on 40,750,102,963 Ordinary Shares in issue as at June 30, 2015.

(2) Datang Holdings (Hongkong) Investment Company Limited ("Datang"), a wholly-owned subsidiary of Datang Telecom, directly holds all such shares which include 961,849,809 new Ordinary Shares to be issued to Datang pursuant to the share purchase agreement dated June 11, 2015 entered into between the Company and Datang.

(3) All such shares are directly held by Xinxin (Hongkong) Capital Co., Limited which is a wholly-owned subsidiary of China Integrated Circuit Industry Investment Fund Co., Ltd.

(4) All such shares are directly held by Country Hill Limited ("Country Hill") which is a wholly-owned subsidiary of Bridge Hill Investments Limited, which in turn is a subsidiary controlled by CIC.

(5) The Company issued US$32,200,000 zero coupon convertible bonds due 2018 ("Country Hill Pre- emptive Bonds") to Country Hill on May 29, 2014 pursuant to the subscription agreement dated December 18, 2013 entered into between the Company and Country Hill. The Country Hill Pre-emptive Bonds are convertible into 313,437,589 Ordinary Shares (assuming full conversion at the initial conversion price of HK$0.7965 per Ordinary Share). In this regard, Country Hill and CIC are deemed to be interested in these 313,437,589 underlying shares of the Company.

4. SHAREHOLDING INTERESTS OF THE DIRECTORS

As of June 30, 2015, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO), which were notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code were as follows:

Name of Director	Long/Short Position	Nature of Interests	Number of Ordinary Shares Held	Derivatives		Total Interests	Percentage of Aggregate Interests to Total Issued Share Capital of the Company (Note 1)
				Share Options	Other		
Executive Director							
Zhou Zixue	Long Position	Beneficial Owner	—	25,211,633 (Note 2)	10,804,985 (Note 3)	36,016,618	0.088%
Tzu-Yin Chiu	Long Position	Beneficial Owner	31,539,945	86,987,535 (Note 4)	9,320,093 (Note 5)	127,847,573	0.314%
Gao Yonggang	Long Position	Beneficial Owner	—	19,640,054 (Note 6)	2,310,472 (Note 7)	21,950,526	0.054%
Non-executive Director							
Chen Shanzhi	Long Position	Beneficial Owner	—	3,145,319 (Note 8)	—	3,145,319	0.008%
Zhou Jie	—	—	—	—	—	—	—
Independent Non-executive Director							
William Tudor Brown	Long Position	Beneficial Owner	—	4,492,297 (Note 9)	—	4,492,297	0.011%
Sean Maloney	Long Position	Beneficial Owner	—	4,490,377 (Note 10)	—	4,490,377	0.011%
Lip-Bu Tan	Long Position	Beneficial Owner	—	4,634,877 (Note 11)	—	4,634,877	0.011%
Carmen I-Hua Chang	Long Position	Beneficial Owner	—	4,887,303 (Note 12)	—	4,887,303	0.012%
Alternate Director							
Li Yonghua	—	—	—	—	—	—	—

Notes:

(1) Based on 40,750,102,963 Ordinary Shares in issue as at June 30, 2015.

(2) On May 20, 2015, Dr. Zhou was granted options to purchase 25,211,633 Ordinary Shares at a price of HK$0.830 per Ordinary Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of May 19, 2025 or 120 days after termination of his service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(3) On May 20, 2015, Dr. Zhou was granted an award of 10,804,985 restricted share units ("RSU(s)") (each representing the right to receive one Ordinary Share) pursuant to the 2014 Equity Incentive Plan. These RSUs, 25% of which will vest on each anniversary of March 6, 2015, shall fully vest on March 6, 2019. As of June 30, 2015, none of Dr. Zhou's RSUs has been vested.

(4) On September 8, 2011, Dr. Chiu was granted options to purchase 86,987,535 Ordinary Shares at a price of HK$0.455 per Share pursuant to the 2004 Stock Option Plan. These options will expire on the earlier of September 7, 2021 or 120 days after termination of his service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(5) On September 8, 2011, Dr. Chiu was granted an award of 37,280,372 RSUs (each representing the right to receive one Ordinary Share) pursuant to the 2004 Equity Incentive Plan. These RSUs, 25% of which will vest on each anniversary of August 5, 2011, shall fully vest on August 5, 2015. As of June 30, 2015, 75% of Dr. Chiu's RSUs were vested and 27,960,279 RSUs were settled in Ordinary Shares, and thus 27,960,279 Ordinary Shares were issued to Dr. Chiu.

(6) These options comprise: (a) options which were granted to Dr. Gao on May 24, 2010 to purchase 3,145,319 Ordinary Shares at a price of HK$0.64 per Share pursuant to the 2004 Stock Option Plan and will expire on the earlier of May 23, 2020 or 120 days after termination of his service as a Director to the Board, (b) options which were granted to Dr. Gao on June 17, 2013 to purchase 13,608,249 Ordinary Shares at a price of HK$0.624 per Share pursuant to the 2004 Stock Option Plan and will expire on the earlier of June 16, 2023 or 120 days after termination of his service as a Director to the Board, (c) options which were granted to Dr. Gao on June 12, 2014 to purchase 2,886,486 Ordinary Shares at a price of HK$0.64 per Share pursuant to the 2014 Stock Option Plan and will expire on the earlier of June 11, 2024 or 120 days after termination of his service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(7) On November 17, 2014, Dr. Gao was granted an award of 2,910,836 RSUs (each representing the right to receive one Ordinary Share) pursuant to the 2014 Equity Incentive Plan, consisting of (a) 2,401,456 RSUs, 25% of which will vest on each anniversary of June 17, 2013 and which shall fully vest on June 17, 2017, and (b) 509,380 RSUs, 25% of which will vest on each anniversary of March 1, 2014 and which shall fully vest on March 1, 2018. As of June 30, 2015, 1,328,073 RSUs were vested, among which 600,364 RSUs were settled in cash.

(8) On May 24, 2010, Dr. Chen was granted options to purchase 3,145,319 Ordinary Shares at a price of HK$0.64 per Share pursuant to the 2004 Stock Option Plan. These options will expire on the earlier of May 23, 2020 or 120 days after termination of his service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(9) On September 6, 2013, Mr. Brown was granted options to purchase 4,492,297 Ordinary Shares at a price of HK$0.562 per Share pursuant to the 2004 Stock Option Plan. These options will expire on the earlier of September 5, 2023 or 120 days after termination of his service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(10) On June 17, 2013, Mr. Maloney was granted options to purchase 4,490,377 Ordinary Shares at a price of HK$0.624 per Share pursuant to the 2004 Stock Option Plan. These options will expire on the earlier of June 16, 2023 or 120 days after termination of his service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(11) These options comprise (a) options granted to Mr. Tan on September 29, 2006 to purchase 500,000 Ordinary Shares at a price per share of US$0.132 pursuant to the 2004 Stock Option Plan which fully vested on May 30, 2008 and will expire on the earlier of September 28, 2016 or 120 days after termination of Mr. Tan's service as a Director to the Board, (b) options granted to Mr. Tan on February 17, 2009 to purchase 1,000,000 Ordinary Shares at a price of HK$0.27 per Share pursuant to the 2004 Stock Option Plan, which will expire on the earlier of February 16, 2019 or 120 days after termination of Mr. Tan' service as a Director to the Board, and (c) options granted to Mr. Tan on February 23, 2010 to purchase 3,134,877 Ordinary Shares at a price of HK$0.77 per Share pursuant to the 2004 Stock Option Plan, which will expire on the earlier of February 22, 2020 or 120 days after termination of Mr. Tan's service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

(12) On November 17, 2014, Ms. Chang was granted options to purchase 4,887,303 Ordinary Shares at a price of HK$0.85 per Share pursuant to the 2014 Stock Option Plan. These options will expire on the earlier of November 16, 2024 or 120 days after termination of her service as a Director to the Board. As of June 30, 2015, none of these options has been exercised.

2004 STOCK OPTION PLAN

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share (USD)	Options Outstanding as of 12/31/14	Additional Options Granted During Period	Options Lapsed During Period	Options Lapsed Due to Repurchase of Ordinary Shares During Period	Options Exercised During Period	Options Cancelled During Period	Options Outstanding as of 06/30/15	Weighted Average Closing Price of Shares immediately before Dates on which Options were Exercised (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Options were Granted (USD)
Employees	11/5/2005	5/11/2005–5/10/2015	94,581,300	$0.20	22,004,216	—	22,004,216	—	—	—	—	$—	$0.20
Employees	11/8/2005	8/11/2005–8/10/2015	32,279,500	$0.22	5,214,500	—	1,582,000	—	—	—	3,632,500	$—	$0.22
Employees	11/11/2005	11/11/2005–11/10/2015	149,642,000	$0.15	18,090,000	—	88,000	—	—	—	18,002,000	$—	$0.15
Employees	20/2/2006	2/20/2006–2/19/2016	62,756,470	$0.15	16,717,078	—	303,322	—	—	—	16,413,756	$—	$0.15
Employees	12/5/2006	5/12/2006–5/11/2016	22,216,090	$0.15	1,683,000	—	118,000	—	—	—	1,565,000	$—	$0.15
Employees	29/9/2006	9/29/2006–9/28/2016	40,394,000	$0.13	10,352,000	—	174,000	—	—	—	10,178,000	$—	$0.13
Lip-Bu Tan	29/9/2006	9/29/2006–9/28/2016	500,000	$0.13	500,000	—	—	—	—	—	500,000	$—	$0.13
Others	10/11/2006	11/10/2006–11/09/2016	2,450,000	$0.13	150,000	—	—	—	—	—	150,000	$—	$0.13
Employees	10/11/2006	11/10/2006–11/09/2016	33,271,000	$0.11	6,343,000	—	108,000	—	48,000	—	6,187,000	$0.12	$0.11
Employees	16/5/2007	5/16/2007–5/15/2017	122,828,000	$0.15	34,694,000	—	1,003,000	—	—	—	33,691,000	$—	$0.15
Others	16/5/2007	5/16/2007–5/15/2017	5,421,000	$0.15	300,000	—	—	—	—	—	300,000	$—	$0.15
Employees	28/12/2007	12/28/2007–12/27/2017	89,839,000	$0.10	17,554,800	—	1,630,000	—	3,432,800	—	12,492,000	$0.11	$0.10
Employees	12/2/2008	2/12/2008–2/11/2018	126,941,000	$0.08	26,324,300	—	532,000	—	3,542,500	—	22,249,800	$0.11	$0.08
Others	12/2/2008	2/12/2008–2/11/2018	600,000	$0.08	300,000	—	—	—	—	—	300,000	$—	$0.08
Employees	18/11/2008	11/18/2008–11/17/2018	117,224,090	$0.02	14,323,830	—	118,000	—	1,664,000	—	12,541,830	$0.11	$0.02
Employees	17/2/2009	2/17/2009–2/16/2019	131,943,000	$0.03	21,727,000	Tm($0.11)TjETEMC /Span<</Lang (en-GB)/M BT0 Tc 0 Tw 3.9 0 0 C BT3.9 0 0 6 18610 0 6 100.ETEMC /,541,830							

2004 EQUITY INCENTIVE PLAN

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of RSUs Granted	Exercise Price Per Share (USD)	RSUs Outstanding as of 12/31/14	Additional RSUs Granted During Period	RSUs Lapsed During Period	RSUs Lapsed Due to Repurchase of Ordinary Shares During Period	RSUs Exercised During Period	RSUs Cancelled During Period	RSUs Outstanding as of 06/30/15	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Vested (USD)	Weighted Average Closing Price of Shares immediately before Dates on which Restricted Share Units were Granted (USD)
Employees	23/2/2010	2/23/2010–2/22/2020	139,933,819	$0.00	161,828	—	—	—	68,252	—	93,576	$0.08	$0.10
Employees	31/5/2011	5/31/2011–5/30/2021	21,212,530	$0.00	3,430,545	—	—	—	3,430,545	—	—	$0.09	$0.08
WEN YI ZHANG	8/9/2011	9/8/2011–9/7/2021	9,320,093	$0.00	4,320,093	—	—	—	1,990,069	—	2,330,024	$0.09	$0.06
Tzu Yin Chiu	8/9/2011	9/8/2011–9/7/2021	37,280,372	$0.00	18,640,186	—	—	—	9,320,093	—	9,320,093	$0.09	$0.06
Employees	22/5/2012	5/22/2012–5/21/2022	60,750,000	$0.00	26,445,000	—	615,000	—	12,967,500	—	12,862,500	$0.11	$0.04
Senior Management	22/5/2012	5/22/2012–5/21/2022	1,920,000	$0.00	960,000	—	75,000	—	480,000	—	405,000	$0.11	$0.04
Senior Management	12/9/2012	9/12/2012–9/11/2022	2,500,000	$0.00	1,250,000	—	—	—	—	—	1,250,000	$—	$0.04
Employees	11/6/2013	6/11/2013–6/10/2023	133,510,000	$0.00	92,392,500	—	2,232,500	—	30,465,000	—	59,695,000	$0.09	$0.08
Senior Management	11/6/2013	6/11/2013–6/10/2023	17,826,161	$0.00	13,369,623	—	1,175,228	—	4,456,541	—	7,737,354	$0.09	$0.08
					160,969,775	—	4,098,228	—	63,178,000	—	93,693,547		

2014 STOCK OPTION PLAN

Name/Eligible Employees	Date Granted	Period during which Rights Exercisable	No. of Options Granted	Exercise Price Per Share	Options Outstanding as of 12/31/14	Additional Options Granted During Period	Options Lapsed During Period	Options Lapsed Due to Repurchase of Ordinary Shares During Period	Options Exercised During Period

5. REPURCHASE SALE OR REDEMPTION OF SECURITIES

The Company has not repurchased, sold or redeemed any of its securities during the six months ended June 30, 2015.

6. CHANGES IN DIRECTORATE AND UPDATE OF DIRECTORS' INFORMATION

Changes in the members of the Board

As previously disclosed by the Company, there were the following changes in the members of the Board during the period from the date of the Company's 2014 Annual Report and the date of this interim report:

- Mr. Zhang Wenyi resigned as a Class I executive Director, Chairman of the Board and chairman of the Nomination Committee with effect from March 6, 2015;
- Dr. Zhou Zixue was appointed as a Class I executive Director, Chairman of the Board and chairman of the Nomination Committee with effect from March 6, 2015;
- Mr. Frank Meng retired as a Class II independent non-executive Director upon the conclusion of the 2015 AGM held on June 26, 2015 and thus ceased to be a member of each of the Audit Committee and the Nomination Committee; and
- Mr. Ren Kai was appointed as a Class III non-executive Director and a member of the Strategic Advisory Committee with effect from August 11, 2015.

Changes in, and updates to, previously disclosed information relating to the Directors

As required under Rules 13.51B and 13.51(2) of the Hong Kong Stock Exchange Listing Rules, certain changes in, and updates to, the information previously disclosed regarding the Directors during their respective term of office are set out below:

- Mr. William Tudor Brown, an independent non-executive Director, was appointed as a member of the Audit Committee with effect from August 7, 2015; and
- Ms. Carmen I-Hua Chang, an independent non-executive Director, was appointed as a member of the Nomination Committee with effect from August 7, 2015.

7. WAIVER FROM COMPLIANCE WITH THE HONG KONG STOCK EXCHANGE LISTING RULES

Save as disclosed in the prospectus of the Company dated March 8, 2004, the Company has not received any waivers from compliance with the Hong Kong Stock Exchange Listing Rules which are still in effect.

8. REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices accepted by the Company and the interim financial statements of the Company for the six months ended June 30, 2015.

By order of the Board of Directors
Semiconductor Manufacturing International Corporation
Dr. Tzu-Yin Chiu
Chief Executive Officer and Executive Director

Shanghai, PRC
August 28, 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2015 and December 31, 2014

(In USD'000, except share and per share data)

	Notes	06/30/15 (unaudited)	12/31/14 (audited)
Assets			
Non-current assets			
Property, plant and equipment	14	**3,252,963**	2,995,086
Prepaid land use right		**143,220**	135,331
Intangible assets		**202,488**	207,822
Investments in associates	15	**160,744**	57,631
Investments in joint venture	16	**14,594**	—
Deferred tax assets		**44,701**	44,383
Other assets		**12,957**	30,867
Total non-current assets		**3,831,667**	3,471,120
Current assets			
Inventories	18	**365,332**	316,041
Prepayment and prepaid operating expenses		**37,507**	40,628
Trade and other receivables	19	**489,675**	456,388
Other financial assets	17	**568,886**	644,071
Restricted cash	20	**105,791**	238,051
Cash and cash equivalent		**766,165**	603,036
		2,333,356	2,298,215
Assets classified as held-for-sale	13	**—**	44
Total assets		**6,165,023**	5,769,379
Equity and liabilities			
Capital and reserves			
Ordinary shares	21	**16,300**	14,342
Share premium		**4,792,011**	4,376,630
Reserves		**96,168**	98,333
Accumulated deficit		**(1,408,709)**	(1,540,890)
Equity attributable to owners of the Company		**3,495,770**	2,948,415
Non-controlling interests		**350,254**	359,307
Total equity		**3,846,024**	3,307,722
Non-current liabilities			
Borrowings	24	**85,484**	256,200
Convertible bonds	25	**385,947**	379,394
Bonds payable	26	**492,383**	491,579
Deferred tax liabilities		**1,383**	69
Deferred government funding		**173,291**	184,174
Other liabilities		**2,080**	—
Total non-current liabilities		**1,140,568**	1,311,416
Current liabilities			
Trade and other payables	23	**863,210**	794,361
Borrowings	24	**119,727**	162,054
Deferred government funding		**62,368**	62,609
Accrued liabilities		**132,714**	131,114
Current tax liabilities		**412**	103
Total current liabilities		**1,178,431**	1,150,241
Total liabilities		**2,318,999**	2,461,657
Total equity and liabilities		**6,165,023**	5,769,379
Net current assets		**1,154,925**	1,148,018
Total assets less current liabilities		**4,986,592**	4,619,138

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2015 and 2014

(In USD'000)

	Ordinary Shares	Share premium	Equity-settle employee benefits reserve	Foreign currency translation reserve	Change in value of available-for-sale financial assets	Convertible bonds equity reserve	Accumulated deficit	Attributable to owner of the Company	Non-controlling interest	Total Equity
	(Note 21)		(Note 22)			(Note 25)				
Balance at January 1, 2014 (audited)	12,845	4,089,846	55,177	4,553	—	15,210	(1,693,859)	2,483,772	109,410	2,593,182
Profit for the period	—	—	—	—	—	—	77,062	77,062	(940)	76,122
Other comprehensive income for the period	—	—	—	(1,953)	—	—	—	(1,953)	—	(1,953)
Total comprehensive income for the period	—	—	—	(1,953)	—	—	77,062	75,109	(940)	74,169
Issuance of ordinary shares	1,036	196,161	—	—	—	—	—	197,197	—	197,197
Exercise of stock options	52	10,183	(6,187)	—	—	—	—	4,048	—	4,048
Share-based compensation	—	—	7,491	—	—	—	—	7,491	—	7,491
Capital contribution from non-controlling interes	—	—	—	—	—	—	—	—	245	245
Recognition of equity componen of convertible bonds	—	—	—	—	—	12,713	—	12,713	—	12,713
Sub-total	1,088	206,344	1,30 (en-GB)/MCID 2825 >>BDC BT5.1 0 0 6 256.9 >>BDC BT0.014 Tc -0.014 Tw 5.1 0 0 6 436.8 >>BDC BT5.1 0 0 u,BDC BT5.1 0 0 6 256.9 >>BDC E							

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2015 and 2014

(In USD'000)

	Six months ended	
	06/30/15	06/30/14
	(unaudited)	(unaudited)
Cash flow from operating activities		
Cash generated from operations	**304,715**	291,335
Interest paid	**(18,475)**	(15,202)
Interest received	**2,284**	3,327
Income taxes received (paid)	**326**	(786)
Net cash from operating activities	**288,850**	278,674
Cash flow from investing activities:		
Payments for property, plant and equipment	**(459,951)**	(227,246)
Payments for intangible assets	**(16,568)**	(11,312)
Payments for land use rights	**(9,265)**	(1,123)
Net changes in restricted cash relating to investing activities	**130,327**	(13,531)
Payments to acquire financial assets	**(1,209,318)**	(710,701)
Proceeds on sale of financial assets	**1,298,595**	592,593
Net proceeds after netting off land appreciation tax from disposal of property, plant and equipment and assets classified as held for sale	**53,142**	16,002
Proceeds from disposal of available-for-sale investment	**1,204**	—
Payments to acquire long-term investment	**(107,178)**	(16)
Net cash outflow from deconsolidation of subsidiaries	**(248)**	—
Net cash used in investing activities	**(319,260)**	(355,334)
Cash flow from financing activities:		
Proceeds from borrowings	**136,882**	150,798
Repayment of borrowings	**(349,927)**	(345,093)
Proceeds from issuance of ordinary shares	**399,460**	197,604
Proceeds from issuance of convertible bonds	**—**	181,230
Proceeds from exercise of employee stock options	**7,189**	4,048
Proceeds from non-controlling interest — capital contribution	**—**	245
Net cash from financing activities	**193,604**	188,832
Net increase in cash and cash equivalents	**163,194**	112,172
Cash and cash equivalent, beginning of period	**603,036**	462,483
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(65)**	(1,323)
Cash and cash equivalent, end of period	**766,165**	573,332

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2015

1.

4. ESTIMATES

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2014.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2014.

There have been no changes in the risk management department since December 31, 2014 or in any risk management policies since December 31, 2014.

6. SEGMENT INFORMATION

The Group is engaged principally in the computer-aided design, manufacturing and trading of integrated circuits. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about resources allocation and assessing performance of the Group. The Group operates in one segment. The measurement of segment profits is based on profit from operation as presented in the statements of profit or loss and other comprehensive income.

The Group operates in three principal geographical areas — United States, Europe, and Asia Pacific. The Group's operating revenue from customers, based on the location of their headquarters, is detailed below.

	Revenue from external customers	
	Six months ended	
	06/30/15	06/30/14
	USD'000	USD'000
United States	**384,052**	424,553
Mainland China and Hong Kong	**518,963**	410,143
Eurasia*	**153,398**	127,731
	1,056,413	962,427

* Not including Mainland China and Hong Kong

6. SEGMENT INFORMATION (CONTINUED)

The Group's business is characterized by high fixed costs relating to advanced technology equipment purchases, which result in correspondingly high levels of depreciation expenses. The Group will continue to incur capital expenditures and depreciation expenses as it equips and ramps-up additional fabs and expand its capacity at the existing fabs. The following table summarizes property, plant and equipment of the Group by geographical location.

	Property, plant and equipment	
	06/30/15	12/31/14
	USD'000	USD'000
United States	**108**	124
Europe	**3**	4
Taiwan	**136**	9
Hong Kong	**3,140**	3,240
Mainland China	**3,249,576**	2,991,709
	3,252,963	2,995,086

7. OTHER OPERATING INCOME

	Six months ended	
	06/30/15	06/30/14
	USD'000	USD'000
Gain on disposal of property, plant and equipment and assets classified as held-for-sale	**1,141**	7,593
Others	**264**	193
	1,405	7,786

The gain on disposal of property, plant and equipment and assets classified as held-for-sale for the six months ended June 30, 2015 was primarily due to the disposal of equipments.

The gain on disposal of property, plant and equipment and assets classified as held-for-sale for the six months ended June 30, 2014 was primarily from the sales of the staff living quarters in Beijing to employees.

8. FINANCE COSTS

	Six months ended	
	06/30/15	06/30/14
	USD'000	USD'000
Interest on:		
Bank and other borrowings		
— wholly repayable within five years	**8,577**	16,444
Interest on convertible bonds	**6,553**	3,429
Interest on corporate bonds	**11,117**	—
Total interest expense for financial liabilities not classified as at FVTPL	**26,247**	19,873
Less: amounts capitalized	**(18,821)**	(7,012)
	7,426	12,861

The weighted average interest rate on funds borrowed generally is 4.65% per annum (2014: 4.61% per annum).

9. PROFIT BEFORE TAX

	Six months ended	
	06/30/15	06/30/14
	USD'000	USD'000
Profit before tax has been arrived at after taking into account:		
Depreciation and amortization of property, plant and equipment	**226,826**	254,926
Amortization of prepaid land use rights	**1,031**	1,060
Amortization of acquired intangible assets	**22,515**	19,348
Impairment loss (reversed) recognized on inventory	**(9,051)**	6,651
Impairment loss recognized in respect of trade and other receivables	**1,524**	1,241
Foreign exchange gains or losses	**(5,080)**	14,454

10. INCOME TAX EXPENSE

	Six months ended	
	06/30/15	06/30/14
	USD'000	USD'000
Current tax — Enterprise Income Tax Expense (Benefit)	**(34)**	750
Current tax — Land Appreciation Tax	**16**	927
Deferred tax	**996**	(316)
Total income tax expense	**978**	1,361

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax, or the EIT Law, the profits of a foreign invested enterprise arising in 2008 and beyond that distributed to its immediate holding company who is a non-PRC tax resident will be subject to a withholding tax rate of 10%. A lower withholding tax rate may be applied if there is a favorable tax treaty between mainland China and the jurisdiction of the foreign holding company. For example, holding companies in Hong Kong that are also tax residents in Hong Kong (which should have commercial substance and proceed the formal treaty benefit application with in-charge tax bureau) are eligible for a 5% withholding tax on dividends under the Tax Memorandum between China and the Hong Kong Special Administrative Region.

The Company is incorporated in the Cayman Islands, where it is not currently subject to taxation.

The EIT Law (became effective on January 1, 2008) applies a uniform 25% enterprise income tax rate to both tax resident enterprise and non-tax resident enterprise, except where a special preferential rate applies.

Pursuant to Caishui Circular [2008] No. 1 ("Circular No. 1") promulgated on February 22, 2008, integrated circuit production enterprises whose total investment exceeds RMB8,000 million (approximately US$1,095 million) or whose integrated circuits have a line width of less than 0.25 micron are entitled to a preferential tax rate of 15%. Enterprises with an operation period of more than 15 years are entitled to a full exemption from income tax for five years starting from the first profitable year after utilizing all prior years' tax losses and 50% reduction of the tax for the following five years. Pursuant to Caishui Circular [2009] No. 69 ("Circular No. 69"), the 50% reduction should be based on the statutory tax rate of 25%.

On January 28, 2011, the State Council of China issued Guofa [2011] No. 4 ("Circular No. 4"), the Notice on Certain Policies to Further Encourage the Development of the Software and Integrated Circuit Industries which reinstates the EIT incentives stipulated by Circular No. 1 for the software and integrated circuit enterprises.

On April 20, 2012, State Tax Bureau issued CaiShui [2012] No. 27 ("Circular No. 27"), stipulating the income tax policies for the development of integrated circuit industry. Circular No. 1 was partially abolished by Circular No. 27 and the preferential taxation policy in Circular No. 1 was replaced by Circular No. 27.

On July 25, 2013, State Tax Bureau issued [2013] No. 43 ("Circular No. 43"), clarifying that the accreditation and preferential tax policy of integrated circuit enterprise established before December 31, 2010, is applied pursuant to Circular No. 1.

10. INCOME TAX EXPENSE (CONTINUED)

The detailed tax status of SMIC's principal PRC entities with tax holidays is elaborated as follows:

1) Semiconductor Manufacturing International (Shanghai) Corporation ("SMIS" or "SMIC Shanghai")

Pursuant to the relevant tax regulations, SMIS is qualified as an integrated circuit enterprise and enjoyed a 10-year tax holiday (five year full exemption followed by five year half reduction) beginning from 2004 after utilizing all prior years' tax losses. The income tax rate for SMIS for 2015 is 15% (2014: 15%).

2) Semiconductor Manufacturing International (Tianjin) Corporation ("SMIT" or "SMIC Tianjin")

In accordance with Circular No. 43 and Circular No. 1, SMIT is qualified as an integrated circuit enterprise and enjoying a 10-year tax holiday (five year full exemption followed by five year half reduction) beginning from 2013 after utilizing all prior years' tax losses. The income tax rate for SMIT was 0% from 2013 to 2017 and 12.5% from 2018 to 2022. After that, the income tax rate will be 15%.

3) Semiconductor Manufacturing International (Beijing) Corporation ("SMIB" or "SMIC Beijing")

In accordance with Circular No. 43 and Circular No. 1, SMIB is qualified as an integrated circuit enterprise and enjoying a 10-year tax holiday (five year full exemption followed by five year half reduction) beginning from 2015 after utilizing all prior years' tax losses. The income tax rate for SMIB was 0% from 2015 to 2019 and 12.5% from 2020 to 2024. After that, the income tax rate will be 15%.

All the other PRC entities of SMIC were subject to the income tax rate of 25%.

11. DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

Construction in progress

The construction in progress balance of approximately US$1,415 million as of June 30, 2015, primarily consisted of US$771 million and US$137 million of the manufacturing equipment acquired to further expand the production capacity at two 12" fabs in Beijing and one 12" fab in Shanghai, respectively, and US$292 million of the manufacturing equipment acquired to further expand the production capacity at the 8" fab in Shenzhen. In addition, US$215 million was related to various ongoing capital expenditures projects of other SMIC subsidiaries, which are expected to be completed by the end of 2015.

Impairment losses recognized in the period

The Group didn't record any impairment loss of property, plant and equipment for the six months ended June 30, 2015 and 2014.

Assets pledged as security

As of June 30, 2015, property, plant and equipment with carrying amount of approximately US$350 million (December 31, 2014: approximately US$306 million) have been pledged to secure borrowings of the Group (see Note 24) under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

15. INVESTMENTS IN ASSOCIATES

Details of the Group's associates, which are all unlisted companies, at the end of the reporting period are as follows:

Name of company	Place of establishment and operation	Class of share held	Percentage of ownership interest and voting power held by the Company	
			06/30/15	12/31/14
Toppan SMIC Electronic (Shanghai) Co., Ltd ("Toppan")	Shanghai, PRC	Ordinary	**30.0%**	30.0%
Zhongxin Xiecheng Investment (Beijing) Co., Ltd ("Zhongxin Xiecheng")	Beijing, PRC	Ordinary	**49.0%**	49.0%
Brite Semiconductor Corporation	Cayman Island	Ordinary	**47.8%**	47.8%
China Fortune-Tech Capital Co., Ltd ("China Fortune-Tech")	Shanghai, PRC	Ordinary	**45.0%**	45.0%
Beijing Wu Jin Venture Investment Center (Limited Partnership) ("WuJin")	Beijing, PRC	Ordinary	**32.6%**	32.6%
Beijing Integrated Circuit Industry Development Fund — Design and Packaging Sub-Fund	Beijing, PRC	Ordinary	**25.4%**	25.4%
Shanghai Juyuan Qiai Investment Center (Limited Partnership)	Shanghai, PRC	Ordinary	**33.0%**	N/A
Suzhou Changjiang Electric Xinke Investment Co., Ltd. ("Changjiang Xinke")	Jiangsu, PRC	Ordinary	**19.6%**	N/A

Above associates are accounted for using the equity method in these condensed consolidated financial statements.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	06/30/15	12/31/14
	USD'000	USD'000
Within 30 days	195,854	167,137
Between 31–60 days	123,175	122,387
Over 60 days	118,652	135,137
Total	437,681	424,661

The following is analysis of trade receivables (net of allowance for doubtful debt) by age, presented based on due date:

	06/30/15	12/31/14
	USD'000	USD'000
Current	308,734	270,220
Past due but not impaired		
Within 30 days	32,184	55,412
Between 31–60 days	18,776	20,915
Over 60 days	34,934	36,100
Total	394,628	382,647

20. RESTRICTED CASH

As of June 30, 2015, restricted cash consisted of US$1.2 million (December 31, 2014: US$0.6 million) of bank time deposits pledged against letters of credit and short-term borrowings, and US$104.6 million (December 31, 2014: US$135.4 million) of government funding received mainly for the reimbursement of research and development expenses to be incurred.

In addition, as of December 31, 2014, the restricted cash of US$102 million was for the co-investment in the proposed acquisition of STATS ChipPAC Ltd. ("STATS ChipPAC") through Changjiang Xinke, a company established in the PRC. STATS ChipPAC is a leading provider of advanced semiconductor packaging and test services, which is incorporated in the Republic of Singapore and listed on the SGX-ST. On June 18, 2015, the amount of US$102 million was applied as a capital contribution for 19.6% equity interest in Changjiang Xinke, which is accounted as an associate of the Group.

21. SHARES AND ISSUED CAPITAL

Ordinary shares of US$0.0004 each issued and fully paid

22. SHARE-BASED PAYMENTS

Share options schemes

The Company has adopted the two share option schemes under which options to subscribe for the Company's shares have been granted to certain employees, officers and other service providers.

The expense recognized for employee services received during the period is shown in the following table:

	Six months ended	
	06/30/15	06/30/14
	USD'000	USD'000
Expense arising from equity-settled share-based payment transactions	**8,088**	7,491

Movements during the period

(i) The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period (excluding Restricted Share Units ("RSUs")):

	2015	**2015**	2014	2014
	Number	**WAEP**	Number	WAEP
Outstanding at January 1	**1,163,627,269**	**US$0.08**	1,320,383,853	US$0.09
Granted during the period	**49,739,650**	**US$0.10**	29,470,736	US$0.08
Forfeited and expired during the period	**(53,333,368)**	**US$0.14**	(118,169,224)	US$0.16
Exercised during the period	**(103,399,197)**	**US$0.07**	(69,800,684)	US$0.06
Outstanding at June 30	**1,056,634,354**	**US$0.08**	1,161,884,681	US$0.08

In the current interim period, share options were granted on February 24, 2015 and May 20, 2015. The fair values of the options determined at the dates of grant using the Black-Scholes Option Pricing model were US$0.04 and US$0.04.

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was US$0.11.

The following table lists the inputs to the Black Scholes Option Pricing model used for the options granted during the six months ended June 30, 2015 and 2014:

	2015	2014
Dividend yield (%)	**—**	—
Expected volatility	**45.38%**	58.49%
Risk-free interest rate	**1.55%**	1.66%
Expected life of share options	**5 years**	5 years

The risk-free rate for periods within the contractual life of the options is based on the yield of the US Treasury Bond. The expected term of options granted represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on the average volatility of the Company's stock prices with the time period commensurate with the expected term of the options. The dividend yield is based on the Group's intended future dividend plan.

22. SHARE-BASED PAYMENTS (CONTINUED)

Movements during the period (Continued)

(i) (Continued)

The valuation of the options is based on the best estimates from the Group by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in variables and assumptions may affect the fair value of these options.

(ii) The following table illustrates the number and weighted average fair value (WAFV) of, and movements in, RSUs during the period (excluding share options):

23. TRADE AND OTHER PAYABLES

	06/30/15	12/31/14
	USD'000	USD'000
Trade payables	650,636	645,414
Advance receipts from customers	66,620	54,724
Deposit received from customers	129,714	77,296
Other payables	16,240	16,927
	863,210	794,361

Trade payables are non-interest bearing and are normally settled on 30-day to 60-day terms.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	06/30/15	12/31/14
	USD'000	USD'000
Within 30 days	552,620	555,556
Between 31–60 days	43,904	25,729
Over 60 days	54,112	64,129
Total	650,636	645,414

An aged analysis of the trade payables is as follows:

	06/30/15	12/31/14
	USD'000	USD'000
Current	588,674	599,584
Overdue:		
Within 30 days	27,065	12,520
Between 31 to 60 days	10,725	4,954
Over 60 days	24,172	28,356
	650,636	645,414

24. BORROWINGS

	06/30/15	12/31/14
	USD'000	USD'000
At amortized cost		
Short-term commercial bank loans	**55,753**	115,084
	55,753	115,084
2013 USD Loan (SMIC Shanghai)	**10,760**	221,520
2015 USD Loan (SMIC Shanghai)	**59,462**	—
2013 EXIM USD Loan (SMIC Beijing)	**40,000**	40,000
2013 CIDC RMB Entrusted loan (SMIC Beijing)	**—**	2,450
2014 EXIM RMB Loan (SMIC Beijing)	**39,236**	39,200
	149,458	303,170
Less: current maturities of long-term debt	**63,974**	46,970
Non-current maturities of long-term debt	**85,484**	256,200
Borrowing by repayment schedule:		
Within 1 year	**119,727**	162,054
Within 1–2 years	**52,450**	125,200
Within 2–5 years	**33,034**	131,000
	205,211	418,254

As of June 30, 2015, property, plant and equipment and land use right with carrying amount of approximately US$350 million (December 31, 2014: US$308 million) have been pledged to secure borrowings of the Group.

25. CONVERTIBLE BONDS

(i) Issue of US$200 million zero coupon convertible bonds due 2018

On November 7, 2013, the Company issued zero coupon convertible bonds at a par value of US$200,000 each with an aggregate principal amount of US$200,000,000 (the "Original Bonds"). The issue price was 100% of the aggregate principal amount of the Original Bonds. The Original Bonds is a compound instrument that included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the Original Bonds, which are deemed to be clearly and closely related to the host contract and therefore, do not need to be separately accounted for. The fair value of the liability component of the Original Bonds was approximately US$179.4 million and the equity component was approximately US$15.2 million, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

	USD'000
Principal amount	200,000
Transaction cost	(5,400)
Liability component at the date of issue	(179,390)
Equity component	15,210

Please refer to the Company's annual consolidated financial statements as at December 31, 2014 for the principal terms of the Original Bonds.

25. CONVERTIBLE BONDS (CONTINUED)

(i) Issue of US$200 million zero coupon convertible bonds due 2018 (Continued)

Subsequent to the initial recognition, the liability component of the Original Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the Original Bonds was 3.69% per annum. The movement of the liability component and equity component of the Original Bonds for the period ended June 30, 2015 is set out below:

	Liability Component	Equity Component	Total
	USD'000	USD'000	USD'000
As at January 1, 2015	187,156	15,210	202,366
Interest charged during the period	3,434	—	3,434
As at June 30, 2015	**190,590**	**15,210**	**205,800**

The equity component will remain in convertible bond equity reserve until the embedded conversion option is exercised or the bonds mature.

(ii) Issue of US$86.8 million zero coupon convertible bonds due 2018

On May 29, 2014, the Company issued convertible bonds at a par value of US$200,000 each with an aggregate principal amount of US$54,600,000 to Dafang Holdings (Hongkong) Investment Company Limited ("Dafang") and an aggregate principal amount of US$32,200,000 to Country Hill Limited ("Country Hill") (collectively, the "Original Pre-emptive Bonds"). The issue price was 100% of the aggregate principal amount of the Original Pre-emptive Bonds and the terms and conditions of the Original Pre-emptive Bonds are the same in all respects as those for the Original Bonds except for the issue date. The Original Pre-emptive Bonds is a compound instrument that included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the Original Pre-emptive Bonds, which are deemed to be clearly and closely related to the host contract and therefore, do not need to be separately accounted for. The fair value of the liability component of the Original Pre-emptive Bonds was approximately US$81.2 million and the equity component was approximately US$5.6 million, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

	USD'000
Principal amount	86,800
Liability component at the date of issue	(81,235)
Equity component	5,565

25. CONVERTIBLE BONDS (CONTINUED)

(ii) Issue of US$86.8 million zero coupon convertible bonds due 2018 (Continued)

Subsequent to the initial recognition, the liability component of the Original Pre-emptive Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the Original Pre-emptive Bonds was 2.78% per annum. The movement of the liability component and equity component of the Original Pre-emptive Bonds for the period ended June 30, 2015 is set out below:

	Liability Component	Equity Component	Total
	USD'000	USD'000	USD'000
As at January 1, 2015	**82,550**	**5,565**	**88,115**
Interest charged during the period	**1,133**	**—**	**1,133**
As at June 30, 2015	**83,683**	**5,565**	**89,248**

The Original Pre-emptive Bonds have been consolidated and have formed a single series with the Original Bonds from the date of their issue.

(iii) Issue of US$95 million zero coupon convertible bonds due 2018

On June 24, 2014, the Company issued convertible bonds at a par value of US$200,000 each with an aggregate principal amount of US$95,000,000 (the "Further Bonds"). The issue price was 101.5% of the aggregate principal amount of the Further Bonds and the terms and conditions of the Further Bonds are the same in all respects as those for the Original Bonds except for the issue date. The Further Bonds is a compound instrument that included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the Further Bonds, which are deemed to be clearly and closely related to the host contract and therefore, do not need to be separately accounted for. The fair value of the liability component of the Further Bonds was approximately US$87.1 million and the equity component was approximately US$7.1 million, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

	USD'000
Principal amount	95,000
Premium of convertible bonds	1,425
Transaction cost	(2,187)
Liability component at the date of issue	(87,090)
Equity component	7,148

25. CONVERTIBLE BONDS (CONTINUED)

(iii) Issue of US$95 million zero coupon convertible bonds due 2018 (Continued)

Subsequent to the initial recognition, the liability component of the Further Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the Further Bonds was 3.79% per annum. The movement of the liability component and equity component of the Further Bonds for the period ended June 30, 2015 is set out below:

	Liability Component	Equity Component	Total
	USD'000	USD'000	USD'000
As at January 1, 2015	**88,740**	**7,148**	**95,888**
Interest charged during the period	**1,650**	**—**	**1,650**
As at June 30, 2015	**90,390**	**7,148**	**97,538**

The Further Bonds have been consolidated and have formed a single series with the Original Bonds and the Original Pre-emptive Bonds from the date of their issue.

(iv) Issue of US$22.2 million zero coupon convertible bonds due 2018

On December 4, 2014, the Company issued convertible bonds at a par value of US$200,000 each with an aggregate principal amount of US$22,200,000 to Dasang (the "Further Pre-emptive Bonds"). The issue price was 101.5% of the aggregate principal amount of the Further Pre-emptive Bonds and the terms and conditions of the Further Pre-emptive Bonds are the same in all respects as those for the Original Bonds except for the issue date. The Further Pre-emptive Bonds is a compound instrument that included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the Further Pre-emptive Bonds, which are deemed to be clearly and closely related to the host contract and therefore, do not need to be separately accounted for. The fair value of the liability component of the Further Pre-emptive Bonds was approximately US$20.9 million and the equity component was approximately US$1.6 million, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

	USD'000
Principal amount	22,200
Premium of convertible bonds	333
Liability component at the date of issue	(20,892)
Equity component	1,641

25. CONVERTIBLE BONDS (CONTINUED)

(iv) Issue of US$22.2 million zero coupon convertible bonds due 2018 (Continued)

Subsequent to the initial recognition, the liability component of the Further Pre-emptive Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the Further Pre-emptive Bonds was 3.22% per annum. The movement of the liability component and equity component of the Further Pre-emptive Bonds for the period ended June 30, 2015 is set out below:

27. COMMITMENTS FOR EXPENDITURE

Purchase commitments

As of June 30, 2015, the Group had the following commitments to purchase machinery, equipment and construction obligations. The machinery and equipment is scheduled to be delivered to the Group's facility by December 31, 2015.

	06/30/15	12/31/14
	USD'000	USD'000
Commitments for the facility construction	**145,865**	211,696
Commitments for the acquisition of property, plant and equipment	**485,736**	292,867
Commitments for the acquisition of intangible assets	**21,285**	14,109
	652,886	518,672

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Pricing information the Group obtains from third parties is internally validated for reasonableness prior to use in the condensed consolidated financial statements. When observableally validated

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements recognized in the consolidated statement of financial position (Continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		06/30/15			
	Valuation technique(s) and key input	**Level 1**	**Level 2**	**Level 3**	**Total**
		USD'000	**USD'000**	**USD'000**	**USD'000**
Financial assets at FVTPL					
Short-term investment carried at fair value through profit or loss	Discounted cash flow. Future cash flows are estimated based on contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	**—**	**550,751**	**—**	**550,751**
Available-for-sale investment	Quoted prices in active markets	**3,507**	**—**	**—**	**3,507**
Available-for-sale investment	Recent transaction price	**—**	**—**	**3,270**	**3,270**
Total		**3,507**	**550,751**	**3,270**	**557,528**

		12/31/14			
	Valuation technique(s) and key input	Level 1	Level 2	Level 3	Total
		USD'000			

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Trading transactions

During the period, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sale of goods		Sale of services	
	Six months ended		Six months ended	
	06/30/15	06/30/14	**06/30/15**	06/30/14
	USD'000	USD'000	**USD'000**	USD'000
Datang Microelectronics Technology Co., Ltd	**6,453**	5,254	**—**	—
Leadcore Technology Co., Ltd	**2,616**	964	**—**	—
Toppan	**—**	—	**2,319**	2,194
Brite	**15,528**	16,248	**—**	—
China Fortune-Tech	**—**	NA	**36**	NA

	Purchase of goods		Purchase of services	
	Six months ended		Six months ended	
	06/30/15	06/30/14	**06/30/15**	06/30/14
	USD'000	USD'000	**USD'000**	USD'000
China Academy of Telecommunication Technology	**—**	—	**365**	—
Toppan	**—**	3	**8,461**	12,626
Zhongxin Xiecheng	**—**	—	**624**	1,934
Brite	**—**	—	**801**	2,175
China Fortune-Tech	**—**	NA	**693**	NA

The following balances were outstanding at the end of the reporting period: Amounts due from related parties Amo

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Trading transactions (Continued)

On February 18, 2014, the Company entered into a Framework Agreement with Datang Telecom, pursuant to which, the Company (including its subsidiaries) and Datang Telecom (including its associates) will engage in business collaboration including but not limited to foundry service. The effective period of the Framework Agreement is two years. The pricing for the transactions contemplated under the agreement will be determined by reference to reasonable market price.

On November 6, 2008 and April 18, 2011, respectively, the Company entered into share purchase agreements with Datang Telecom and Country Hill which granted each of Datang and Country Hill a pre-emptive right to subscribe for additional shares if the Company issues new shares to other investors. On March 2, 2015, the Company received irrevocable notices from both Datang and Country Hill about exercising their pre-emptive right as a result of the Placing of New Shares. On June 11, 2015, Datang and Country Hill entered into agreements with the Company to subscribe for 961,849,809 ordinary shares and 323,518,848 ordinary shares, respectively, at a price of HK$0.6593 per share. As of June 30, 2015, the amount due from Datang and Country Hill for the share subscription were HK$634,147,579.07 and HK$213,295,976.49, respectively.

Arrangements/contracts for sale of self-developed living quarter units

In the first half of 2015, the Group entered into arrangements/contracts with 3 of the Company's directors and key management for sale of self-developed living quarter units and the amount of the considerations is approximately US$2.9 million. The transactions were not completed as of the date of this interim report.

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