



Dear Shareholders,

CSMC's vision and mission is to be the largest and lowest-cost mainstream foundry in China through our continued focus targeting demand for mainstream products in the Chinese semiconductor market and our cost-efficient capital expenditure strategy. Since our founding, we have chosen to stand apart from the pack with our mainstream focus, and as the mainstream segment in China moves to below 0.5 micron process technologies, we will be well-positioned to capture the growth in that sector.

The year 2004 was another record-setting year for CSMC and a milestone in the history of the Company. On 13 August 2004, we became a public company when our shares were listed on the main board of the Hong Kong Stock Exchange. I am proud of the combined efforts and accomplishments of our Directors, management and our entire staff since the Company's founding, and if 2004 is any indication of CSMC's future, it will be a bright future indeed.

致各股東：

華潤上華堅持專注於中國半導體市場的主流產品需求，以具成本效益的資本開支為策略，成為中國最大及低成本的主流晶圓代工廠是我們追求的目標及使命。本公司自創立以來，一直堅持獨特的定位並致力於主流市場，隨著中國的主流晶圓代工業採用0.5微米以下的製程技術，我們將以最佳的定位把握市場機遇。

二零零四年是華潤上華再創佳績的一年，亦是本公司的歷史上的里程碑。於二零零四年八月十三日，本公司於香港聯交所主板上市成為一家上市公司，本人對各董事、管理人員及全體同仁，自本公司創立以來同心協力取得的成就，引以為榮。倘二零零四年標誌著華潤上華未來發展，本公司將會前景秀麗。

CSMC has produced another year of record-breaking turnover and profit attributable to shareholders in 2004, extending yet again the Group's continuous profitability record now to five consecutive years. In view of the solid results achieved in 2004, the Directors have recommended the payment of a final dividend of HK\$ 0.005 per share for the year ended 31 December 2004.

In November 2004, we also completed the remainder of the transfer of the production line which we acquired from Chartered Semiconductor in 2003, which will give us the platform to extend our current process technology offering down to 0.35 micron and beyond. The transfer was completed on schedule and represents the Company's second on-time transfer of a reconditioned equipment line (the first was completed in 2003). This success underscores the skill and experience which our team has in executing our reconditioned equipment strategy. Even with doubling our capacity in 2004, we were still able to maintain our capacity utilization at 87% in 2004, which also demonstrates our ability to match our growth with demand in our rapidly growing business.

Apart from the overall growth of the business in 2004, we will continue to introduce more international customers and migrate to higher margin non-logic processes in 2005. Many international IDMs are now seeking to outsource their production to us because of our expanding process technology offering and because they see the value in our China strategy. By expanding into more non-logic processes, we can reach and serve a wider customer base as well as boost our margins.

華潤上華於二零零四年再度錄得破紀錄的營業額及股東應佔溢利，取得連續五年獲利的驕人成績。有鑑於二零零四年堅實的業績，董事建議派付截至二零零四年十二月三十一日止年度的末期股息每股0.005港元。

二零零四年十一月，華潤上華同時完成將二零零三年從特許半導體購入的生產線轉移的最後工程，為本公司提供一個平台，可拓展我們現行的製程技術至0.35微米及以下。轉移工作如期完成，為本公司第二條如期轉移的改造設備生產線（第一條生產線已於二零零三年完成）。這項成就全賴本公司團隊執行改造設備策略的技術及經驗。即使我們的產能於二零零四年提升一倍，我們仍能於本年度維持87%的產能利用率，顯示我們有能力以快速增長的產能滿足高成長的市場需求。

除二零零四年整體業務增長外，本公司將會繼續吸納更多國際客戶，並於二零零五年轉型至高溢利率的非邏輯製程技術。多家國際IDM目前正尋求外判生產給本公司，乃因我們擴充加工技術，而且他們垂青本公司於中國的策略創造的價值。藉著拓展至採用更多非邏輯加工技術，本公司能拓展及服務更廣闊的客戶群，提升我們的溢利。

We are currently in the process of building our Fab 2 shell in the New District of Wuxi and expect to complete building construction in 2005. Fab 2 will focus on 8-inch production with 0.35 micron to 0.25 micron process technologies, in continuing our pursuit of China's mainstream segment. With the right strategic partner, we will be ready to ramp up Fab 2 from shell construction phase to production phase.

As a result of domestic demand, the rate of growth of China's semiconductor industry is expected to continue to exceed that of the global market. IC Insights estimates that sales of semiconductors in China will reach US\$80 billion by the end of 2010 as China increases its share of total global semiconductor consumption to 30%. The semiconductor industry historically is by nature a cyclical industry. Due to our strong foothold in the China market, CSMC has been able to enjoy additional buffer in its business stability and growth in the down cycles. Looking ahead, we are currently preparing to meet the challenges from the expected softening of the worldwide semiconductor industry in 2005. We are cautiously optimistic that our mainstream technology strategy will sustain us as it has in previous downturns.

Finally, I would again like to thank our shareholders and our Board for their great support and our management, staff and business partners for their contributions in generating yet another spectacular year for the Company in 2004. I believe we have the right business model and strategy, the right technologies and the right dedicated team to bring the Group to greater heights in the coming years.



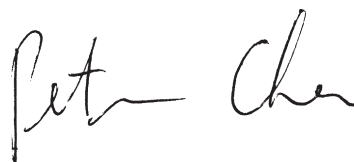
Dr. Peter CHEN Cheng-yu
Chairman

Hong Kong, 15 March 2005

本公司現正興建位於無錫新區的二廠廠房，預期將於二零零五年完成廠房建設。二廠將會專注於採用0.35微米至0.25微米的製程技術生產8英寸晶圓，以繼續發展中國主流產品業務。透過與合適的策略夥伴合作，我們將準備提升二廠由廠房建設階段至生產階段。

由於國內需求，預期中國半導體行業的增長率會繼續超越全球市場。IC Insights估計，於二零一零年底前，中國半導體的銷售額將高達800億美元，中國佔全球半導體消耗量的比例會增長至30%。半導體行業傳統上屬週期性行業。憑藉本公司於中國市場的雄厚根基，華潤上華能在行業低潮期依然享有業務穩定性及增長。展望將來，我們現正積極備戰以面對預期於二零零五年放緩的世界半導體業。我們審慎樂觀地認為，主流技術策略將保障我們立於不敗之地，這一點在歷史上的半導體低谷時期已經得到印証。

最後，本人謹此對股東及董事會的支持，以及管理層、員工和事業夥伴為二零零四年本公司出色的表現作出的貢獻，深表謝意。本人相信，憑藉我們恰當的業務模式和策略、合適的技術及努力不懈的團隊，定能為本集團於來年業務再創高峰。



主席
陳正宇博士

香港，二零零五年三月十五日