

Pioneering the open foundry business model in China, CSMC, together with its subsidiaries known as the “Group”, provides IC manufacturing services for a growing number of Chinese fabless design houses and overseas integrated device manufacturers (“IDMs”). Founded in 1997, CSMC Technologies Fab 1 Co., Ltd. (“Fab 1”), a wholly-owned subsidiary of the Company, was the first and is now one of the largest open semiconductor foundries in China. The Group is dedicated to provide high-quality, cost-effective foundry services for a wide range of logic, mixed-signal, high voltage, non-volatile memory (“NVM”) and electrically erasable programmable read-only memory (“EEPROM”) CMOS ICs. Fab 1 features a clean room spanning 6,051 square meters and has a production capacity of 59,200 6-inch wafers per month (“wpm”; for the purpose of this report, unless otherwise indicated, reference to 6-inch and 8-inch wafers are to wafers of an average of 12 layers and 20 layers, respectively).

The Group currently targets the market for ICs manufactured with 3.0 micron to 0.35 micron process technologies on 6-inch wafers. The management believes that this segment represents the mainstream semiconductor market in China and offers greater growth opportunities, fumed by rapidly growing consumer electronics manufacturing and assembly facilities in China. The increasing migration of production facilities to China coupled with an increasing demand for consumer electronics, both for export and domestic consumption, will generate sustainable demand for foundry services provided by the Group. In addition, the Directors believe this mainstream segment enjoys less volatile price swings and more stable margins than the leading-edge semiconductor market segment, which changes rapidly and requires significantly greater capital expenditures.

華潤上華及其附屬公司(統稱為「本集團」)開創中國開放式晶圓代工業務模式的先河，為中國迅速增長的無生產線IC設計公司及海外集成設備製造商(「IDMs」)提供IC製造服務。本公司的全資附屬公司無錫華潤上華半導體有限公司(「一廠」)於一九九七年創立，為中國第一家及目前最大的開放式晶圓代工廠之一。本集團致力為邏輯、數模混合信號、高壓、非易失存記憶體(NVM)及電可擦除可編程唯讀記憶體(「EEPROM」)的CMOS IC，提供優質、符合成本效益的代工服務。一廠配備的無塵室，面積達6,051平方米，產能為每月可生產59,200片6英寸晶圓(「月產能/片」，於本報告內，除另有註明者外，6英寸及8英寸晶圓指平均分別有十二層及二十層的晶圓)。

本集團現今專注於6英寸3.0微米至0.35微米製程技術晶圓市場。管理層相信，此產品代表中國主流半導體市場，並因為中國消費類電子產品製造及組裝設施業務的迅速發展而提供更多增長機會。持續將生產設施遷移至中國，加上消費類電子產品(包括出口及國內消費品)的需求日益增加，將為本集團帶來晶圓代工服務持續不斷的需求。此外，董事相信，此項主流業務較先進半導體市場業務有價格及溢利穩定的好處，先進半導體業務市場瞬息萬變，需要投入大量資本開支。

CSMC's principal customers are the rapidly growing fabless design houses in China, with which the Group has established strong partnership over the years. Currently the Group's customers include six of the top ten largest Chinese fabless design houses. In 2004, the Company also increasingly provided open foundry services to IDMs that outsource part of their production. The Group's ability to attract and maintain these end customers is a result of close partnership with its customers and use of proven technologies and total solutions to achieve fast cycle times, high yields and production flexibility.

The Group is backed by an international consortium of strategic investors, details of which have been set forth in the Prospectus. The Group has benefited from the shared management experience, strategic guidance and opportunity referrals provided by these investors.

華潤上華的主要客戶是中國迅速增長的無生產線IC設計公司，本集團與這些公司建立了穩固的夥伴關係。目前，本集團的客戶包括中國十大無生產線IC設計公司其中六間。於二零零四年，本公司亦向生產外判的IDM提供更多開放式晶圓代工服務，本集團採用成熟的生產技術及全面的解決方案，以實現生產週期短、收益率高和生產靈活，故能吸引及長期服務這些終端用客戶。

本集團有國際策略性投資者作為強大支持後盾。有關詳情已載於招股章程內。這些投資者分享其管理經驗，提供策略指導及商機介紹，使本集團獲益。