

Pioneering the open foundry business model in China, the Group provides IC manufacturing services for the growing numbers of fabless design houses and IDMs in the mainland China, US, Europe, Japan, Taiwan and other regions. Founded in 1997, CSMC Technologies Fab 1 Co., Ltd. ("Fab 1"), a wholly-owned subsidiary of the Company, is the first open and now the largest 6-inch foundry in China. The Group is dedicated to provide high-quality, cost-effective foundry services for a wide range of processes such as CMOS logic, mixed-signal, high voltage, NVM, EEPROM ICs and DMOS. Fab 1 operates 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 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. This market is underpinned by the growth in the electronic manufacturing demand from domestic market and continuous relocation of overseas manufacturing facilities to China. The increasing demand for consumer electronics, both for export and domestic consumptions, 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.

本集團開創中國開放式晶圓代工業務模式的先河，為中國大陸、美國、歐洲、日本、台灣及其他地區迅速增長的無生產線IC設計公司及IDM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6英寸晶圓代工廠。本集團致力為CMOS邏輯、數模混合信號、高壓、NVM及EEPROM IC及DMOS等範圍廣泛製程，提供優質、具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，並提供更多增長機會。國內市場對電子產品製造的需求上升及海外生產設施陸續遷移至中國，使該市場蓬勃發展。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，需要更大量資本開支。

Business Overview 業務總覽

The principal customers of the Group are the fabless design houses in China. Currently among the top ten Chinese fabless design houses, six are CSMC's customers. In 2005, the Group was also increasingly providing foundry services to fabless design houses and IDMs from US, Europe and Asia (excluding China) that outsource their production to China. The Group's ability to attract and retain these customers is a result of close partnerships in the use of proven technologies and, providing total solutions. This requires the Group to achieve fast cycle times, high yields and excellent management of customer demand volatility.

The Group is backed by an international consortium of strategic investors, including China Resources Logic Limited, Chartered Semiconductor Manufacturing Limited, Walden International, 3i Group PLC, Crown Crystal Investments Limited, International Finance Corporation, DBS and Sumitomo Corporation Equity Asia Limited, etc. The Group has benefited from the vast experience, expertise, strategic guidance and opportunity referrals provided by these investors.

本集團的主要客戶是中國的無生產線IC設計公司。目前，華潤上華的客戶包括中國十大無生產線IC設計公司其中六家。於二零零五年，本集團亦向將生產外判往中國的美國、歐洲及亞洲(不包括中國)無生產線設計公司及IDM提供更多晶圓代工服務，本集團採用成熟的生產技術及提供全面的解決方案，與客戶保持緊密關係，是能吸引及長期服務這些客戶的原因。為此，本集團須達成生產週期短、良率高和最佳管理客戶需求波動的目標。

本集團有國際策略性投資者作為強大支持後盾，包括華潤勵致、特許半導體製造有限公司、華登國際、3i集團、Crown Crystal Investments Limited，國際金融公司、新加坡發展銀行和住友等。與這些投資者分享其豐富經驗和專業知識，提供策略指導及商機介紹，使本集團獲益。