

Report of the Directors 董事會報告書

The directors of CSMC Technologies Corporation (the "Directors") hereby to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are set out in note 28 to the consolidated financial statements. The Company 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, NVM, EEPROM ICs and DMOS. 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 5 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group are set out in the consolidated income statement on page 96 of this Annual Report.

In May 2005, the Group declared a final dividend of HK\$0.005 (equivalent to approximately US\$0.00064) per ordinary share for financial year ended 31 December 2004.

The Directors do not recommend the payment of dividend for the financial year ended 31 December 2005.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 24 to the Consolidated Financial Statements.

華潤上華科技有限公司董事(「董事」)謹此提呈他們的報告，連同本集團截至二零零五年十二月三十一日止年度的經審核綜合財務報表。

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綜合財務報表附註28。本公司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、NVM、EEPROM IC及DMOS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，載於綜合財務報表附註5。

業績及分配

本集團的業績及分配，均載於本年報第96頁的綜合收益表。

於二零零五年五月，本集團宣派截至二零零四年十二月三十一日止財政年度的末期股息每股普通股0.005港元(相等於約0.00064美元)。

董事不建議派付截至二零零五年十二月三十一日止財政年度的股息。

儲備

本公司及本集團於年內的儲備變動，載於綜合財務報表附註24。

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the Consolidated Financial Statements.

PRINCIPAL PROPERTIES

The Group owns a parcel of land totaling 310,231.8 square meters in the New District, Wuxi, Jiangsu Province, China. The Group is now constructing fab buildings and facilities on such land. The Group also rents five properties located in Wuxi totaling 28,171.33 square meters. Of the rented properties, two properties (25,319.31 square meters) is used for production and administration. The lease agreement for the property has been registered with the relevant land and housing administration authority. The other three rental properties totaling 2,852.02 square meters are used as dormitories for employees. The leases for these properties have not been registered and are potentially subject to termination under the PRC law.

SHARE CAPITAL

Details of the movements in share capital of the Group are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2005 amounted to US\$109.61 million (2004: US\$111.48 million).

PRE-EMPTIVE RIGHTS

There are no pre-emptive or similar rights under the Cayman Islands law or the memorandum and articles of association of the Company which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 8 of this Annual Report.

物業、廠房及設備

有關本集團物業、廠房及設備變動的詳情，載於綜合財務報表附註15。

主要物業

本集團於中國江蘇省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五項物業，面積合共28,171.33平方米。在租用的物業中，有兩項物業(25,319.31平方米)是用作生產及行政管理用途。該物業的租約已於有關土地房屋管理局登記。其他三項租用物業的面積共2,852.02平方米，均用作僱員宿舍。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，載於綜合財務報表附註23。

可供分派儲備

於二零零五年十二月三十一日，本公司的可供分派儲備為10,961萬美元(二零零四年：11,148萬美元)。

優先購買權

根據開曼群島法律或本公司的章程細則，概無優先購買權或類似權利規定本公司有義務按現有股東的股權比例，提呈發售新股份。

五年財務概要

本集團於最近五個財政年度的業績及資產負債概要，載於本年報第8頁。

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Directors took the view that the average share price of the Company in 2005 did not reflect the fair value, the board resolved the repurchase of shares, under the general mandates approved by the shareholders in 2004 and 2005. The Board believes that the repurchase is in the interests of the shareholders, as a whole, to provide further support to the share price in accordance with the Listing Rules.

During the year ended 31 December 2005, the Company purchased a total of 5,424,430 shares of the Company at an aggregate consideration of HK\$2,166,769 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and all of these shares were duly cancelled. Details were as follows:

Method of Purchase 購買方式	Month of Purchase 購買月份	Number of Shares Purchased 購買股份數目	Highest Price/Share 每股最高股價	Lowest Price/Share 每股最低股價	Aggregate Consideration 總代價
On The Stock Exchange 在聯交所購買	August 八月	160,000	HK\$0.43	HK\$0.40	HK\$66,500
	September 九月	2,084,430	HK\$0.42	HK\$0.40	HK\$835,194
	October 十月	2,605,000	HK\$0.405	HK\$0.38	HK\$1,034,600
	November 十一月	115,000	HK\$0.40	HK\$ 0.38	HK\$45,675
	December 十二月	460,000	HK\$0.41	HK\$ 0.395	HK\$184,800
	Total 總計		5,424,430		

Save as disclosed above, neither the Company nor its subsidiary companies purchased or sold any of the Company's shares during the year ended 31 December 2005 and the Company did not redeem any of its shares during the year ended 31 December 2005.

購買、出售或贖回上市證券

董事認為由於本公司二零零五年股價並未反映合理值，董事會已議決根據於二零零四年股東週年大會上獲股東批准的一般性授權購回股份。董事會相信，根據上市規則，購回股份乃符合股東的整體利益，並對股價帶來進一步支持作用。

截至二零零五年十二月三十一日止年度，本公司於香港聯合交易所有限公司（「聯交所」）以總代價2,166,769港元購買合共5,424,430股本公司股份，所有該等股份已正式註銷。有關詳情載列如下：

除上文所披露者外，於截至二零零五年十二月三十一日止年度，本公司或其附屬公司概無購買或出售任何本公司股份，本公司亦無於截至二零零五年十二月三十一日止年度內贖回其任何股份。

DIRECTORS

A summary of the Directors during the year is set out on page 55 of this Annual Report.

In accordance with Article 95 and 112 of the Company's Articles of Association, Mr. Ken ONG Thiam Kin, Mr. YU Yu, Dr. CHEN Nan-xiang and Mr. Paul P. WANG 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 14 March 2006, each Independent Non-Executive Director provided a written statement confirming of her/his independence to the Company. In accordance with the Listing Rules, the Company assessed that each Independent Non-Executive Director continues to be independent.

董事

年內的董事概述於本年報第55頁。

根據本公司的章程細則第95條及第112條，王添根先生、俞宇先生、陳南翔博士及王伯元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。於二零零六年三月十四日，每名獨立非執行董事已提供書面聲明，確認其乃獨立於本公司。根據上市規則，本公司亦評估每名獨立非執行董事會繼續保持其獨立性。

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Director 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 compensation 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 agreed that her appointment may be terminated with immediate effect by either party.

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.

DIRECTORS REMUNERATIONS

The emolument payable to each Executive Director is based on (i) his relevant qualifications experience and expertise, (ii) his/her duties and responsibilities and (iii) performance of the Company. The current market situation will also be taken into accounts. Details of the remuneration of the Directors are set out in note 14 to the consolidated financial statements.

The emolument payable to each Non-Executive Director (including Independent Non-Executive Director) is based on the responsibilities and undertaking to the Board, taking into account his experience and market practice for such post.

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。執行董事的酬金須每年檢討一次。

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。

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。

董事酬金

本公司應付每名執行董事的薪金乃按照(i)其相關資歷、經驗及專業知識；(ii)其職務及職責；及(iii)本公司的表現而釐定。現有市況亦在考慮因素之列。董事的酬金詳情載於綜合財務報表附註14。

本公司應付每名非執行董事（包括獨立非執行董事）的薪金乃按照其向董事會承諾並參考其經驗及該職位的市場行價的責任釐定。

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, both being the Directors.

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.

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

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。

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。

DIRECTORS' INTERESTS IN CONTRACTS (Cont'd)

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 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS AND EXECUTIVE MANAGEMENT

Biographical details of Directors and executive management are set out on pages 55 to 62 of this Annual Report.

董事於合約的權益 (續)

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,於截至二零零五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55至62頁。

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

As at 31 December 2005, the Directors and the President of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

– **Shares allocated to the Directors under the Equity Incentive Plan**

As at 31 December 2005, particulars of outstanding shares allocated but not vested to Directors and their respective associates (as defined in the Listing Rules) under the Equity Incentive Plan were as follow:

Director 董事		Outstanding Shares allocated but not vested Under the Equity Incentive Plan 根據股份獎勵 計劃已分配的 但未歸屬股份	Approximate percentage of interest in the Company 於本公司 權益的 概約百分比
Dr. Peter CHEN Cheng-yu	陳正宇	4,665,000	0.17%
Mr. Robert LEE Naii	李乃義	3,332,000	0.12%
Mr. TSAI Nein-nan	蔡聯南	2,665,000	0.10%
Total	總計	10,662,000	0.39%

No options under the Share Option Scheme were granted to the Directors during 2005.

董事及主要行政人員於本公司股份的權益

於二零零五年十二月三十一日，本公司董事及總裁及彼等各自之聯繫人於本公司及其相聯法團（定義見證券及期貨條例第XV部）的股份、相關股份或債券中持有根據證券及期貨條例第XV部第7與8分部必須知會本公司及聯交所（包括根據證券及期貨條例的有關規定被認為或被視作擁有的權益或淡倉）；或根據證券及期貨條例第352條須載入該條例所述的本公司登記冊內；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要求，須知會本公司及聯交所的權益及淡倉如下：

– **根據股份獎勵計劃分配予董事的股份**

於二零零五年十二月三十一日，根據股份獎勵計劃向董事及彼等各自之聯繫人（定義見上市規則）分配但並無歸屬的已發行股份的詳情如下：

Director 董事		Outstanding Shares allocated but not vested Under the Equity Incentive Plan 根據股份獎勵 計劃已分配的 但未歸屬股份	Approximate percentage of interest in the Company 於本公司 權益的 概約百分比
Dr. Peter CHEN Cheng-yu	陳正宇	4,665,000	0.17%
Mr. Robert LEE Naii	李乃義	3,332,000	0.12%
Mr. TSAI Nein-nan	蔡聯南	2,665,000	0.10%
Total	總計	10,662,000	0.39%

於二零零五年，並無按照購股權計劃向董事授出任何購股權。

DIRECTORS' AND KEY EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY (Cont'd)

– Shares held by the Directors

As at 31 December 2005, particulars of shares held by Directors and their respective associates (as defined in the Listing Rules), directly and indirectly, were as follows:

Director 董事		Shares Held 所持股份數目	Approximate percentage of interest in the Company 於本公司 權益的概約 百分比
Dr. Peter CHEN Cheng-yu	陳正宇	34,958,200	1.31%
Mr. Robert LEE Naii	李乃義	13,490,409	0.50%
Mr. TSAI Nein-nan	蔡聯南	2,347,912	0.09%
Total	總計	<u>50,796,521</u>	<u>1.90%</u>

董事及主要行政人員於本公司股份的權益 (續)

– 董事持有的股份

於二零零五年十二月三十一日，董事及彼等各自的關連人士(定義見上市規則)直接及間接持有的股份的詳情如下：

SUBSTANTIAL SHAREHOLDERS' INTERESTS OF THE COMPANY

So far as known to the Directors of the Company, as at 31 December 2005, shareholders (other than Directors or President 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:

主要股東於本公司的權益

據本公司董事所知，於二零零五年十二月三十一日，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總裁）載述如下：

Company Name 公司名稱		Number of shares 股份數目	Percentage of Aggregate Long Position in Shares to the Total Issued Share Capital of the Company 持有股份好倉總額 佔本公司已發行 股本總額百分比
China Resources National Corporation ("CRNC")	中國華潤總公司（「中國華潤」）	632,778,030	23.63%
China Resources Co., Limited ("CR Co.")	華潤股份有限公司（「華潤公司」）	632,778,030	23.63%
CRC Bluesky Limited ("CRCB")	CRC Bluesky Limited（「CRCB」）	632,778,030	23.63%
China Resources (Holdings) Company Limited ("CR Holdings")	華潤（集團）有限公司 （「華潤集團」）	632,778,030	23.63%
Splendid Time Investments Inc. ("Splendid")	Splendid Time Investments Inc.（「Splendid」）	632,778,030	23.63%
China Resources Logic Limited ("CR Logic")	華潤勵致有限公司（「華潤勵致」）	632,778,030	23.63%
CRT (BVI) Limited ("CRT")	CRT (BVI) Limited（「CRT」）	632,778,030	23.63%
China Resources Microelectronics (Holdings) Limited ("CR Microelectronics")	華潤微電子（控股）有限公司（「華潤微電子」）	632,778,030	23.63%
Faithway Resources Limited ("Faithway")	Faithway Resources Limited（「Faithway」）	632,778,030	23.63%
Crown Crystal Investments Limited ("CCI")	Crown Crystal Investments Limited（「CCI」）	289,433,780	10.81%
Top Conquest Investments Limited ("TCI")	Top Conquest Investments Limited（「TCI」）	289,433,780	10.81%
Pacific Technology Advisors, LDC ("PTA")	Pacific Technology Advisors, LDC（「PTA」）	289,433,780	10.81%
3i Group PLC	3i Group PLC	173,664,270	6.49%
International Finance Corporation	International Finance Corporation	138,927,410	5.19%

SUBSTANTIAL SHAREHOLDERS' INTERESTS OF THE COMPANY (Cont'd)

Notes:

1. 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.
2. 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.

主要股東於本公司的權益(續)

附註：

1. 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。
2. 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。

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer Wuxi China Resources Semico Co., Ltd. constituted 16.2% of the Group's sales in 2005. The Group's top 5 customers constituted a total of 52.3% of sales in 2005.

During the year, Wuxi China Resources Microelectronics Co., Ltd. was the largest supplier constituting 29.4% of the Group's purchases, and 52.0% of purchases were attributable to the Group's five largest suppliers.

Both Wuxi China Resources Semico Co., Ltd and Wuxi China Resources Microelectronics Co., Ltd are subsidiaries of CR Logic (a substantial shareholder of the Company). Save as disclosed, none of the Directors or their respective associates or (as far as the Directors are aware) any other shareholders owning more than 5% of the share capital of the Company were interested in any of the five largest suppliers and customers of the Group.

BANK LOANS

Details of bank loans are set out in note 25 to the Consolidated Financial Statements.

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，佔本集團於二零零五年銷售額的16.2%。本集團的前五大客戶為本集團於二零零五年的銷售額的52.3%。

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29.4%，而本集團的前五大供應商則佔本集團的採購額52.0%。

無錫華潤矽科微電子有限公司與無錫華潤微電子有限公司均為華潤勵致(本公司的主要股東)的附屬公司。除上述披露者外，據董事所知，擁有本公司股本5%以上的董事或彼等各自的聯繫人或任何其他股東概無於本集團任何五大供應商及客戶中擁有任何權益。

銀行貸款

有關銀行貸款的詳情，載於綜合財務報表附註25。

SHARE RELATED INCENTIVE PLANS

(1) Equity Incentive Plan

The Company adopted the Equity Incentive Plan (the "Plan") on 8 May 2004 by way of ordinary resolution of shareholders. The principal terms of the Plan, total plan amount as well as current status is as follows:

(a) *Objective of the Plan*

The objective of the plan is to share the pride of ownership among employees and to reward their performance and contributions

(b) *Eligible Participants of the Plan*

The eligible participants of the Plan is any full time employee of the Company or of any subsidiary and any executive, Non-Executive or Independent Non-Executive Directors of the Company or of any subsidiary provided always that such term shall exclude any person who has tendered his resignation or who at the relevant time is working out his period of notice pursuant to his employment contract or otherwise.

(c) *Remuneration Committee*

The Remuneration Committee, comprising Mr. Ken ONG Thiam Kin (Chairperson) Mr. Mark HUSE Chi Nan 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 mentioned in point d) 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.

股份獎勵計劃

(1) 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、計劃總額及現有狀況如下：

(a) 計劃的目的

計劃的目的是讓僱員分享擁有權，並就他們的表現及貢獻作出獎勵。

(b) 計劃的合格參與者

計劃的合格參與者為本公司或其任何附屬公司的任何全職僱員及本公司或其任何附屬公司的任何執行董事、非執行董事或獨立非執行董事，惟有關條款並不包括已請辭或於當時根據其聘用合約或其他條款計算其離職通知期的任何人士。

(c) 薪酬委員會

本公司的薪酬委員會由王添根先生（該委員會主席）、許奇楠先生及Ralph Sytze YBEMA先生組成，該委員會已獲授權管理計劃。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（不得超逾上文(d)項所述的計劃總額）；及(ii)參與者的有關配額，就以上各項而言，乃依據執行董事的建議。

SHARE RELATED INCENTIVE PLANS (Cont'd)

(1) Equity Incentive Plan (Cont'd)

(d) Total Plan Amount and Individual Limit

Total number of Shares which may be allocated and issued under the Plan shall not exceed 15% of the total number of Shares in issue from time to time. The initial total plan amount, as approved by the shareholders on 8 May 2004 by way of ordinary resolution, is fixed at 246,900,000 shares.

Total number of Shares which may be issued pursuant to the Plan in any financial year shall 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.

Total number of Shares issued and to be issued to any selected employees in any 12 month period shall not exceed 1% of the total number of Shares in issue.

股份獎勵計劃

(1) 股份獎勵計劃

(d) 計劃總額及個別上限

根據計劃可能配發及發行的股份總數，在任何時間均不得超過發行股份總數15%。根據股東於二零零四年五月八日以普通決議案方式批准的初步計劃總額為246,900,000股份。

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特定僱員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%。

SHARE RELATED INCENTIVE PLANS (Cont'd)

(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 2005, a collective of 149,231,000 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.

股份獎勵計劃 (續)

(1) 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，截至二零零五年十二月三十一日本公司已向合資格參與者分配共149,231,000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分之一之股份。

		Allocated	Vested	Allocated	Allocated	Vested	Issued	Cancelled	Allocated	Vested	Allocated	Exercise price	Grant date	Exercisable from	Exercisable until
		but not vested at 31 Dec. 2004	but not issued at 31 Dec. 2004	but not issued at 31 Dec. 2004		during the year	during the year	during the year	during the year	but not vested at 31 Dec. 2005	but not issued at 31 Dec. 2005				
		於	於	於	年內	年內	年內	年內	於	於	於	美元			
		二零零四年十二月三十一日	二零零四年十二月三十一日	二零零四年十二月三十一日	已分配但未歸屬	已歸屬	已發行	已註銷	二零零五年十二月三十一日	二零零五年十二月三十一日	二零零五年十二月三十一日				
		'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	US\$	授出日期	由下列日期可予行使	可予行使至下列日期
		千元	千元	千元	千元	千元	千元	千元	千元	千元	千元				
Director	董事														
Dr. Peter CHEN	陳正宇博士	6,415	1,402	7,817	—	1,750	3,152	—	4,665	—	4,665	0.01	1 Oct. 2003	1 Oct. 2004	1 Oct. 2007
	Cheng-yu												二零零三年十月一日	二零零四年十月一日	二零零七年十月一日
Director	董事														
Mr. Robert LEE Nai	李乃義先生	4,582	1,268	5,850	—	1,250	2,518	—	3,332	—	3,332	0.01	1 Oct. 2003	1 Oct. 2004	1 Oct. 2007
													二零零三年十月一日	二零零四年十月一日	二零零七年十月一日
Director	董事														
Mr. TSAI Nein-nan	蔡聯南先生	3,665	671	4,336	—	1,000	1,671	—	2,665	—	2,665	0.01	1 Oct. 2003	1 Oct. 2004	1 Oct. 2007
													二零零三年十月一日	二零零四年十月一日	二零零七年十月一日
		110,502	15,980	126,482	—	37,140	52,749	21,100	52,262	371	52,633	0.01	1 Oct. 2003	1 Oct. 2004	1 Oct. 2007
													二零零三年十月一日	二零零四年十月一日	二零零七年十月一日
Management and employees	管理層及僱員	—	—	—	33,914	6,891	6,722	8,068	18,955	169	19,124	0.01	26 Jan. 2005	26 Jan. 2006	26 Jan. 2009
													二零零五年一月二十六日	二零零六年一月二十六日	二零零九年一月二十六日
Total	總計	125,164	19,321	144,485	33,914	48,031	66,812	29,168	81,879	540	82,419				

SHARE RELATED INCENTIVE PLANS (Cont'd)

(1) Equity Incentive Plan (Cont'd)

(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.

(2) Share Option Scheme

In addition to the Plan, the Company, as approved by its shareholders on 27 May 2005 by way of ordinary resolution, adopted the Share Option Scheme (the "Scheme"). The principal terms of the Scheme, total scheme amount as well as current status are as follows:

(a) *Objective of the Scheme*

The objective of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme provided the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.

股份獎勵計劃 (續)

(1) 股份獎勵計劃 (續)

(f) *計劃期限*

計劃期限是由採納日期(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。

(2) 購股權計劃

除計劃外，本公司經股東於二零零五年五月二十七日以普通決議案方式批准，採納購股權計劃。購股權計劃的主要條款、購股權計劃總額及現有狀況如下：

(a) *購股權計劃的目的*

購股權計劃的目的是旨在向參與者提供購買本公司擁有權益的機會，以及鼓勵參與者，為增加本公司及其股份價值而努力工作，實現本公司及其股東整體利益。購股權計劃將會為本公司提供一種靈活方式，籍以保留、激勵、獎勵、回報、補償及／或提供福利予參與者。

SHARE RELATED INCENTIVE PLANS (Cont'd)

(2) Share Option Scheme (Cont'd)

(b) Eligible Participants of the Scheme

The eligible participants of the Scheme is any directors, employees, advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Remuneration Committee consider, in its sole discretion, have contributed or will contribute to the Group.

(c) Remuneration Committee

The Remuneration Committee, comprising Mr. Ken ONG Thiam Kin (Chairperson) Mr. Mark HUSE Chi Nan and Mr. Ralph Sytze YBEMA, has been delegated with the power to administer the Scheme. It will, among other things, (i) consider, in its sole discretion, the eligible participants (ii) approve the total number of shares (which number shall not exceed the total scheme amount) to be allocated to eligible participants of the Scheme, and (iii) approve the respective entitlements of the participants, in each case based on the recommendation of the Executive Directors from time to time.

股份獎勵計劃(續)

(2) 購股權計劃(續)

(b) 購股權計劃的合資格參與者

購股權計劃的合資格參與者為薪酬委員會全權酌情決定認為曾經或將會為本集團帶來貢獻的人士，包括本公司任何董事及僱員，及本集團任何成員的任何顧問、諮詢人、分銷商、承包商、承包生產商、供應商、代理、客戶、商業夥伴、合營企業業務夥伴及服務供應商。

(c) 薪酬委員會

薪酬委員會由王添根先生(該委員會主席)、許奇楠先生及Ralph Sytze YBEMA先生組成，該委員會已獲授權管理購股權計劃。委員會將會(其中包括)(i)按其絕對酌情權考慮合資格參與者的資格；(ii)分配予購股權計劃合資格參與者的股份總數(不得超逾購股權計劃總額)；及(iii)批准參與者的有關配額，就以上各項而言，乃依據執行董事不時提出的建議。

SHARE RELATED INCENTIVE PLANS (Cont'd)

(2) Share Option Scheme (Cont'd)

(d) Total Scheme Amount and Individual Limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) and the shares which may fall to be issued under the Equity Incentive Plan adopted by the shareholders by way of ordinary resolution on 8th May, 2004 in aggregate must not exceed 30% of the Shares in issue from time to time.

Shares which may be issued upon exercise of all options to be granted under this Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue as at the date of approval of the Scheme by shareholders.

Total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue.

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

As at 31 December 2005, no option under the Scheme had been granted to any participants.

股份獎勵計劃(續)

(2) 購股權計劃(續)

(d) 購股權計劃總額及個別上限

所有根據購股權計劃及本公司任何其他購股權計劃授出及尚未行使的購股權(根據上市規則第十七章的有關規定)在悉數行使時可予發行的股份數目,加上因採納二零零四年五月八日股東批准的普通決議購股權計劃而可能發行的股份數目,整體上限不得超過本公司不時已發行股份總額的30%。

所有根據購股權計劃及本公司任何其他購股權計劃授出的購股權(根據上市規則第十七章的有關規定)在悉數行使時可予發行的股份數目,不得超過股東批准購股權計劃當日已發行股份總額的10%。

於任何十二個月期間內因行使授予每名參與者的購股權而已發行及將予發行的股份總數,不得超過已發行股份總數的1%。

(e) 根據購股權計劃授出股份及股份歸屬

於二零零五年十二月三十一日,並無根據購股權計劃向任何參與者授出任何購股權。

SHARE RELATED INCENTIVE PLANS (Cont'd)

(2) Share Option Scheme (Cont'd)

(f) Term of the Scheme

The term of the Scheme is for 10 years from the date of adoption (27 May 2005), 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 Scheme.

CONNECTED TRANSACTIONS

During the year ended 31 December 2005, 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 with Wuxi Huajing Multi-Services Co., 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 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.

股份獎勵計劃(續)

(2) 購股權計劃(續)

(f) 購股權計劃期限

購股權計劃期限是由採納日期起(二零零五年五月二十七日)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購股權計劃的事宜,則持有權益的股東須於本公司任何股東大會上放棄投票。

關連交易

於截至二零零五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. 與無錫華晶綜合服務有限公司儲存及運輸危險物品

於本公司上市後,聯交所就關於無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。

CONNECTED TRANSACTIONS (Cont'd)

1. Storage and transportation of dangerous goods with Wuxi Huajing Multi-Services Co., Ltd. (Cont'd)

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 service fee was adjusted to be Rmb115,000 (US\$14,250) with effect from 1 July 2005 as allowed under the agreement.

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 2005, the aggregate transaction amount for the above amounted to Rmb1,260,179 (US\$156,152).

關連交易 (續)

1. 與無錫華晶綜合服務有限公司儲存及運輸危險物品 (續)

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。根據協議許可每月服務費從二零零五年七月一日起調整為人民幣115,000元(14,250美元)。

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)。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣1,260,179元(156,152美元)。

CONNECTED TRANSACTIONS (Cont'd)

2. Lease of fab premises and supporting facilities with China Resource Microelectronics Co., 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 the lease of fab premises and supporting facilities from Wuxi China Resources Microelectronics Co., Ltd. ("Wuxi CR") to Fab 1. 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 2005, the aggregate transaction amount for the above amounted to Rmb9,120,999 (US\$1,130,207).

關連交易 (續)

2. 與無錫華潤微電子有限公司租賃晶圓代工廠場地及配套設施

本公司上市後，聯交所就關於無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。無錫華潤是華潤勵致的附屬公司。

租賃晶圓代工廠場地及配套設施受一廠與無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規定。

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）。

截至二零零五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（1,130,207美元）。

CONNECTED TRANSACTIONS (Cont'd)

3. The Consultancy Agreement with Wiston Management Limited

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 2005, the aggregate transaction amount for the above amounted to Rmb1,890,146 (US\$234,213).

關連交易 (續)

3. 與Wiston Management Limited訂立顧問協議

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。董事陳正宇及李乃義各自擁有Wiston 50%的股權。因此，根據上市規則根據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)。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣1,890,146元(234,213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 2004, 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.

The annual caps for the above transactions for the 2 years ending 31 December 2006 were Rmb7,200,000 (US\$869,912) and Rmb8,400,000 (US\$1,014,897).

For the year ended 31 December 2005, the aggregate transaction amount for the above amounted to Rmb714,045 (US\$88,479).

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。

該協議由雙方於二零零四年二月十一日訂立，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。

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）。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣714,045元（88,479美元）。

CONNECTED TRANSACTIONS (Cont'd)

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 installments 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 was 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.

For the year ended 31 December 2005, the aggregate transaction amount for the above amounted to Rmb1,800,000 (US\$223,043).

關連交易 (續)

5. 與無錫華潤訂立的新辦公室租賃協議

本公司上市後，聯交所就關於無錫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，即合計人民幣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。辦公大樓已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)。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣1,800,000元(223,043美元)。

CONNECTED TRANSACTIONS (Cont'd)

6. Sharing and/or supply of utilities, energy and waste water treatment 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 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 2005, the aggregate transaction amount for the above amounted to Rmb94,289,481 (US\$11,683,661).

關連交易 (續)

6. 與無錫華潤共用及／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共用及／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。無錫華潤就共用及／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）。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣94,289,481元（11,683,661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 CR Semico at market price for different types of products required by Wuxi CR Semico. The fee payable by Wuxi CR 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 CR Semico. The annual caps for each of the three years ending 31 December 2006 are Rmb126,000,000 (US\$15,223,459), Rmb164,000,000 (US\$19,814,660) and Rmb213,000,000 (US\$25,734,894) respectively.

For the year ended 31 December 2005, the aggregate transaction amount for the above amounted to Rmb 92,306,514 (US\$11,437,946).

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，本公司同意就無錫華潤矽科所要求的不同產品類別，按市價向無錫華潤矽科提供晶圓加工服務。無錫華潤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華潤矽科對本集團的晶圓加工服務的需求量。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)。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣92,306,514元(11,437,946美元)。

CONNECTED TRANSACTIONS (Cont'd)

8. Wafer Processing Agreement with Shenzhen China Resources Semico Microelectronics Co., Ltd. (“Shenzhen CR Semico”)

Subsequent to the listing of the Company, the Company obtained approval by the independent shareholders in relation to the continuing connected transactions for wafer processing services provided by Fab 1 to Shenzhen CR Semico, which is a subsidiary of CR Logic.

The agreement was entered into between the parties on 6 December 2004, for a term of 3 years expiring on 5 December 2007. Under the agreements, the Company agreed to provide wafer processing services to Shenzhen CR Semico at market price for different types of products required by Shenzhen CR Semico. The fee payable by Shenzhen CR 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 Shenzhen CR Semico. The annual caps for each of the three 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.

For the year ended 31 December 2005, the aggregate transaction amount for the above amounted to Rmb 8,110,384 (US\$1,004,979).

關連交易 (續)

8. 與深圳華潤矽科微電子有限公司(「深圳華潤矽科」)訂立的交易

本公司上市後，公司就關於一廠向深圳華潤矽科(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，獲得獨立股東的批准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十二月六日訂立，為期三年並於二零零七年十二月五日期滿。根據該等協議，本公司同意就深圳華潤矽科所要求的不同產品類別，按市價向深圳華潤矽科提供晶圓加工服務。深圳華潤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深圳華潤矽科對本集團的晶圓加工服務的需求量。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)。

截至二零零五年十二月三十一日止年度，上述交易總額為人民幣8,110,384元(1,004,979美元)。

CONNECTED TRANSACTIONS (Cont'd)

The Independent Non-Executive Directors of the Group confirmed that all connected transactions, to which the Group was a party during 2005:

1. Were entered into in the ordinary and usual course of business of the Group;
2. Were entered into on normal commercial terms;
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; and
4. The amounts of the connected transactions have not exceeded the relevant caps.

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;
3. The aggregate annual consultancy fee under the consultancy agreement between the Group and Wiston did not exceed the maximum amount of Rmb10,000,000;
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 Rmb7,200,000;
5. The aggregate annual leasing fee for the new office building from Wuxi CR to Fab 1 did not exceed the maximum amount of Rmb2,000,000;

關連交易 (續)

本集團的獨立非執行董事確認，於二零零五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；
3. 是根據監管該等交易的有關協議，按公平合理，且符合本公司全體股東利益的條款訂立；及
4. 關連交易的金額並無超出有關上限。

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，未超過人民幣1,500,000元的上限；
2. 無錫華潤向一廠出租一廠場地和支援設施項下的年度租賃費用總額，未超過人民幣9,500,000元的上限；
3. 本集團與Wiston所訂立顧問協議項下的年度租賃費用總額，未超過人民幣10,000,000元的上限；
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，未超過人民幣7,200,000元的上限；
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，未超過人民幣2,000,000元的上限；

CONNECTED TRANSACTIONS (Cont'd)

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 Rmb101,000,000;
7. The aggregate annual wafer processing fee under the wafer processing agreements between Wuxi CR Semico and Fab 1 did not exceed the maximum amount of Rmb164,000,000;
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 Rmb19,900,000.

The auditors of the Group have reviewed the connected transactions and confirmed to the Directors that during the financial year ended 31 December 2005, 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;
4. The amounts of the Transactions have not exceeded the relevant caps.

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 December 2005.

關連交易 (續)

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，未超過人民幣101,000,000元的上限；
7. 無錫華潤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，未超過人民幣164,000,000元的上限；
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，未超過人民幣19,900,000元的上限。

本集團核數師已審核該等關連交易，並向董事確認，於截至二零零五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；
4. 該等交易的金額並無超過有關上限。

本公司確認，截至二零零五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。

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Group has been in compliance with the Code of Corporate Governance 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.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" on pages 44 to 54 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Each of the Directors 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.

SUBSEQUENT EVENTS

The Directors believe that there are no significant subsequent events to be disclosed.

遵守上市規則的企業管治常規守則

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的企業管治常規守則。董事會確認其負責本集團監控系統，並已透過規範的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。

公司管治

公司管治的詳情載於本年報第44至第54頁「公司管治報告」一節。

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。

董事於競爭業務的權益

本公司各董事及彼等各自的聯繫人（定義見上市規則）已確認，彼等概無於任何公司（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。

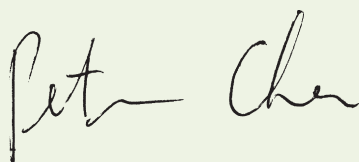
結算日後事項

董事相信，本公司並無須予披露的任何重大結算日後事項。

AUDITORS

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

On behalf of the Board.



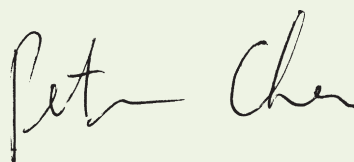
Peter CHEN Cheng-yu
Chairman

Hong Kong, 14 March 2006

核數師

羅兵咸永道會計師事務所已審核該等財務報表，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，二零零六年三月十四日