

The Directors of CSMC Technologies Corporation (the "Company") are pleased to present their report together with the audited financial statements for the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 22 to the accounts. The Group owns and operates the first and now one of the largest open semiconductor foundries in China as measured by operational capacity. The Group focuses on the semiconductor market in China and is principally engaged in providing manufacturing services mainly for CMOS logic, mixed-signal, high voltage, non-volatile memory and EEPROM ICs. The Group also offers assistance to its customers by arranging upstream IC design services as well as downstream testing and packaging services.

An analysis of the Group's performance for the year by geographical segments is set out in note 3 to the accounts.

## RESULTS AND APPROPRIATIONS

The results and appropriations of the Group are set out in the consolidated profit and loss account on page 79 to this Annual Report.

In March 2004, the Group declared a dividend of US\$1.338 million in the form of a bonus issue pursuant to which a total of 1,338,000 ordinary shares of US\$0.0001 each of the Group were allotted, issued and credited as fully paid, to members of the Group whose names appeared on the register of members of the Group as at 31 December 2003 in proportion to their respective shareholdings.

The Directors recommend the payment of a final dividend of HK\$0.005 per ordinary share, totaling HK\$13,080,730.45.

華潤上華科技有限公司(「本公司」)董事欣然提呈他們的報告，連同本公司及其附屬公司(「本集團」)截至二零零四年十二月三十一日止年度的經審核財務報表。

## 主要業務

本公司是一家投資控股公司。主要附屬公司的業務均載於賬目附註22。本集團於中國擁有及經營第一家，並以營運能力計為其中一家最大型的半導體開放式晶圓代工廠，專注發展中國半導體市場，主要為CMOS邏輯、數模混合信號、高壓、非易失存記憶體及EEPROM IC提供製造服務。本集團亦透過安排提供上游IC設計服務，以及下游測試及封裝服務，為其客戶提供支援。

有關按地區分類分析本集團於本年度的業績表現，載於賬目附註3。

## 業績及分配

本集團的業績及分配，均載於本年報第79頁的綜合損益賬。

於二零零四年三月，本集團以紅股發行方式宣派股息1,338,000美元。根據紅股發行，本集團向於二零零三年十二月三十一日名列本集團股東名冊的股東，按他們各自的持股比例，配發及發行每股面值0.0001美元，並入賬列為繳足之普通股合共1,338,000股。

董事建議支付末期股息每股普通股0.005港元，合共13,080,730.45港元。

## RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 20 to the accounts.

## FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

## PRINCIPAL PROPERTIES

The Group owns a parcel of land totaling 310,231.8 square meters in the New District, Wuxi. The Group is now constructing fab buildings and facilities on such land. The Group also rents nine properties located in Wuxi totaling 22,472.7 square meters. Of the rented properties, one property (15,319.3 square meters) is used for production and the lease agreement for the property has been registered with the relevant land and housing administration authority. The other eight rental properties totaling 7,153.4 square meters are used as offices and dormitories for employees. The leases for these properties have not been registered and are potentially subject to termination under PRC law.

## SHARE CAPITAL

Details of the movements in share capital of the Group are set out in note 19 to the accounts.

## 儲備

本公司及本集團於年內的儲備變動，載於賬目附註20。

## 固定資產

有關本集團固定資產變動的詳情，載於賬目附註12。

## 主要物業

本集團於無錫新區擁有一幅合共310,231.8平方米的土地。本集團現正於該土地上興建晶圓代工廠樓宇及設施。本集團亦租用無錫的九項物業，面積合共22,472.7平方米。在租用的物業中，有一項物業（15,319.3平方米）是用作生產用途。該物業的租約已於有關土地房屋管理局登記。其他八項租用物業的面積共7,153.4平方米，均用作辦事處及僱員宿舍。該等物業的租約並未登記，故根據中國法律可能須予終止。

## 股本

有關本集團股本的變動詳情，載於賬目附註19。

## DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company's retained profit of approximately US\$11.67 million was available for distribution to its shareholders.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Group's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Group to offer new shares on a pro-rata basis to existing shareholders.

## FINANCIAL SUMMARY SINCE INCEPTION

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 6 of this Annual Report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries made any purchase, sale or redemption of listed securities of the Company during the year ended 31 December 2004.

## 可供分派儲備

於二零零四年十二月三十一日，本公司的保留溢利約11,670,000美元，可供分派予其股東。

## 優先購買權

根據本集團的章程細則，概無優先購買權的條文，而根據開曼群島法律，並無限制該等權利的條文而規定本集團有義務按現有股東的股權比例，提呈發售新股份。

## 自成立以來的財務概要

本集團於最近四個財政年度的業績及資產負債概要，載於本年報第6頁。

## 購買、出售或贖回上市證券

截至二零零四年十二月三十一日止年度，本公司或其任何附屬公司概無進行任何購買、出售或贖回本公司的上市證券。

## DIRECTORS

The Directors during the year were:

Dr. Peter CHEN Cheng-yu	(appointed on 28 January 2003)
Mr. Robert LEE Naii	(appointed on 28 January 2003, resigned on 1 September 2003, re-appointed on 8 May 2004)
Mr. TSAI Nein-nan	(appointed on 8 May 2004)
Mr. ONG Thiam Kin	(appointed on 1 September 2003, redesignated as a non-executive director on 8 May 2004)
Mr. YU Yu	(appointed on 1 September 2003, redesignated as a non-executive director on 8 May 2004)
Dr. CHEN Nan-xiang	(appointed on 1 September 2003, redesignated as a non-executive director on 8 May 2004)
Mrs. Kum Loon OON	(appointed on 8 May 2004)
Mr. Mark HSUE Chi Nan	(appointed on 8 May 2004)
Mr. Ralph Sytze YBEMA	(appointed on 8 May 2004)
Mr. James Ferguson PATON	(appointed on 1 September 2003, resigned on 8 May 2004)
Mr. David D. CHOW	(appointed on 1 September 2003, resigned on 8 May 2004)

## 董事

年內的董事載述如下：

陳正宇博士	(於二零零三年一月二十八日獲委任)
李乃義先生	(於二零零三年一月二十八日獲委任，於二零零四年五月八日獲重選連任)
蔡聯南先生	(於二零零四年五月八日獲委任)
王添根先生	(於二零零三年九月一日獲委任，於二零零四年五月八日再度獲指派為非執行董事)
俞宇先生	(於二零零三年九月一日獲委任，於二零零四年五月八日再度獲指派為非執行董事)
陳南翔博士	(於二零零三年九月一日獲委任，於二零零四年五月八日再度獲指派為非執行董事)
溫金鸞女士	(於二零零四年五月八日獲委任)
許奇楠先生	(於二零零四年五月八日獲委任)
Ralph Sytze YBEMA先生	(於二零零四年五月八日獲委任)
James Ferguson先生	(於二零零三年九月一日獲委任，於二零零四年五月八日辭任)
David D. CHOW先生	(於二零零三年九月一日獲委任，於二零零四年五月八日辭任)

## DIRECTORS (Cont'd)

Ms. Loh-yi Laure WANG	(appointed on 1 September 2003, resigned on 8 May 2004)
Mr. Sai Chak MAK	(appointed on 1 September 2003, resigned on 8 May 2004)
Mr. Chunyao Paul YANG	(appointed on 1 September 2003, resigned on 8 May 2004)
Mr. Song Hwee CHIA	(appointed on 1 September 2003, resigned on 8 May 2004)

In accordance with Article 95 of the Company's Articles of Association, Dr. Peter CHEN Cheng-yu, Mr. Robert LEE Naih, Mr. TSAI Nein-nan, Mrs. Kum Loon OON, Mr. Ralph Sytze YBEMA, and Mr. Mark HSUE Chi Nan will retire at the forthcoming Annual General Meeting, but being eligible, offer themselves for re-election.

None of the directors proposed for re-election has a service agreement with the Company or any of its subsidiaries, which is not determinable within 1 year without payment of compensation, other than statutory compensation.

Mrs. Kum Loon OON, Mr. Mark HSUE Chi Nan and Mr. Ralph Sytze YBEMA are Independent Non-Executive Directors. On 15 March 2005, each Independent Non-Executive Director has provided a written statement confirming of his/her independence to the Company. In accordance with the Listing Rules of the Stock Exchange of Hong Kong Limited, the Company assessed that each Independent Non-Executive Director continues to be independent.

## 董事(續)

Loh-yi Laure WANG女士	(於二零零三年九月一日 獲委任，於二零零四年五月 八日辭任)
Sai Chak MAK先生	(於二零零三年九月一日 獲委任，於二零零四年五月 八日辭任)
Chunyao Paul YANG先生	(於二零零三年九月一日 獲委任，於二零零四年五月 八日辭任)
Song Hwee CHIA先生	(於二零零三年九月一日 獲委任，於二零零四年五月 八日辭任)

根據本公司的章程細則第95條，陳正宇博士、李乃義先生、蔡聯南先生、溫金鸞女士、Ralph YBEMA先生及許奇楠先生將於應屆股東週年大會上退任，但他們合資格，並願膺選連任。

概無獲建議重選連任的董事已與本公司或其任何附屬公司訂立不可在一年內毋須賠償(法定賠償除外)而予以終止的服務合約。

溫金鸞女士、許奇楠先生及Ralph Sytze YBEMA先生均為獨立非執行董事。於二零零五年三月十五日，每名獨立非執行董事已提供書面聲明，確認其為獨立於本公司。根據交易所上市規則，本公司估計每名獨立非執行董事會繼續獨立於本公司。

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years which shall continue thereafter unless and until the Company or the Director serves a written notice of termination three months in advance during the term of the agreement or anytime thereafter. Particulars of the service contracts of the Directors are in all material respects the same. The salary of the Executive Directors is subject to review each year.

None of the Non-Executive Directors (including the Independent Non-Executive Directors) has entered into any service contract with the Company. Pursuant to the letters of appointment of the Non-Executive Directors (including the Independent Non-Executive Directors), the term of appointment of each of such Directors is for three years commencing from the date of appointment. The Company and Mrs Kum Loon OON subsequently agree that her appointment may be terminated with immediate effect by either party.

## 董事的服務合約

每名執行董事已與本公司訂立服務，初步為期三年，其後可以繼續生效，除非及直至於協議期間內或其後任何時間，本公司或有關董事事先發出三個月書面通知終止為止。董事的服務合約詳情，在各重大方面都是相同。執行董事的薪金須每年檢討一次。

概無非執行董事(包括獨立非執行董事)已與本公司訂立任何服務合約。根據非執行董事(包括獨立非執行董事)的委任函件，每名董事的委任期為三年，由委任當日起開始。其後，本公司及溫金鸞女士均同意，雙方可即時終止其委任事宜。

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## DIRECTORS' INTERESTS IN CONTRACTS

The Company entered into a consultancy agreement dated 1 August 2003 with Wiston Management Limited ("Wiston"), which is owned as to 50% by each of Peter CHEN Cheng-yu and Robert LEE Naii, Directors of the Company.

Under the consultancy agreement, the Company engaged Wiston to recommend and to procure executives, as expatriate employees of management grade within the Group, to provide managerial services to the Company. The consultancy arrangement was entered into by the Group to facilitate individual tax planning of the management and expatriate employees of the Group. Other than the arrangement with the Group, Wiston does not provide any similar services to any third party and is not engaged in any other business activities. The consultancy fees are subject to adjustment depending on the number of executives providing services to the Group. All of the consultancy fees charged by Wiston to the Company are to pay for the remuneration of such executives for providing managerial services to the Company. The agreement is for a term of three years and may be terminated by either party on one month's written notice.

Upon recruitment of an expatriate executive, the executive becomes a "qualified consultant" under the Wiston consultancy agreement as well as entering into an employment/service agreement with the Company. The Company and the expatriate executive then agree on an apportionment of the total remuneration payable to the executive between a consultancy fee payable by Wiston and salary payable under his employment/service agreement with the Company.

## 董事於合約的權益

本公司於二零零三年八月一日與Wiston Management Limited (「Wiston」) 訂立一項顧問協議。Wiston是由本公司的董事陳正宇及李乃義分別擁有50%權益。

根據顧問協議，本公司聘用Wiston提供建議或安排行政人員(集團內管理級的外籍僱員)向本公司提供管理服務。本集團訂立的顧問安排，協助本集團管理層和外籍僱員的個人稅務計劃。除了與本集團訂立安排外，Wiston並無向任何第三方提供任何類似服務，亦並無從事任何其他業務。顧問費用視乎向本集團提供服務的行政人員人數予以調整。Wiston向本公司徵收的所有顧問費用，均用來作支付行政人員向本公司提供管理服務的酬金。該協議為期三年，並可由任何一方向對方發出一個月書面通知而終止。

於招聘外籍行政人員時，行政人員成為Wiston顧問協議的「合資格顧問」，並與本公司簽訂聘任／服務協議。本公司與外籍行政人員會就向行政人員應付的酬金總額比例達成協議，包括Wiston支付的顧問費及本公司根據聘任／服務協議支付的薪金。

## DIRECTORS' INTERESTS IN CONTRACTS (Cont'd)

The total remuneration payable to each executive is made after negotiation between the Group and the individual executive by reference to the market rate.

The Directors (including the Independent Non-Executive Directors) regard these arrangements as part of the participating executives' benefits, since they offer incentives to its employees. The arrangements help reduce the salary cost of the Group since the net amount receivable by the executives is increased with insignificant expense to the Group. In view of the above, the Directors consider the arrangements to be in the interests of the shareholders of the Company as a whole.

Except for those mentioned above, no contracts of significance in relation to the Group's business to which the Company, its holding company or any other subsidiaries was a party, and in which any Director of the Company had a material interest, whether directly or indirectly subsisted at any time during the year ended 31 December 2004.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND EXECUTIVE MANAGEMENT

Biographical details of Directors and executive management are set out on pages 14 to 21 of this Annual Report.

## 董事於合約的權益 (續)

向每名行政人員應付的總酬金，由本集團與個別行政人員參考市價經磋商後釐定。

董事(包括獨立非執行董事)認為這些安排給予僱員獎勵，令參與行政人員受惠。由於行政人員應收的款項淨額增加，但佔本集團的開支為微不足道，這些安排有助減低本集團的薪金成本。因此，董事認為這些安排符合本公司股東的整體利益。

除上述者外，於截至二零零四年十二月三十一日止年度內任何時間，並無存在任何合約，而該等合約對於本集團業務而言屬重大，且本公司、其控股公司或任何其他附屬公司為其訂立的一方，以及本公司任何董事於當中直接或間接擁有重大權益。

## 董事及執行管理層人員的履歷詳情

董事及執行管理層人員的履歷詳情，均載於本年報第14至21頁。



## DIRECTORS' AND KEY EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2004, the interests or short positions held by the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or its subsidiaries (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

As at 31 December 2004, particulars of Shares allocated to Directors and connected persons (as defined in the Listing Rules) under the Equity Incentive Plan were as follows:

## 董事及主要行政人員於本公司股份的權益

於二零零四年十二月三十一日，本公司董事及行政總裁於本公司或其附屬公司（定義見證券及期貨條例（「證券及期貨條例」第XV部）的股份、相關股份及債券中，持有本公司根據證券及期貨條例第352條所存置的登記冊內所記錄的權益或淡倉，或根據上市規則所載的上市公司董事進行證券交易的標準守則，須知會本公司及聯交所的權益或淡倉載述如下：

於二零零四年十二月三十一日，根據股份獎勵計劃向董事及關連人士（定義見上市規則）分配股份的詳情如下：

Grantee		Shares allocated	Approximate percentage of interest in the Company
承授人		獲分配的股份	於本公司權益的概約百分比
Peter CHEN Cheng-yu (Director)	陳正宇（董事）	7,816,809	0.30%
Robert LEE Naii (Director)	李乃義（董事）	5,850,550	0.22%
TSAI Nein-nan (Director)	蔡聯南（董事）	4,335,970	0.17%
Total	總計	18,003,329	

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

So far as known to any Director or key Executive of the Company, as at 31 December 2004, shareholders (other than Directors or Chief Executive of the Company) who had interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which are expected to be, directly or indirectly, interested or deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

## 主要股東於本公司股份及相關股份的權益及淡倉

據本公司任何董事或主要行政人員所知，於二零零四年十二月三十一日，於本公司股份或相關股份中，擁有根據證券及期貨條例第XV部第2及3分部的條文須向本公司披露的權益或淡倉，或擁有本公司根據證券及期貨條例第352條所存置的登記冊內所記錄的權益或淡倉，或預期將直接或間接擁有或被視為擁有附有權利於任何情況下在本公司股東大會上投票的任何類別股本面值5%或以上的股東（不包括本公司的董事及行政總裁）載述如下：

Company Name 公司名稱		Number of shares 股份數目	Percentage 百分比
China Resources National Corporation ("CRNC")	中國華潤總公司 (「中國華潤」)	622,778,030	23.81%
China Resources Co., Limited ("CR Co.")	華潤股份有限公司 (「華潤公司」)	622,778,030	23.81%
CRC Bluesky Limited ("CRCB")	CRC Bluesky Limited (「CRCB」)	622,778,030	23.81%
China Resources (Holdings) Company Limited ("CR Holdings")	華潤(集團)有限公司 (「華潤集團」)	622,778,030	23.81%
Splendid Time Investments Inc. ("Splendid")	Splendid Time Investments Inc. (「Splendid」)	622,778,030	23.81%
China Resources Logic Limited ("CR Logic")	華潤勵致有限公司 (「華潤勵致」)	622,778,030	23.81%
CRT (BVI) Limited ("CRT")	CRT (BVI) Limited (「CRT」)	622,778,030	23.81%
China Resources Microelectronics (Holdings) Limited ("CR Microelectronics")	華潤微電子(控股)有限公司 (「華潤微電子」)	622,778,030	23.81%
Faithway Resources Limited ("Faithway")	Faithway Resources Limited (「Faithway」)	622,778,030	23.81%

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY** (Cont'd)

主要股東於本公司股份及相關股份的權益及淡倉(續)

Company Name 公司名稱		Number of shares 股份數目	Percentage 百分比
Stockside Limited ("Stockside")	Stockside Limited (「Stockside」)	600,419,270	22.95%
Central Semiconductor Manufacturing Corporation ("CSMC Cayman")	Central Semiconductor Manufacturing Corporation (「上華半導體」)	600,419,270	22.95%
Crown Crystal Investments Limited ("CCI")	Crown Crystal Investments Limited (「CCI」)	289,433,780	11.06%
Top Conquest Investments Limited ("TCI")	Top Conquest Investments Limited (「TCI」)	289,433,780	11.06%
Pacific Technology Advisors, LDC ("PTA")	Pacific Technology Advisors, LDC (「PTA」)	289,433,780	11.06%
3i Group plc	3i Group plc	173,664,270	6.64%
International Finance Corporation	International Finance Corporation	138,927,410	5.31%

Notes:

附註：

- Faithway is a subsidiary of CR Microelectronics, which is in turn a subsidiary of CRT, which is in turn a subsidiary of CR Logic, CR Logic is a subsidiary of Splendid which is in turn a subsidiary of CR Holdings, which is in turn a subsidiary of CRCB. CRCB is a subsidiary of CR Co. which is in turn a subsidiary of CRNC. Each of CRNC, CR Co., CRCB, CR Holdings, Splendid, CR Logic, CRT, CR Microelectronics are deemed to be interested in Shares held by Faithway by virtue of Divisions 2 and 3 of Part XV of the SFO.
- Stockside is a subsidiary of CSMC Cayman, CSMC is deemed to be interested in Shares held by Stockside by virtue of Divisions 2 and 3 of Part XV of the SFO.

- Faithway為華潤微電子的子公司，亦即為CRT的子公司。CRT為華潤勵致的子公司。華潤勵致為Splendid的子公司，亦即為華潤集團的子公司。華潤集團為CRCB的子公司。CRCB為華潤公司的子公司，亦即為中國華潤的子公司。中國華潤、華潤公司、CRCB、華潤集團、Splendid、華潤勵致、CRT、華潤微電子根據證券及期貨條例第XV部第2及3分部各自被視為持有Faithway於本公司股份的權益。
- Stockside為上華半導體的子公司，CSMC根據證券及期貨條例第XV部第2及3分部被視為持有Stockside於本公司股份的權益。

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY (Cont'd)

Notes: (Cont'd)

- CCI is a subsidiary of TCI which is in turn a subsidiary of PTA acting as general partner of and has one percent interest in Pacific Technology Partners, L.P. Each of PTA and TCI are deemed to be interested in Shares held by CCI by virtue of Divisions 2 and 3 of Part XV of the SFO.

## MANAGEMENT CONTRACTS

Save the consultancy agreement as disclosed under the paragraph headed "Directors' Interest in Contracts", no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer Wuxi China Resources Semico Co., Ltd. constituted 17.2% of the Group's turnover in 2004. The Group's top 5 customers constituted a total of 58.2 % of turnover in 2004.

During the year, Wuxi China Resources Microelectronics Co., Ltd. was the largest supplier constituting 19.8% of the Group's purchases, and 44.6% of purchases were attributable to the Group's five largest suppliers.

## 主要股東於本公司股份及相關股份的權益及淡倉 (續)

附註：(續)

- CCI為TCI的子公司，亦即為PTA以一般合夥人身份的子公司，並於Pacific Technology Partners, L.P.擁有1%的權益。PTA及TCI各自根據證券及期貨條例第XV部第2及3分部被視為持有CCI於本公司股份的權益。

## 管理合約

除了上文「董事於合約的權益」一段所披露的顧問協議外，年內，並無訂立或存在任何涉及本公司業務的全部或任何重大部分的管理和行政事宜的合約。

## 主要客戶及供應商

本集團的最大客戶是無錫華潤矽科微電子有限公司，為本集團於二零零四年營業額貢獻了17.2%。本集團的前五大客戶為本集團於二零零四年的營業額，貢獻了合共58.2%。

年內，本集團的最大供應商是無錫華潤微電子有限公司，其佔本集團的採購額19.8%，而本集團的前五大供應商則佔本集團的採購額44.6%。

## WARRANTS

During the year, 17.40 million Warrants at the issue price of US\$1.00 each were issued and were all converted into 271,440,000 ordinary shares in August 2004.

## BANK LOANS

Details of bank loans are set out in note 18 to the accounts.

## EQUITY INCENTIVE PLAN

The Company, as approved by its shareholders by way of ordinary resolution, adopted the Equity Incentive Plan (the "Plan") on 8 May 2004. The principle terms of the Plan, Total Plan Amount, as well as current status are as follows:

### (a) Objective of the Plan

The objective of the Plan is to share the pride of Company ownership among the executives and employees of the Group and to reward their performance and contributions.

### (b) Eligible Participants of the Plan

Full time employees of the Company and its subsidiaries, and the Directors are entitled to participate in the Plan. ("Participant(s)")

### (c) Remuneration Committee

The remuneration committee of the Company, comprising Mr. Mark HSUE Chi Nan, Mr. ONG Thiam Kin (the Chairman of such Committee) and Mr. Ralph Sytze YBEMA, has been delegated with the power to administer the Plan. It will, among other things, approve (i) the total number of Shares (which number shall not exceed the Total Plan Amount) to be allocated to eligible participants of the Plan, and (ii) the respective entitlements of the participants, in each case based on the recommendation of the Executive Directors.

## 認股權證

年內，本公司按發行價每股1.00美元，發行17,400,000份認股權證。該等認股權證於二零零四年八月全部獲轉換為271,440,000股普通股。

## 銀行貸款

有關銀行貸款的詳情，載於賬目附註18。

## 股份獎勵計劃

本公司經股東以普通決議案方式批准，於二零零四年五月八日採納股份獎勵計劃（「計劃」）。計劃的主要條款如下：

### (a) 計劃的目的

計劃的目的是讓本集團行政人員及僱員分享擁有權，並就他們的表現及貢獻作出獎勵。

### (b) 計劃的合資格參與者

本公司及其附屬公司的全職僱員及董事均可參與計劃（「參與者」）。

### (c) 酬金委員會

本公司的酬金委員會由許奇楠先生、王添根先生（該委員會主席）及Ralph Sytze YBEMA組成，已獲授權管理計劃。委員會將會（其中包括）批准(i)分配予計劃合資格參與者的股份總數（不得超逾計劃總額）；及(ii)參與者的有關配額，在以上各項而言，乃依據執行董事的建議。

## EQUITY INCENTIVE PLAN (Cont'd)

### (d) Total Plan Amount and Individual Limit

The maximum number of shares over which options may be granted under the Plan shall not exceed 15% of the issued share capital of the Company. Upon the adoption of the Plan on 8 May 2004, shareholders of the Company, by way of ordinary resolution, approved to fix the total plan amount at 246,900,000 shares, representing slightly fewer than 10% of the total issued share capital of the Company.

The total number of shares, which may be issued pursuant to the Plan in any financial year, must not exceed 3% of the total number of Shares in issue as at the close of business on the last business day of the preceding financial year.

The total number of shares issued and to be issued to any individual employee or Director in any 12-month period will not exceed 1% of the total number of shares in issue.

## 股份獎勵計劃 (續)

### (d) 計劃總額及個別上限

根據計劃可能授出的購股權所涉及的股份數目，最多不超過本公司已發行股本15%。於二零零四年五月八日採納計劃後，本公司的股東以普通決議案的方式，批准將計劃總額定為246,900,000股股份，略為少於本公司已發行股本總額的10%。

根據計劃可能於任何財政年度發行的股份總數，不得超過上一個財政年度最後營業日辦公時間結束時的已發行股份總數3%。

於任何十二個月期間內向任何個別僱員或董事已發行及將發行的股份總數，不得超過已發行股份總數的1%。

## EQUITY INCENTIVE PLAN (Cont'd)

### (e) Granting and Vesting of the Shares Under the Plan

Among the total plan amount, as at 31 December 2004, a collective of 144,485,330 shares had already been allocated to the eligible Participants by the Company and are subject to a four-year vesting period in which a quarter of such number of shares will vest each year during the four-year period. The allocated shares represent 5.52% of the total outstanding shares of the Company. No shares were issued under the Plan as at 31 December 2004.

### (f) Term of the Plan

The term of the Plan is for 10 years from the date of adoption (8 May 2004), subject to early termination by way of ordinary resolution of the shareholders of the Company in a general meeting.

### (g) Interested Shareholders not Entitled to Vote

Interested shareholders must abstain from voting in any general meeting of the Company where approval from shareholders is being sought for matters relating to the Plan.

## 股份獎勵計劃 (續)

### (e) 根據計劃授出股份及股份歸屬

在計劃總額中，截至二零零四年十二月三十一日本公司已向合資格參與者分配共144,485,330股股份。該等股份均須受制於四年歸屬期，期間每年將歸屬相等於該數目四份之一的股份。已予分配的股份佔本公司已發行股份總數5.52%。截至二零零四年十二月三十一日，在本計劃項下未發行任何股票。

### (f) 計劃期限

計劃期限是由採納日期起(二零零四年五月八日)起為期十年，但本公司股東可於股東大會上以普通決議案方式提早終止計劃。

### (g) 持有權益的股東無權投票

倘尋求股東批准有關計劃的事宜，則持有權益的股東須於本公司任何股東大會上放棄投票。

## CONNECTED TRANSACTIONS

During the year ended 31 December 2004, the Group had the following transactions, which would need to be disclosed as continuing connected transactions in accordance with the requirements of the Listing Rules.

### 1. Storage and transportation of dangerous goods

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for the provision of storage and transportation of dangerous chemical goods by Wuxi Huajing Multi-Services Co., Ltd. ("Wuxi Services"), which is a subsidiary of CR Logic (a substantial shareholder of the Company) to Fab 1.

The agreement was entered into between Fab 1 and Wuxi Services on 12 December 2003, as supplemented by a supplemental agreement dated 19 March 2004. Under the agreement, the service fee is Rmb93,000 (US\$11,232) per month for a term of three years ending on 31 December 2006 (except the air conditioned storage facilities which are leased for a term of five years).

The annual cap for each of the three years ending 31 December 2006 is Rmb1,500,000 (US\$181,231).

For the year ended 31 December 2004, the aggregate transaction amount for the above amounted to Rmb1,072,000 (US\$129,520).

## 關連交易

於截至二零零四年十二月三十一日止年度內，本集團進行以下交易。根據上市規則的規定，該等交易需要披露為持續關連交易。

### 1. 儲存及運輸危險物品

於本公司上市後，聯交所就關於華錫華晶綜合服務有限公司（「無錫服務」，為本公司一名主要股東華潤勵致的附屬公司）向一廠提供儲存及運輸危險化學物品的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。

該協議由一廠及無錫服務於二零零三年十二月十二日訂立，並由於二零零四年三月十九日訂立的補充協議所補充。根據該協議，服務費每月為人民幣93,000元（11,232美元），直至二零零六年十二月三十一日止為期三年，但空調儲存設施的租約則為期五年。

截至二零零六年十二月三十一日止三個年度各年，年度上限為人民幣1,500,000元（181,231美元）。

截至二零零四年十二月三十一日止年度，上述交易總額為人民幣1,072,000元（129,520美元）。



## CONNECTED TRANSACTIONS (Cont'd)

### 2. Lease of fab premises and supporting facilities

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for the lease of fab premises and supporting facilities from Wuxi China Resources Microelectronics Co., Ltd ("Wuxi CR") to Fab1. Wuxi CR is a subsidiary of CR Logic.

The lease of the fab premises and supporting facilities is governed by two agreements, both dated 1 March 2003, and a supplemental agreement dated 6 June 2004, all between Fab 1 and Wuxi CR.

The rental is at a fixed sum subject to adjustment with reference to changes in the prevailing market rates which may be caused by any changes to PRC national policies from time to time. Further, the parties may review the rental once every three years and come to further agreement on adjustment (if any) in the event of material changes to market conditions. The lease covers the term of operation of Fab 1, which expires in July 2049, unless otherwise terminated, and the lease will be automatically renewed during the term of operation of Fab 1 at 20 year interval until 2049 or otherwise terminated.

The annual caps for each of the three years ending 31 December 2006 are Rmb9,500,000 (US\$1,147,800).

For the year ended 31 December 2004, the aggregate transaction amount for the above amounted to Rmb9,120,999 (US\$1,102,009).

## 關連交易 (續)

### 2. 租賃晶圓代工廠場地及配套設施

本公司上市後，聯交所就關於華錫華潤微電子有限公司（「無錫華潤」）向一廠出租晶圓代工廠場地及配套設施的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。華錫華潤是無錫勵致的附屬公司。

租賃晶圓代工廠場地及配套設施是由一廠與華錫華潤於二零零三年三月一日訂立的兩份協議，以及於二零零四年六月六日訂立的一份補充協議所監管。

租金已固定在某一金額，但可參考現行市價的變動而調整。有關市價可能因中國國家政策不時轉變而變動。此外，訂約各方可每三年檢討租金一次，倘市況出現重大轉變，可就調整（如有）另行達成協議。該租約於一廠的經營期內有效，除非另行終止，否則將於二零四九年七月屆滿。於一廠經營期間，租約每二十年將會自動續期，直至二零四九年為止或以其他方式終止。

截至二零零六年十二月三十一日止三個年度各年，年度上限為人民幣9,500,000元（1,147,800美元）。

截至二零零四年十二月三十一日止年度，上述交易總額為人民幣9,120,999元（1,102,009美元）。

## CONNECTED TRANSACTIONS (Cont'd)

### 3. The Consultancy Agreement

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for consultancy agreement between the Company and Wiston Management Limited ("Wiston"), which is owned as to 50% by each of Peter CHEN Cheng-yu and Robert LEE Naii, Directors and, accordingly, Wiston is a connected person of the Company under the Listing Rules.

The consultancy agreement was entered into on 1 August 2003 for a term of 3 years. Under the agreement, the Company engaged Wiston to recommend and to procure executives, as expatriate employees of management grade within the Group, to provide managerial services to the Company. The consultancy arrangement was entered into by the Group to facilitate individual tax planning of the management and expatriate employees of the Group. The consultancy fees are subject to adjustment depending on the number of executives providing services to the Group. All of the consultancy fees charged by Wiston to the Company are to pay for the remuneration of such executives for providing managerial services to the Company.

The annual caps for the three years ending 31 December 2006 are Rmb9,100,000 (US\$1,099,472), Rmb10,000,000 (US\$1,208,211) and Rmb10,600,000 (US\$ 1,280,704) respectively.

For the year ended 31 December 2004, the aggregate transaction amount for the above amounted to Rmb3,852,036. (US\$465,407)

## 關連交易 (續)

### 3. 顧問協議

本公司上市後，聯交所就關於本公司與Wiston Management Limited (「Wiston」)之間的顧問協議所涉及的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。Wiston是由董事陳正宇及李乃義各自擁有50%。因此，查然上市規則，Wiston為本公司的關連人士。

顧問協議於二零零三年八月一日訂立，為期三年。根據該協議，本公司聘用Wiston提供建議或安排行政人員(集團內管理級的外籍僱員)向本公司提供管理服務。本集團訂立的顧問安排，協助本集團管理層及外籍僱員的個人稅務計劃。顧問費用視乎向本集團提供服務的行政人員數目予以調整。Wiston向本公司所收取的所有顧問費用，乃用作支付行政人員向本公司提供管理服務的酬金。

截至二零零六年十二月三十一日止三個年度各年，年度上限分別為人民幣9,100,000元(1,099,472美元)、人民幣10,000,000元(1,208,211美元)及人民幣10,600,000元(1,280,704美元)。

截至二零零四年十二月三十一日止年度，上述交易總額為人民幣3,852,036元(465,407美元)。

## CONNECTED TRANSACTIONS (Cont'd)

### 4. Wafer milling service provided by Wuxi CR Mirco-Assemb Tech Ltd.

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for wafer milling service provided by Wuxi CR Mirco-Assemb Tech Ltd. ("Micro-Assemb"), which is a subsidiary of CR Logic, to Fab 1.

The agreement was entered into by the parties on 11 February, and was supplemented by a supplemental agreement dated 19 March 2004. Under the agreements, Micro-Assemb agreed to provide wafer milling services to Fab 1 at various fixed rates for different types of wafer milling as and when requested by Fab 1. The fee payable by the Group to Micro-Assemb is calculated in accordance with the agreed fixed rates having regard to the size and number of wafers milled by Micro-Assemb.

During the financial year ended 31 December 2004, as a result of the growing demand for wafer processing conducted by the Group, the Company experienced a significant growth in wafer processing in the second and third quarters of 2004. By the same token, the wafer milling services commissioned by the Group to Micro-Assemb also increased. For the year ended 31 December 2004, the aggregate transaction amount for the above amounted to Rmb2,982,421 (US\$360,339). In view of the increase in demand, the Directors anticipated that the annual caps for 2005 and 2006 as approved by the Stock Exchange may be exceeded.

## 關連交易 (續)

### 4. 無錫華潤安盛微電子有限公司所提供的晶圓打磨服務

於本公司上市後，聯交所就關於無錫華潤安盛微電子有限公司（「安盛微電子」，為華潤勵致的附屬公司）向一廠提供晶圓打磨服務的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。

該協議由雙方於二月十一日訂立，並由一份於二零零四年三月十九日訂立的補充協議所補充。根據該等協議，安盛微電子同意在一廠要求時，按各項固定收費就不同晶圓打磨類別提供晶圓打磨服務。本集團向安盛微電子應付的費用，是按安盛微電子打磨的晶圓大小及數量，按協定的固定收費支付。

截至二零零四年十二月三十一日止財政年度內，由於市場對本集團所進行的晶圓加工需求日見殷切，故本公司於二零零四年第二及第三季的晶圓加工業務顯著增長。基於同一原因，本集團向安盛微電子提供的晶圓打磨服務亦見遞增。截至二零零四年十二月三十一日止年度，上述交易總額為人民幣2,982,421元（360,339美元）。鑑於需求量增加，故董事預期二零零五年及二零零六年的年度上限，可能超過聯交所所批准的。

## CONNECTED TRANSACTIONS (Cont'd)

### 4. Wafer milling service provided by Wuxi CR Mirco-Assemb Tech Ltd. (Cont'd)

By an announcement of the Company dated 8 December 2004, the annual caps for the above transactions for the 2 years ending 31 December 2006 were revised to be Rmb7,200,000 (US\$869,912) and Rmb8,400,000 (US\$1,014,897).

### 5. New office lease agreement with Wuxi CR

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for new office lease agreement between Wuxi CR and Fab 1.

The agreement was entered into on 19 March 2004 and was supplemented by a supplemental agreement dated 6 June 2004. Under the said agreements, Fab 1 is required to pre-pay rent (estimated to be Rmb150,000 per month) for three years in the sum of Rmb5,400,000 (US\$652,434) by instalments according to the progress of construction of the new building. The pre-payment will be offset against the monthly rental payable by Fab 1 commencing from the date of delivery of possession of the property. Construction and decoration of the office building is expected to be completed in mid 2005.

The annual cap for each of the three years ending 31 December 2006 is Rmb500,000(US\$60,411), Rmb2,000,000 (US\$241,642), Rmb2,000,000 (US\$241,642) respectively.

## 關連交易 (續)

### 4. 無錫華潤安盛微電子有限公司所提供的晶圓打磨服務 (續)

根據本公司於二零零四年十二月八日刊發的公佈，於截至二零零六年十二月三十一日止兩個年度，上述交易的年度上限分別獲調整為人民幣7,200,000元(869,912美元)及人民幣8,400,000元(1,014,897美元)。

### 5. 與無錫華潤訂立的新辦公室租賃協議

本公司上市後，聯交所就關於華潤華潤與一廠訂立的新辦公室租賃協議所涉及的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。

該協議於二零零四年三月十九日訂立，並由一份於二零零四年六月六日的訂立的補充協議所補充。根據該協議，一廠須預繳三年租金，每月估計為人民幣150,000元，即合共人民幣5,400,000元(652,434美元)，根據新大樓建築工程進度分期支付。預繳款項將用作抵銷自交付物業所有權日期起計一廠的每月應付租金。預期辦公大樓將於二零零五年完成建築及裝修工程。

截至二零零六年十二月三十一日止三個年度各年，年度上限分別為人民幣500,000元(60,411美元)、人民幣2,000,000元(241,642美元)及人民幣2,000,000元(241,642美元)。

## CONNECTED TRANSACTIONS (Cont'd)

### 5. New office lease agreement with Wuxi CR (Cont'd)

As the new office was not completed during the year, no rental was payable by the Group to Wuxi CR up to 31 December 2004.

### 6. Sharing and/or supply of utilities, energy and waste water treatment

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for sharing and/or supply of utilities, energy and waste water treatment between Wuxi CR and Fab 1.

The agreement was entered into on 6 May 1999 and was supplemented by a supplemental agreement dated 19 March 2004 between Fab 1 and Wuxi CR, which is for a term of twelve years. The rates charged by Wuxi CR for the utility sharing/supplies are not set out in the aforementioned agreement, however, such rates are reviewed and negotiated between the parties annually and payments are made by the Group on a monthly basis in accordance with detailed invoices rendered by Wuxi CR.

The annual caps for each of the three years ending 31 December 2006 are Rmb82,000,000 (US\$9,907,330), Rmb101,000,000 (US\$12,202,931) and Rmb117,000,000 (US\$14,136,069) respectively.

For the year ended 31 December 2004, the aggregate transaction amount for the above amounted to Rmb73,994,372 (US\$8,940,081).

## 關連交易 (續)

### 5. 與無錫華潤訂立的新辦公室租賃協議 (續)

由於新辦公室在本年度內未完工，截至二零零四年十二月三十一日本集團未向無錫華潤支付任何租金。

### 6. 分佔及／或提供公用設施、能源及污水處理

本公司上市後，聯交所就關於無錫華潤與一廠分佔及／或提供公用設施、能源及污水處理的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。

該協議於一九九九年五月六日訂立，並由一廠與無錫華潤於二零零四年三月十九日訂立的補充協議（為期十二年）所補充。無錫華潤就分佔及／或提供公用設施而徵收的費用，並無載列於上述協議內。然而，訂約方每年檢討及磋商該等費用。本集團每月根據無錫華潤所提供的詳細發票而支付款項。

截至二零零六年十二月三十一日止三個年度各年，年度上限分別為人民幣82,000,000元（9,907,330美元）、人民幣101,000,000元（12,202,931美元）及人民幣117,000,000元（14,136,069美元）。

截至二零零四年十二月三十一日止年度，上述交易總額為人民幣73,994,372元（8,940,081美元）。

## CONNECTED TRANSACTIONS (Cont'd)

### 7. Wafer Processing Agreement with Wuxi China Resources Semico Co., Ltd. ("Wuxi CR Semico")

Upon listing of the Company, the Stock Exchange granted the Company a conditional waiver from strict compliance with the Listing Rules to the continuing connected transactions for wafer processing services provided by Fab 1 to Wuxi CR Semico, which is a subsidiary of CR Logic.

The agreement was entered into between the parties on 17 January 2004 as supplemented by a supplemental agreement dated 19 March 2004, for a term of 3 years expiring on 16 January 2007. Under the agreements, the Company agreed to provide wafer processing services to Wuxi Semico at market price for different types of products required by Wuxi Semico. The fee payable by Wuxi Semico to the Company is calculated in accordance with the then agreed rates having regard to the size and number of wafers processed by the Company.

The Group continued to monitor the aggregate amount for its continuing connected transactions and based on its internal review and estimate of the demand for the Group's wafer processing services from Wuxi Semico, the cap for 2004 for wafer processing with Wuxi Semico had been exceeded by Rmb8,382,352 (US\$1,012,765) as at 30 November 2004 and reached totally US\$13,737,000 for the year ended 31 December 2004. The Company also anticipated that the caps for 2005 and 2006 would be exceeded.

The Company then made an announcement and convened an extraordinary general meeting to approve the new caps for the wafer processing agreement with Wuxi Semico.

## 關連交易 (續)

### 7. 與無錫華潤矽科微電子有限公司(「無錫華潤矽科」)訂立的晶圓加工協議

本公司上市後，聯交所就關於一廠向無錫華潤矽科(華潤勵致的附屬公司)提供晶圓加工服務所涉及的持續關連交易，授予本公司一項有條件豁免嚴格遵守上市規則的規定。

該協議由訂約方於二零零四年一月十七日訂立，並由一份於二零零四年三月十九日訂立的補充協議所補充，為期三年並於二零零七年一月十六日到期。根據該等協議，本公司同意就無錫矽科所要求的不同產品類別，按市價向無錫矽科提供晶圓加工服務。無錫矽科應向本公司支付的費用，是根據當時經考慮本公司所加工的晶圓的大小及數量後所協定的價格而計算。

本集團繼續監察其持續關連交易的總額，並根據其內部審核及估計無錫矽科對本集團的晶圓加工服務的需求量，二零零四年向無錫矽科提供晶圓加工服務涉及的上限金額，於二零零四年十一月三十日已超出了人民幣8,382,352元(1,012,765美元)，並且二零零四年全年達到了13,737,000美元。本公司預期二零零五年及二零零六年的上限金額亦會被超出。

其後，本公司刊發公佈，以及召開股東特別大會，以批准與無錫矽科訂立的晶圓加工協議的新上限。

## CONNECTED TRANSACTIONS (Cont'd)

### 7. Wafer Processing Agreement with Wuxi China Resources Semico Co., Ltd. ("Wuxi CR Semico") (Cont'd)

At the extraordinary general meeting held on 19 January 2005, the independent Shareholders (being Shareholders other than Faithway and its associates who abstained from voting at the meeting), approved the annual caps for the 3 years ending 31 December 2006 to be revised as Rmb126,000,000 (US\$15,223,459), Rmb164,000,000 (US\$19,814,660) and Rmb213,000,000 (US\$25,734,894) respectively.

### 8. Transaction with Shenzhen CR Semico

Subsequent to the listing of the Company, the Group had been receiving orders from Shenzhen China Resources Semico Microelectronics Co., Ltd. ("Shenzhen CR Semico") for wafer processing. In order to formalize the arrangement, the Group, through Fab 1, entered into the a processing agreement with Shenzhen CR Semico under which Fab 1, subject to the approval of the independent shareholders of the Company, agreed to provide Shenzhen CR Semico with wafer processing services for a processing fee, which shall be determined on a case by case basis. Shenzhen CR Semico is a subsidiary of CR Logic. The processing agreement with Shenzhen CR Semico is for a term of 3 years and the caps for the 3 years ending 31 December 2006 are Rmb5,500,000 (approximately US\$664,516), Rmb19,900,000 (approximately US\$2,404,340) and Rmb26,900,000 (approximately US\$3,250,087) respectively.

## 關連交易 (續)

### 7. 與無錫華潤矽科微電子有限公司(「無錫華潤矽科」)訂立的晶圓加工協議(續)

於二零零五年一月十九日舉行的股東特別大會上，獨立股東(即 Faithway及其聯繫人(他們於會上放棄投票)以外的股東)批准截至二零零六年十二月三十一日止三個年度的年度上限分別修訂為人民幣126,000,000元(15,223,459美元)、人民幣164,000,000元(19,814,660美元)及人民幣213,000,000元(25,734,894美元)。

### 8. 與深圳華潤矽科訂立的交易

本公司上市後，本集團獲深圳華潤矽科微電子有限公司(「深圳華潤矽科」)發出有關晶圓加工的訂單。為了制定安排，本集團透過一廠與深圳華潤矽科訂立一項加工協議。據此，待本公司的獨立股東批准後，一廠才同意向深圳華潤矽科提供晶圓加工服務，並收取加工費。加工費將因應每個情況而釐定。深圳華潤矽科為華潤勵致的附屬公司。與深圳華潤矽科訂立的加工協議為期三年，截至二零零六年十二月三十一日止三個年度的上限金額分別為人民幣5,500,000元(約664,516美元)、人民幣19,900,000元(約2,404,340美元)及人民幣26,900,000元(約3,250,087美元)。

## CONNECTED TRANSACTIONS (Cont'd)

### 8. Transaction with Shenzhen CR Semico (Cont'd)

The wafer processing agreement with Shenzhen CR Semico together with its proposed annual caps for the 3 years ending 31 December 2006 were approved by the independent shareholders (being Shareholders other than Faithway and its associates who abstained from voting at the meeting) at the extraordinary general meeting on 19 January 2005.

The Independent Non-Executive Directors of the Group confirmed that all connected transactions, to which the Group was a party during 2004:

1. Were entered into in the ordinary and usual course of business of the Group ;
2. Were entered into on normal commercial terms; and
3. Were in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Independent Non-Executive Directors further confirm that:

1. The aggregate annual service fee under the agreements of storage and transportation of dangerous chemical goods between Fab 1 and Wuxi Services did not exceed the maximum amount of Rmb1,500,000;
2. The aggregate annual lease fee for lease of the Fab 1 premise and supporting facilities from Wuxi CR to Fab 1 did not exceed the maximum amount of Rmb9,500,000;

## 關連交易 (續)

### 8. 與深圳華潤矽科訂立的交易 (續)

獨立股東(即Faithway及其聯繫人(他們於會上放棄投票)以外的股東)於二零零五年一月十九日舉行的股東特別大會上，批准與深圳華潤矽科訂立的晶圓加工協議，連同建議的截至二零零六年十二月三十一日止三個年度的年度上限。

本集團的獨立非執行董事確認，於二零零四年內本集團訂立的所有關連交易：

1. 是在本集團的正常和一般業務範圍內訂立；
2. 按一般商業條款訂立；及
3. 是根據監管有關交易的有關協議，按公平合理，且符合本公司全體股東利益的條款訂立。

獨立非執行董事進一步確認：

1. 一廠與無錫服務所訂立有關儲存及運輸危險化學物品的協議項下的年度服務費總額，不超過最多人民幣1,500,000元；
2. 無錫華潤向一廠出租一廠場地和支援設施項下的年度顧問費總額，不超過最多人民幣9,500,000元；



## CONNECTED TRANSACTIONS (Cont'd)

3. The aggregate annual consultancy fee under the consultancy agreement between the Group and Wiston did not exceed the maximum amount of Rmb9,100,000;
4. The aggregate annual wafer milling service fee for the wafer milling service provided by Mirco-Assemb to Fab 1 did not exceed the maximum amount of Rmb5,000,000;
5. The aggregate annual leasing fee for the new office building from Wuxi CR to Fab 1 did not exceed the maximum amount of Rmb500,000;
6. The aggregate annual transaction amount under the agreements on sharing and/or supply of utilities, energy and waste water treatment between Wuxi CR and Fab 1 did not exceed the maximum amount of Rmb82,000,000;
7. The aggregate annual wafer processing fee under the wafer processing agreements between Wuxi Semico and Fab 1 exceeded the maximum amount of Rmb97,100,000 although a new cap in the sum of Rmb126,000,000 for the same year, was confirmed, approved and ratified at the extraordinary general meeting of the Company on 19 January 2005 and that the said new cap was not exceeded;

## 關連交易 (續)

3. 本集團與Wiston所訂立顧問協議項下的年度顧問費總額，不超過最多人民幣9,100,000元；
4. 安盛微電子向一廠提供晶圓打磨服務所涉及的年度晶圓打磨服務費總額，不超過最多人民幣5,000,000元；
5. 無錫華潤向一廠出租新辦公室大樓的年度租賃費用總額，不超過最多人民幣500,000元；
6. 無錫華潤與一廠所訂立有關共用及／或供應公用設施、能源及污水處理協議項下的年度交易總額，不超過最多人民幣82,000,000元；
7. 雖然同一年度的新上限金額為人民幣126,000,000元，已於二零零五年一月十九日在本公司的股東特別大會上獲得確認、批准和追認，無錫矽科與一廠所訂立的晶圓加工協議項下的年度晶圓加工費用總額，超過最多人民幣97,100,000元，但並不超過新上限；

## CONNECTED TRANSACTIONS (Cont'd)

8. The aggregate annual wafer processing fee under the wafer processing agreements between Shenzhen CR Semico and Fab 1 did not exceed the maximum amount of Rmb5,500,000, which was confirmed, approved and ratified at the extraordinary general meeting of the Company on 19 January 2005.

The Auditors of the Group have reviewed the connected transactions and confirmed to the Directors that during the financial year ended 31 December 2004, the continuing connected transactions:

1. Have received the approval from the Directors and/or a waiver from strict compliance with the Listing Rules from the Stock Exchange and/or the independent shareholders;
2. Where the transactions involve provision of goods or services of the Company, are in accordance with the pricing policies of the Company;
3. Have been entered into in accordance with the relevant agreement governing the transactions; and

## 關連交易 (續)

8. 深圳華潤矽科與一廠所訂立晶圓加工協議項下的年度晶圓加工費用總額，不超過最多人民幣5,500,000元。該筆上限金額於二零零五年一月十九日舉行的本公司股東特別大會獲確認、批准和追認。

本集團核數師已審核該等關連交易，並向董事確認，於截至二零零四年十二月三十一日止財政年度內，該等持續關連交易：

1. 已獲得董事的批准及／或聯交所授出豁免嚴格遵守上市規則的規定及／或獨立股東的批准；
2. 倘若交易涉及提供本公司的產品或服務，則均根據本公司的定價政策進行；
3. 已根據監管該等交易的有關協議訂立；及



## CONNECTED TRANSACTIONS (Cont'd)

4. Save for the wafer processing under the wafer processing agreements between Wuxi CR Semico and Fab 1 as mentioned above (which was subsequently confirmed, ratified and approved at the extraordinary general meeting of the Company on 19 January 2005), have not exceeded the annual caps approved by the Stock Exchange and/or the independent Shareholders.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 Decemeber 2004.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Group has been in compliance with the Code of Best Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year. The Board acknowledges its responsibility for the Group's systems of internal controls and has assumed this responsibility through formalized Group financial and legal procedures, the Group's Auditors and the Audit Committee.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

## 關連交易 (續)

4. 不包括上述無錫華潤矽科與一廠所訂立晶圓加工協議項下的晶圓加工(其後於二零零五年一月十九日舉行的本公司股東特別大會上獲確認、追認及批准)。這交易並未超過聯交所及/或獨立股東批准的年度上限金額。

本公司確認，截至二零零四年十二月三十一日止年度，其已遵守上市規則第14A章的披露規定。

## 遵守上市規則的最佳應用守則

董事認為，本集團於整個財政年度已遵守聯交所證券上市規則之最佳應用守則。董事會確認其負責本集團監控系統，並已透過規格化集團財務及法律程序、本集團核數師及審核委員會而承擔其責任。

## 足夠的公眾持股量

根據本公司可獲得的公開資料，以及據本公司董事所知，董事確認，本公司於年內已維持上市規則規定的公眾持股量。

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Each of the Directors of the Company and their respective associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in companies that competes with the business of the Group or any other conflict of interests with the interests of the Group.

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board.



**Peter CHEN Cheng-yu**

*Chairman*

Hong Kong, 15 March 2005

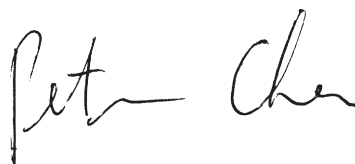
## 董事於競爭業務的權益

本公司各董事及他們各自的聯繫人(定義見上市規則)已確認,他們概無於任何公司(其業務與本集團的業務構成競爭)中擁有任何業務或權益,或擁有任何與本集團的權益產生衝突的其他權益。

## 核數師

羅兵咸永道會計師事務所已審核該等賬目,其將任滿告退,但合資格膺選連任。

代表董事會



主席

陳正宇

香港, 二零零五年三月十五日

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