



Interim Report

2006

中 期 報 告

The Leading
Mainstream Foundry in China
中國主流晶圓專工業之先鋒

CSMC TECHNOLOGIES CORPORATION

華潤上華科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊之有限公司)

(Stock Code 股份代號 : 0597)

上天翼辰鯤鵬舉

華日晴朗宏圖壯

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COMPANY PROFILE AND CORPORATE INFORMATION

公司概況及公司資料

CSMC Technologies Corporation (“CSMC” or the “Company”) is a limited liability company incorporated in the Cayman Islands. CSMC was listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 August 2004.

Pioneering the open foundry business model in China since 1997, CSMC and its subsidiaries (the “Group” or “We”) own and operate the first and one of the largest open semiconductor foundries in China as measured by operational capacity. Our fabs are located in Wuxi, Jiangsu Province and Beijing. We target the semiconductor market manufactured by offering 3.0 micron to 0.35 micron foundry process technologies on 6-inch wafers, mainly focused on providing manufacturing services to integrated circuits (“IC”) design houses for three types of applications, including consumer electronics, communication, and computers. We also provide manufacturing services for leading international Integrated Device Manufacturers (the “IDMs”), utilizing our manufacturing capacities for their proprietary process technologies. Our manufacturing processes include CMOS logic, mixed-signal, high voltage, non-volatile memory (“NVM”), electrically erasable programmable read-only memory (“EEPROM”) ICs and DMOS. Mixed-signal ICs and DMOS are widely used for applications of power management IC and power discrete. We also offer assistance to our customers by arranging upstream IC design services as well as downstream testing and packaging services.

We are continuously exploring incremental opportunities of growth in customer base, technology portfolio and operational capacity consistent with expectation for continuous expansion in the consumer electronics, communication and computer market in China. We believe that the export and domestic consumptions will be the key catalysts for the growth in the semiconductor industry in China.

Our principal customers are the fast growing fabless design houses in China. We also provide open foundry services to IDMs. We believe our leading position in the mainstream segment in the China semiconductor market and the development of our key overseas markets will underpin the future success of CSMC.

華潤上華科技有限公司(「華潤上華」或「本公司」)為於開曼群島註冊成立之有限公司。華潤上華於二零零四年八月十三日在香港聯合交易所有限公司(「香港聯交所」)主板上市。

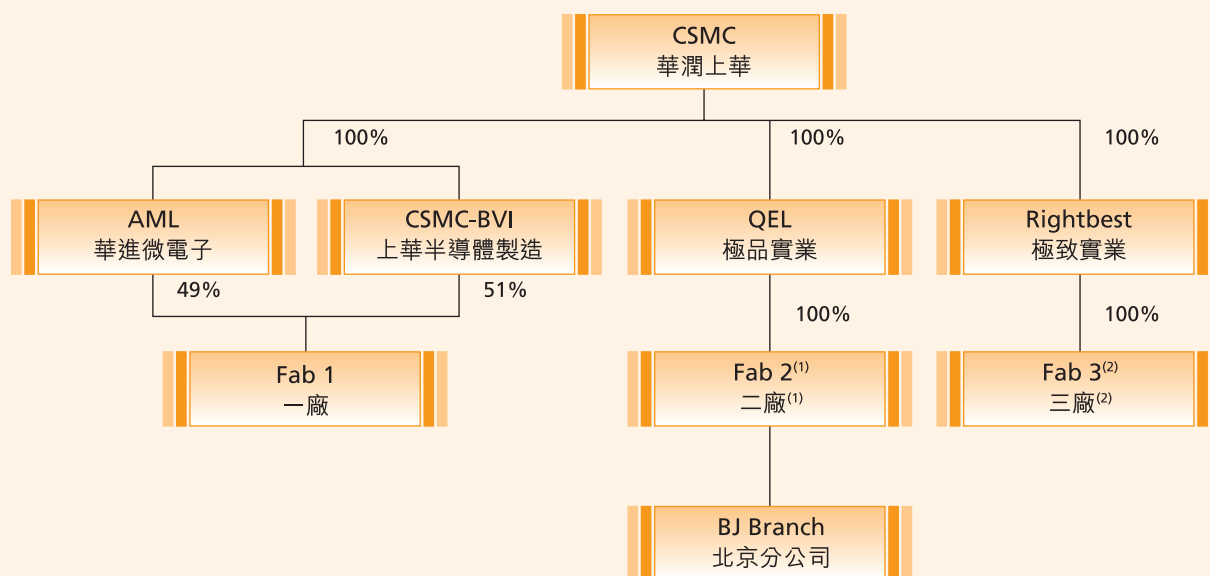
華潤上華及其附屬公司(「本集團」)於一九九七年在中國開創開放式晶圓代工業務模式的先河，目前於中國擁有及經營第一家，並以營運能力計為其中一家最大型的半導體開放式晶圓代工廠。本集團晶圓製造廠位於江蘇省無錫市及北京市。本集團目前針對的半導體市場，是以採用3.0至0.35微米製程技術生產的6英寸晶圓製造的半導體，主要專注於為集成電路(「IC」)設計公司提供消費類電子產品、通訊及電腦等應用程式的製造服務。本集團亦為領先的國際集成設備製造商(「IDM」)提供製造服務，透過自身的產能配合製造商的專利製程技術進行生產。本集團的製造製程技術包括CMOS邏輯、數模混合信號、高壓、非易失存記憶體(「NVM」)、電可擦除可編程唯讀記憶體(「EEPROM」)IC及DMOS。數模混合信號IC及DMOS被廣泛應用於電源管理應用程式及分立器件。本集團亦協助客戶安排提供上游IC設計服務，以及下游測試及封裝服務。

本集團不斷尋求擴大客戶群、擴展技術組合及擴張營運產能的機會，以配合預期中國消費類電子產品、通訊及電腦市場的持續增長。本集團相信，出口及國內消費將有助於中國半導體行業發展。

本集團的主要客戶是中國迅速增長的無生產線IC設計公司。本集團亦為IDM提供開放式晶圓代工服務。本集團相信，維持於中國半導體主流市場的領導地位及發展主要海外市場，將鞏固華潤上華未來的成功。

Corporate Entity Structure

公司架構



Notes:

- (1) Operation of Fab 2 has not yet commenced.
- (2) Fab 3 has been incorporated on 6 April, 2006.

附註：

- (1) 二廠尚未投入營運。
- (2) 三廠於二零零六年四月六日註冊成立。

Definitions:

In this report, unless the context requires otherwise, the following words and expressions have the following meanings:

“AML”:	Advanced Microelectronics Limited
“BJ Branch”:	CSMC Technologies Fab 2 Co., Ltd. Beijing Branch
“CSMC-BVI”:	CSMC Manufacturing Co., Ltd.
“Fab 1”:	CSMC Technologies Fab 1 Co., Ltd.
“Fab 2”:	CSMC Technologies Fab 2 Co., Ltd.
“Fab 3”:	CSMC Technologies Fab 3 Co., Ltd.
“QEL”:	Qualibest Enterprises Limited
“Rightbest”:	Rightbest Limited

釋義：

於本報告內，除文義另有所指外，以下詞語具有以下涵義：

「華進微電子」	華進微電子有限公司
「北京分公司」	無錫華潤上華科技有限公司北京分公司
「上華半導體製造」	上華半導體製造有限公司
「一廠」	無錫華潤上華半導體有限公司
「二廠」	無錫華潤上華科技有限公司
「三廠」	北京華潤上華半導體有限公司
「極品實業」	極品實業有限公司
「極致實業」	極致實業有限公司

Corporate Information

English Name	CSMC Technologies Corporation
Chinese Name	華潤上華科技有限公司
Chairman	Peter CHEN Cheng-yu
President	Robert LEE Naii
Executive Directors	Peter CHEN Cheng-yu Robert LEE Naii TSAI Nein-nan
Non-Executive Directors	Ken ONG Thiam Kin YU Yu CHEN Nan-xiang Paul P. WANG
Independent Non-Executive Directors	Kum Loon OON Mark HSUE Chi Nan Ralph Sytze YBEMA
Company Secretary	Frank LAI Ni Hium <i>Certified Practising Accountant</i> (Australia)
Auditors	PricewaterhouseCoopers
Legal Advisor	Richards Butler
Registered Office	Scotia Center, P.O. Box 2804 George Town, Grand Cayman Cayman Islands British West Indies
Principal Place of Business	No. 14 Liangxi Road Wuxi, Jiangsu 214061 China

公司資料

英文名稱	CSMC Technologies Corporation
中文名稱	華潤上華科技有限公司
主席	陳正宇
總裁	李乃義
執行董事	陳正宇 李乃義 蔡聯南
非執行董事	王添根 俞宇 陳南翔 王伯元
獨立非執行董事	溫金鸞 許奇楠 Ralph Sytze YBEMA
公司秘書	黎汝雄 執業會計師 (澳洲)
核數師	羅兵咸永道會計師事務所
法律顧問	齊伯禮律師行
註冊辦事處	Scotia Center, P.O. Box 2804 George Town Grand Cayman Cayman Islands British West Indies
主要營業地點	中國 江蘇省無錫市 梁溪路14號 郵編：214061

Corporate Information (Continued)

Place of Business in Hong Kong Registered under Part XI of the Companies Ordinance	Room 1101, Landmark North 39 Lung Sum Avenue Sheung Shui New Territories
Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Rooms 1712-1716 Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Website Address	www.csmc.com.cn

公司資料 (續)

根據公司條例第XI部登記的香港營業地點	新界 上水 龍琛路39號 上水廣場1101室
香港股份過戶及登記處	香港中央證券登記有限公司 香港 灣仔 皇后大道東183號 合和中心17樓 1712-1716室
網站	www.csmc.com.cn

FINANCIAL HIGHLIGHTS

財務概要

For the six months ended 30 June

截至六月三十日止六個月

		2006	2005	
		二零零六年	二零零五年	Percentage
		(Unaudited)	(Unaudited)	change
		(未經審核)	(未經審核)	百分比變動
		US\$'000	US\$'000	
		千美元	千美元	
Sales	銷售額	53,444	32,511	64.4%
Total earnings before interest expense, taxation and depreciation and amortization ("EBITDA")	未計利息開支、稅項、折舊及攤銷前的盈利總額(「EBITDA」)	16,691	4,760	250.7%
Depreciation and amortization	折舊及攤銷	(14,299)	(10,707)	33.5%
Interest expenses	利息開支	(1,594)	(616)	158.8%
Profit (loss) before income tax	除所得稅前溢利(虧損)	798	(6,563)	112.2%
Income tax (expense)/credit	所得稅(支出)／抵免	(275)	525	-152.4%
Profit (loss) attributable to equity holders of the Company	本公司股權持有人應佔溢利(虧損)	523	(6,038)	108.7%
Earnings (loss) per share	每股盈利(虧損)			
Basic (US\$ cent)	基本(美仙)	0.02	(0.23)	108.7%
Diluted (US\$ cent) (Note 1)	攤薄(美仙)(附註1)	0.02	N/A 不適用	N/A 不適用

FINANCIAL HIGHLIGHTS (Continued)

財務概要 (續)

		As at		
		於		
		30 June	31 December	
		2006	2005	
		二零零六年	二零零五年	
		六月三十日	十二月三十一日	
		(Unaudited)	(Audited)	Percentage
		(未經審核)	(經審核)	change
		US\$'000	US\$'000	百分比變動
		千美元	千美元	
Total assets	資產總額	237,477	224,150	5.9%
Shareholders' equity	股東權益	160,247	157,004	2.1%
Cash and bank balances	現金及銀行結餘	31,306	24,778	26.3%
Bank borrowings	銀行貸款	48,266	42,152	14.5%
Ratio (Note 2)	比率 (附註2)			
Current ratio (times)	流動比率 (倍)	1.17	1.07	9.3%
Quick ratio (times)	速動比率 (倍)	0.85	0.78	9.0%
Debt to equity (%)	負債與權益比率 (%)	30.1%	26.8%	12.3%
Net book value per share	每股賬面淨值			
(US\$ cent)	(美仙)	5.95	5.86	1.5%

Note 1:

No diluted earnings (loss) per share for six months ended 30 June 2005 has been presented as the potential ordinary shares resulted from the Equity Incentive Plan are anti-dilutive.

附註1:

由於因股份獎勵計劃產生的潛在普通股具反攤薄作用，故並無呈列截至二零零五年六月三十日止六個月的每股攤薄盈利(虧損)。

Note 2:

Current ratio = current assets / current liabilities

Quick ratio = (current assets – inventories) / current liabilities

Debt to equity = total bank borrowings / shareholders' equity

Net book value per share = shareholders' equity / total outstanding shares

附註2:

流動比率 = 流動資產 / 流動負債

速動比率 = (流動資產 – 存貨) / 流動負債

負債與權益比率 = 銀行貸款總額 / 股東權益

每股賬面淨值 = 股東權益 / 已發行股份總額

CHAIRMAN'S STATEMENT

Dear Shareholders,

2006 will be a year of recovery for the worldwide semiconductor market as semiconductor demands have been on a strong upward trend. During the first half of 2006, the Group's consolidated sales reached approximately US\$53.44 million, representing a 64.4% increase compared to the same period of 2005, allowing the Group to report a net profit of US\$523,000, compared to a net loss of US\$6.04 million over the same period of 2005.

CSMC has a unique focus on the mainstream segment in the China semiconductor market. Since the beginning of 2001, the semiconductor industry in China has been growing at an average rate of 30%, higher than the average growth rate of the global market. Capturing the growth trend in the China semiconductor market, the Group's sales of the Chinese region for the first half year reached US\$37.57 million, representing a 73% increase compared to the same period of 2005.

We continue to expand our production capacity to better serve both the China semiconductor market and the growing outsourcing demands from overseas IDMs and fabless customers. In October 2005, we signed a co-operation agreement with Institution of Microelectronics of the Chinese Academy of Science to form our Fab 3 in Beijing. Fab 3 has been established for operation and has completed the facility expansion program by end of June 2006 and started its qualification and production ramp up. Fab 3 is expected to contribute a production capacity of 20,000 6-inch wafers per month in 2007. This will further strengthen the Group's current leading position as the largest 6-inch open foundry in China.

We continue our effort to explore the possibility with certain technology partners to form a strategic partnership for Fab 2, the Group's initial 8-inch wafer Fab. Fab 2 will focus on 8-inch process technologies ranging from 0.35 micron to 0.18 micron in continuing our pursuit of serving the mainstream segment in the China semiconductor market as it migrates towards advanced submicron technologies. Our 8-inch initiative will also strengthen migration options for international customers who seek to outsource their production lines later on.

主席報告

致各股東：

隨著半導體需求持續強勁增長，全球半導體市場於二零零六年全面復蘇。二零零六年上半年，本集團綜合銷售額達到約5,344萬美元，較二零零五年同期增長64.4%，使本集團獲得純利52.3萬美元，而二零零五年同期的虧損淨額則為604萬美元。

華潤上華專注於中國半導體主流市場。自二零零一年起，中國半導體工業便以每年30%的平均增長率發展，高於全球市場的平均水平。由於掌握中國半導體市場的發展先機，上半年本集團在中國區的銷售額達到3,757萬美元，較二零零五年同期增長73%。

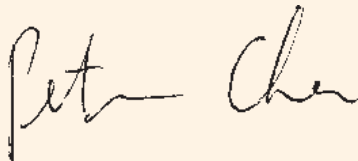
本集團持續擴大產能，以滿足中國半導體市場及海外IDM與無生產線客戶日增的外判需求。二零零五年十月，本集團與中國科學院微電子研究所簽署合作協議，於北京成立三廠，作營運用途。三廠於二零零六年六月底前已完成動力設施擴充計劃，並已開始技術驗證與生產。預期三廠產能於二零零七年將達每月生產20,000片6英吋晶圓，因而進一步鞏固本集團現時作為中國最大6英吋開放式晶圓代工廠的領導地位。

本集團亦繼續爭取與若干技術合作夥伴就本集團首間8英吋晶圓代工廠（二廠）建立策略夥伴關係。二廠將專注於0.35至0.18微米的8英吋晶圓製程技術，以繼續應付中國半導體主流市場未來向更先進亞微米技術演進的需求。本集團的8英吋晶圓技術亦將進一步吸引尋求生產線外判的國際客戶。

CHAIRMAN'S STATEMENT *(Continued)*

As of the report date, China Resource Logic Limited (the "CR Logic") has become the controlling shareholder of CSMC by increasing its shareholding in CSMC to approximately 73% through a voluntary offer. This consolidation will bring synergistic benefit to both companies towards capturing business opportunities offered by the ongoing growth in the domestic and global semiconductor markets.

Going forward, the Group is optimistic for the continued long term growth trend of the global semiconductor market and, in particular, the robust growth of the China semiconductor market. With CR Logic becoming the controlling shareholder of CSMC, the Group expects an enhanced outlook for the second half of 2006 and the forthcoming years.



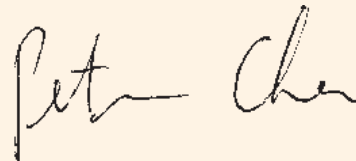
Dr. Peter CHEN Cheng-yu
Chairman

Hong Kong, 18 August 2006

主席報告 (續)

於本報告日期，華潤勵致有限公司（「華潤勵致」）已透過自願收購建議，增持華潤上華股權至約73%而成為華潤上華的控權股東。此次合併將可發揮兩家公司的協同效應，在不斷增長的國內外半導體市場中掌握商機。

展望未來，本集團對全球半導體市場的長期增長趨勢，特別是中國半導體市場的強勁發展表示樂觀。隨著華潤勵致成為華潤上華的控權股東，本集團預期二零零六年下半年及來年將有更優良表現。



陳正宇博士
主席

香港，二零零六年八月十八日

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The first half of year 2006 represents the recovery for the Group from the down cycling of the global semiconductor market last year. During the period, the Group recorded a net profit of US\$523,000, compared to a net loss of US\$6.04 million over the same period of 2005, while the average capacity utilization rate of the Group increased to 86% in the period from 63% in 2005 and 56% in the first half of 2005. At the same time, the Group's consolidated sales increased by 64.4% to US\$53.44 million when compared with US\$ 32.51 million in the same period of 2005. EBITDA increased by 250.7% to US\$16.69 million in the period from US\$4.76 million in the same period of 2005.

BUSINESS REVIEW

Expansion of Business

The Group's business in the PRC contributed US\$37.57 million or 70.3% of the total sales in the first half of 2006, which represents an increase of 73.5% over US\$21.66 million in the first half of 2005. The Group's business from overseas market increased simultaneously as a result of market recovery with overseas demands in the first half of 2006.

The following table shows the geographical breakdown of the Group's sales for the six months ended 30 June 2006 and 2005.

		Unaudited Sales for six months ended 30 June			
		2006		2005	
		二零零六年		二零零五年	
		(US\$'000)	%	(US\$'000)	%
		(千美元)		(千美元)	
The PRC	中國	37,566	70.3	21,658	66.6
Asia, other than the PRC	亞洲(中國除外)	9,134	17.1	7,608	23.4
United States	美國	5,555	10.4	1,877	5.8
Europe	歐洲	1,189	2.2	1,368	4.2
Total	總計	53,444	100.0	32,511	100.0

管理層討論及分析

概覽

二零零六年上半年，本集團已從去年全球半導體市場的低潮中復蘇。期內，本集團的純利為52.3萬美元，而二零零五年同期的虧損淨額則為604萬美元。本集團的平均產能使用率由二零零五年上半年及二零零五年全年56%及63%增至本期的86%。同時，本集團的綜合銷售額由二零零五年同期的3,251萬美元增加64.4%至5,344萬美元。期內，EBITDA由二零零五年同期的476萬美元上升250.7%至1,669萬美元。

業務回顧

業務拓展

二零零六年上半年，本集團中國業務的銷售額為3,757萬美元，佔總銷售額70.3%，較二零零五年上半年的2,166萬美元，增長約73.5%。隨著二零零六年上半年海外市場需求的回升，本集團的海外業務亦相應有所增長。

下表呈列本集團截至二零零六年及二零零五年六月三十日止六個月按地區分析的銷售額：

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Group continues its strategy to diversify its customer base to avoid over-reliance on any single customer. With the increase in sales, the Group's top ten customers contributed 61.1% of total sales in the first half of 2006, down from 74.5% in the same period of 2005.

Production Capacity and Capacity utilization Rate

During the first half of 2006, the Group maintained its production capacity of 59,200 wafers per month. Average capacity utilization was 86% in the first half of 2006 compared to 63% in 2005 and 56% in the same period of 2005. When the Fab 3 in Beijing starts operation, the Group will be able to have additional production capacity of 20,000 wafers per month in 2007.

Technology Migration

In the first half of 2006, the Group continued to focus on supporting applications of power management IC and power discrete in PC, mobile phone, electric transportation and medical device with 0.5 and 0.6 micron mixed-signal and DMOS processes. The management believes that this technology mix is ideal to serve the Chinese mainstream market in the coming future.

管理層討論及分析 (續)

本集團繼續採納策略使其客戶群多元化，以避免過份依賴任何單一客戶。隨著銷售額增長，本集團十大客戶的銷售額佔總銷售額比率由二零零五年同期的74.5%降至二零零六年上半年的61.1%。

產能及產能使用率

二零零六年上半年，本集團的每月產能維持59,200片晶圓，平均產能使用率為86%，而二零零五年全年及二零零五年同期則分別為63%及56%。北京三廠投產後，本集團於二零零七年的每月產能將增加20,000片晶圓。

技術改良

二零零六年上半年，本集團繼續透過改良0.5微米及0.6微米數模混合訊號及DMOS技術，主力開發用於個人電腦、流動電話、電子傳輸及醫療器械之支援性部件的電源管理積體電路和分立器件。管理層相信，該技術組合將符合未來中國主流市場的需求。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

管理層討論及分析 (續)

The table below shows the Group's sales by process technologies:

下表呈列本集團按製程技術分析的銷售額：

		Unaudited Sales for six months ended 30 June 截至六月三十日止六個月的未經審核銷售額			
		2006 二零零六年		2005 二零零五年	
		(US\$'000) (千美元)	%	(US\$'000) (千美元)	%
6-inch	6英寸				
>=1.0 micron	> = 1.0微米	13,373	25.0	10,926	33.6
0.6 - 0.8 micron	0.6 - 0.8微米	11,631	21.8	6,808	20.9
0.5 - 0.6 micron	0.5 - 0.6微米	14,573	27.3	7,850	24.2
0.35 - 0.5 micron	0.35 - 0.5微米	6,441	12.1	4,960	15.3
Sub-total	小計	46,018	86.2	30,544	94.0
DMOS	DMOS	1,094	2.0	561	1.7
Others	其他	6,332	11.8	1,406	4.3
Total	總計	53,444	100.0	32,511	100.0

The Group manufactures ICs mainly using CMOS and DMOS process technologies. The Group utilizes CMOS technologies mainly produces logic, mixed-signal, high voltage, NVM and EEPROM ICs for the fast-growing consumer electronics, communication and computer industry in China.

本集團主要利用CMOS及DMOS製程技術製造IC。本集團利用CMOS技術主要為中國發展迅速的消費電子業、通訊業及電腦業生產邏輯、數模混合訊號、高壓、NVM及EEPROM IC。

The Group continues to seek ASP enhancement opportunities. By improving process technology mix, the Group's overall ASP increased 2.4% to US\$173 in the first half of 2006 from US\$169 in the same period of 2005. Sales contributions from non-logic and DMOS products increased to 32.4% in the first half of 2006 from 24.4% in the same period of 2005.

本集團繼續尋求提升平均售價的機會。通過改良製程技術組合，本集團整體平均售價由二零零五年同期的169美元上升2.4%至二零零六年上半年的173美元。二零零六年上半年非邏輯及DMOS產品銷售額貢獻由二零零五年同期的24.4%增至32.4%。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The table below shows the Group's sales by process mix:

管理層討論及分析(續)

下表呈列本集團按製程組合分析的銷售額：

Unaudited Sales for six months ended 30 June

截至六月三十日止六個月的未經審核銷售額

		2006		2005	
		(US\$'000)	%	(US\$'000)	%
		(千美元)		(千美元)	
Logic	邏輯	29,759	55.8	23,185	71.3
Mixed-signal	數模混合信號	14,264	26.7	6,455	19.9
NVM	NVM	1,995	3.7	914	2.8
DMOS	DMOS	1,094	2.0	561	1.7
Others	其他	6,332	11.8	1,396	4.3
Total	總計	53,444	100.0	32,511	100.0

Employees

The management believes that the Group's employees are its greatest asset. The Group had 1,794 employees as at 30 June 2006, an increase of 358 employees compared with 1,436 at the end of 2005, including 294 employees in Fab 3. The Group has maintained a good working relationship with employees over the period.

In the highly competitive foundry business, strong human resources are essential for growth. The management successfully leverage on the strengths of both local Chinese employees and international expertise. The Group also prides itself for its track record of recruiting and developing local managerial, technical, and operating personnel. Currently 98% of the Group's staff are citizens of People's Republic of China (the "PRC"), including the majority of the managers. As at 30 June 2006, 56% of the Group's employees have college or graduate degrees.

僱員

管理層相信，本集團的僱員為其至關重要的資產。於二零零六年六月三十日，本集團有1,794名僱員，較二零零五年的1,436名增加358名（包括三廠的294名僱員）。本集團於期內與僱員維持良好工作關係。

晶圓代工業務的競爭非常激烈，強大的人力資源是公司增長所必需的。管理層成功地運用中國本地僱員及國際專才的優勢。本集團亦對其招聘及發展本地管理、技術及營運員工的記錄感到自豪。本集團現時98%的員工為中華人民共和國（「中國」）本地人才，包括大部分經理。於二零零六年六月三十日，本集團56%的僱員均擁有大專或以上學歷。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL RESULTS

The following table shows certain information relating to the Group's interim results for each of the six months ended 30 June 2006 and 2005:

Condensed Consolidated Interim Income Statements

		2006 二零零六年		2005 二零零五年	
		(US\$'000) (千美元)	%	(US\$'000) (千美元)	%
Sales	銷售額	53,444	100.0	32,511	100.0
Cost of goods sold	銷貨成本	(44,316)	(82.9)	(32,068)	(98.6)
Gross profit	毛利	9,128	17.1	443	1.4
Other gains (net)	其他收益(淨額)	616	1.2	885	2.7
Operating expenses	經營開支	(7,352)	(13.8)	(7,275)	(22.4)
Operating profit (loss)	經營溢利(虧損)	2,392	4.5	(5,947)	(18.3)
Finance costs	融資成本	(1,594)	(3.0)	(616)	(1.9)
Profit (loss) before income tax	除所得稅前溢利(虧損)	798	1.5	(6,563)	(20.2)
Income tax (expense)/credit	所得稅(開支)/抵免	(275)	0.5	525	1.6
Profit (loss) for the period	期內溢利(虧損)	523	1.0	(6,038)	(18.6)
Dividends	股息	—		1,705	
Earnings (loss) per share	每股盈利(虧損)				
– basic (US\$ cent)	– 基本(美仙)	0.02		(0.23)	
– diluted (US\$ cent)	– 攤薄(美仙)	0.02		N/A 不適用	
Operating Data	經營數據				
Depreciation and amortization	折舊及攤銷	14,299		10,707	
Capital expenditure	資本開支	10,810		20,753	
Wafer sales (units)	晶圓銷售數量 (以片計)	290,980		186,716	
ASP (US\$)	平均售價(美元)	173		169	

管理層討論及分析(續)

財務業績

下表呈列本集團截至二零零六年及二零零五年六月三十日止六個月中期業績的若干資料：

簡明綜合中期收益表

Unaudited
未經審核
six months ended 30 June
截至六月三十日止六個月

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Sales

The Group's consolidated sales for the six months ended 30 June 2006 amounted to US\$53.44 million, representing an increase of 64.4% compared to US\$32.51 million in the same period of 2005. This increase in sales was mainly due to the recovery of the Group's production capacity utilization to 86% in the first half of 2006 from 56% in the same period of 2005, as well as the increase of ASP by 2.4% to US\$173 in the first half of 2006 from US\$169 in the same period of 2005, as a result of the recovery of the global semiconductor market.

Cost of goods sold

Cost of goods sold increased by 38.2% to US\$44.32 million in the first half of 2006 from US\$32.07 million in the same period of 2005. The increase in cost of goods sold in the period was primarily due to the increased consumption in material costs and utility costs consistent with the increase in the volume of wafers sold, as well as the increase in depreciation by the capacity expansion in past 2 years.

Gross profit

Gross profit and gross margin increased to US\$9.13 million and 17.1% in the first half of 2006 from US\$443,000 and 1.4% in the same period of 2005, respectively. The increase in gross margin was mainly due to the growth in production capacity utilization to 86% in the first half of 2006 from 56% in the same period of 2005, following the successful capacity expansion in production scale in past 2 years. The increase in ASP by 2.4% also resulted in an increase in gross profit and gross margin.

Operating Expenses

The Group's operating expenses increased slightly by 1.0% to US\$7.35 million in the first half of 2006 from US\$7.28 million in the same period of 2005. The increased expenses mainly generated by the start-up and operating costs of Fab 3 in Beijing.

管理層討論及分析 (續)

銷售額

截至二零零六年六月三十日止六個月，本集團的綜合銷售額為5,344萬美元，較二零零五年同期的3,251萬美元增長64.4%。銷售額增加主要是由於本集團產能使用率由二零零五年同期的56%上升至二零零六年上半年的86%，以及平均售價由二零零五年同期的169美元增長2.4%至二零零六年上半年的173美元所致。

銷貨成本

銷貨成本由二零零五年同期的3,207萬美元增至二零零六年上半年的4,432萬美元，增長率為38.2%。期內銷貨成本增加主要是由於晶圓銷售數量增加使材料成本及動力成本上升，以及過往兩年擴大產能導致折舊增加所致。

毛利

毛利及毛利率分別由二零零五年同期的44.3萬美元及1.4%增至二零零六年上半年的913萬美元及17.1%。毛利率的增長主要是由於過往兩年成功提升產能擴大生產規模後，產能使用率由二零零五年同期的56%增至二零零六年上半年的86%所致。平均售價增加2.4%亦使毛利及毛利率上升。

經營開支

本集團的經營開支由二零零五年同期的728萬美元微升1.0%至二零零六年上半年的735萬美元。經營開支增加主要來自北京三廠的開業支出及經營成本。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Net profit (loss) for the period

As a result of those mentioned above, the Group recorded a net profit of US\$523,000 in the first half of 2006, compared with a net loss of US\$6.04 million in the first half of 2005.

Dividends

The Directors do not recommend any payment of an interim dividend for 2006.

Liquidity and Capital Resources

For the six months ended 30 June 2006, the Group's sources of liquidity mainly included cash inflow from operating activities and proceeds from the net bank borrowings, which amounted to US\$11.41 million and US\$5.71 million, respectively. The Group's cash has principally been applied to upgrade of process technology mix and the remainder of prior year's capacity expansion for Fab 1 amounting to US\$4.82 million, construction of Fab 2 shell amounting to US\$4.00 million and purchase of machinery and equipment for Fab 3 amounting to US\$1.39 million.

管理層討論及分析 (續)

期內溢利(虧損)淨額

由於上述因素，本集團二零零六年上半年的純利為52.3萬美元，而二零零五年上半年的虧損淨額則為604萬美元。

股息

董事不建議派付二零零六年中期股息。

流動資金及資金資源

截至二零零六年六月三十日止六個月，本集團流動資金主要包括經營活動所得現金流量及銀行借貸淨額，分別為1,141萬美元及571萬美元。本集團的現金支出中482萬美元主要用於改良一廠的製程技術組合以及支付上年度擴充一廠產能的結餘，400萬美元用於興建二廠廠房及139萬美元用於購買三廠的機器及設備。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The table below sets forth the cash flow of the Group for the six months ended 30 June 2006 and 2005, and the cash and cash equivalents at the end of each period:

管理層討論及分析 (續)

下表載列本集團截至二零零六年及二零零五年六月三十日止六個月的現金流量及各期期末的現金及現金等價物：

		Unaudited 未經審核	
		Six months ended 30 June 截至六月三十日止六個月	
		2006 二零零六年 (US\$'000) (千美元)	2005 二零零五年 (US\$'000) (千美元)
Net cash inflow from operating activities	經營活動產生的現金流入淨額	11,408	804
Net cash used in investing activities	投資活動動用的現金淨額	(10,656)	(20,708)
Net cash inflow from financing activities	融資活動產生的現金流入淨額	5,706	17,765
Increase (decrease) in cash and cash equivalents	現金及現金等價物增加(減少)	6,458	(2,139)
Effect on foreign exchange rate changes	匯率變動影響	70	—
Cash and cash equivalents at beginning of period	期初的現金及現金等價物	24,778	24,463
Cash and cash equivalents at end of period	期末的現金及現金等價物	31,306	22,324

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Indebtedness

The bank loans of the Group as at 30 June 2006 and 31 December 2005 were as follows:

Short-term bank loans	短期銀行貸款
– Secured	– 有抵押
– Unsecured	– 無抵押
Long-term bank loans	長期銀行貸款
– Secured	– 有抵押
Total outstanding borrowings	未償還銀行貸款總額

As at 30 June 2006, the Group's short-term bank loans bore interest rates ranging from 4.82% to 7.25% per annum. Long-term bank loans bore interest rates ranging from 5.58% to 6.55% per annum.

The secured portion of approximately US\$19.0 million was secured by certain of the Group's equipments and land use rights with the net book value of approximately US\$31.31 million.

管理層討論及分析 (續)

債務

本集團於二零零六年六月三十日及二零零五年十二月三十一日的銀行貸款如下：

	As at 於	
	30 June 六月三十日 2006 二零零六年 (Unaudited) (未經審核) (US\$'000) (千美元)	31 December 十二月三十一日 2005 二零零五年 (Audited) (經審核) (US\$'000) (千美元)
	9,759	3,000
	29,256	29,922
	9,251	9,230
	<u>48,266</u>	<u>42,152</u>

於二零零六年六月三十日，本集團短期銀行貸款按年利率介乎4.82厘至7.25厘計息。長期銀行貸款按年利率介乎5.58厘至6.55厘計息。

有抵押部分約1,900萬美元以本集團賬面淨值約3,131萬美元的若干機器及土地使用權作抵押。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Expenditures

The Group requires capital to build, expand, upgrade and maintain its production facilities and equipment. The Group incurred capital expenditure of US\$10.81 million in the first half 2006, mainly including US\$4.00 million spent on construction of Fab 2 shell, US\$4.82 million spent on Fab 1's upgrade of process technology mix and paid for the remainder of prior year's capacity expansion, and US\$1.39 million spent on machinery and equipment purchasing for Fab 3.

Repurchase of Shares

During the six months ended 30 June 2006, the Company repurchased 3,395,000 shares of the Company at prices ranging from HK\$0.385 to HK\$0.39 per share with a total consideration of HK\$1.3 million on the Stock Exchange. These shares have been duly cancelled.

Commitments and Contingent Liabilities

As at 30 June 2006, the Group has capital commitments of US\$215.13 million. Details are set out as follow:

Contracted but not provided	已訂約但未撥備
Authorized but not contracted	已授權但未訂約
Total	總計

As at 30 June 2006, Fab 1 had a staff retention program which requires Fab 1 to provide corporate guarantee to a third party bank for the down payment of mortgage loans of its key employees amounting to approximately US\$235,000.

Details of commitment and contingent liabilities are set out in note 14 and 15 of the interim financial statements set out in pages 58 to 61.

管理層討論及分析 (續)

資本開支

本集團需要資金以建設、擴充、提升及維護生產設施及設備。本集團於二零零六年上半年產生資本開支1,081萬美元，其中400萬美元用於興建二廠廠房，482萬美元用於改良一廠的製程技術組合及支付上年度的擴充產能的結餘，以及139萬美元用於添置三廠的機器及設備。

購回股份

截至二零零六年六月三十日止六個月，本公司在聯交所購回3,395,000股本公司股份，每股價格介乎0.385港元至0.39港元，總代價約為130萬港元。該等股份已正式註銷。

承擔及或然負債

於二零零六年六月三十日，本集團的資本承擔為21,513萬美元，詳情如下：

US\$'000
千美元

7,495

207,638

215,133

於二零零六年六月三十日，一廠設立挽留員工計劃，一廠因此為其關鍵員工的首期按揭貸款金額合計約235,000美元向第三方銀行提供公司擔保。

承擔及或然負債詳情載於第58至61頁的中期財務報表附註14及15。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Principal Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005 as described in the 2005 annual report, except for those disclosed in note 3 of the interim financial statements set out in page 38 to 41.

Legal Liabilities

For the six months ended 30 June 2006, the Company was not involved in any material litigation or arbitration and no material litigation or claims was pending or threatened or made against the Company as far as the Company is aware.

Foreign Exchange Risk Management

The Group's operational cash flow was primarily denominated in Renminbi and US dollars. The Group's borrowings were also denominated in Renminbi and US dollars. The Group does not expect significant exposure to foreign exchange fluctuations in this regard. The management believes that, considering the working capital position of the Group, the Group will have sufficient foreign exchange to meet its foreign exchange liabilities as they become due. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Gearing Ratio

As at 30 June 2006, the gearing ratio, calculated based on total liabilities divided by total shareholders' equity was 48.19%, compared with 42.77% at 31 December 2005.

管理層討論及分析 (續)

主要會計政策

所採納的會計政策與二零零五年年報所載截至二零零五年十二月三十一日止年度的年度財務報表所採納者一致，惟第38至41頁的中期財務報表附註3所披露者則除外。

法律責任

截至二零零六年六月三十日止六個月，本公司並無涉及任何重大訴訟或仲裁，且就本公司所知，亦無任何尚未了結或針對本公司的重大訴訟或申索。

外匯風險管理

本集團的營運現金流量主要以人民幣及美元為單位。本集團的借款亦以人民幣及美元為單位。本集團預期不會因此面對匯率波動的重大風險。在考慮本集團的營運資金狀況後，管理層相信，本集團有足夠外匯儲備，在到期時償還外匯負債。本集團的政策是不會就投機目的而訂立任何衍生交易。

負債比率

於二零零六年六月三十日，按總負債除以總股東權益計算所得的負債比率為48.19%，而二零零五年十二月三十一日則為42.77%。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Other Significant Matter

On 12 May 2006, CSMC and CR Logic jointly announced that a voluntary conditional offer was made by CR Logic for all CSMC shares with cash consideration and/or new CR Logic shares. On 28 June 2006, the offer became unconditional in all respects. Upon close of the offer on 12 July 2006, CR Logic received valid acceptances in respect of 1,293,530,058 CSMC shares, representing approximately 47.5% of the entire issued share capital of CSMC and voting rights normally exercisable at general meetings of CSMC. Taking into account the valid acceptances received, CR Logic and parties acting in concert with it together own 1,984,967,848 CSMC shares, representing approximately 73% of the entire issued share capital of CSMC as at the date hereof.

管理層討論及分析 (續)

其他重大事項

二零零六年五月十二日，華潤上華與華潤勵致聯合公佈，華潤勵致提出自願有條件收購建議，以現金代價及／或華潤勵致新股份收購所有華潤上華股份。二零零六年六月二十八日，收購建議全面成為無條件。於二零零六年七月十二日收購建議截止時，華潤勵致收到華潤上華1,293,530,058股股份（佔華潤上華全部已發行股本及一般可於其股東大會行使的投票權約47.5%）的有效接納。計及所收到的有效接納，華潤勵致及與其一致行動人士合共擁有華潤上華1,984,967,848股股份，佔華潤上華於該日期全部已發行股本約73%。

ADDITIONAL INFORMATION

Compliance with the Code on Corporate Governance Practices of the Listing Rules

In the opinion of the Directors, the Group has been in compliance with the Code on Corporate Governance Practices contained in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the reporting period. 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.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, for the six months ended 30 June 2006, they have complied with required standards of dealing set out in the Model Code.

Corporate Governance

CSMC recognizes its responsibilities to shareholders and aims to protect and enhance shareholders' value through solid corporate governance. The Group is committed to ensuring transparent, open and accountable disclosures. Good corporate governance is not just a question of regulatory compliance but is ingrained into the Company's culture and emphasized at every level.

The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring that our business is conducted in an honest, ethical and responsible manner.

其他資料

遵守上市規則企業管治常規守則

董事認為，本集團於報告期內一直遵守香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載的企業常規管治守則的規定。董事會深明其對本集團內部監控體系的責任，並透過集團正式財務及法律程序、本集團核數師及審核委員會履行責任。

上市發行人董事進行證券交易的標準守則

本公司已採納上市規則附錄十所載有關上市公司董事進行證券交易的標準守則（「標準守則」）。本公司已對所有董事作出特別查詢，所有董事已確認截至二零零六年六月三十日止六個月，一直遵守標準守則所載的買賣標準規定。

公司管治

華潤上華了解其對股東的責任，並透過穩固的公司管治維護及提升股東的價值。本集團承諾確保作出具透明度、公開及負責任的披露。良好的公司管治不僅關乎遵守規例，同時亦涉及本公司上下各階層的文化。

董事會一直及將繼續堅持本集團內適當的公司管治標準，以確保所有業務均誠實、合乎道德及負責任地進行。

ADDITIONAL INFORMATION *(Continued)*

The Board of Directors

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group, ensures effective management and provides proper supervision of the Group's business conduct.

The Board consists of ten Directors, including the Chairman of the Board, three of whom are Executive Directors and members of the management. There are seven Non-Executive Directors, of whom three are Independent Non-Executive Directors. The Board benefits from the depth of experience and expertise from each Director. All Board members understand their duty to represent the interest of the shareholders.

The Board meets at least four times a year. For the six months ended 30 June 2006, the Board met 2 times in the presence of members of the Group's senior management. Each Board member participated in meetings except for Mr. Robert LEE Naii's absence for the meeting of 25 May, 2006 as he had other business engagement out of Hong Kong. The Group ensures that the Board members have access to appropriate financial and relevant documents about the Group's activities on a timely basis.

As at 30 June 2006, the Board has established three Board Committees to assist in the execution of its responsibilities, namely the Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Group affairs. Independent Non-Executive Directors play a vital role in these committees to ensure that independent and objective views are expressed and considered.

其他資料 (續)

董事會

董事會的主要職責是保障及提高長期股東價值。董事會為本集團制訂整體策略，確保有效管理，並適當監察本集團的業務行為。

董事會共有十名董事，包括董事會主席，其中三名為執行董事及管理層成員。董事會包括了七名非執行董事，其中三名為獨立非執行董事。董事會受惠於每名董事的豐富經驗及專業知識。所有董事會成員深明其代表股東權益的職責。

董事會每年最少開會四次。截至二零零六年六月三十日止六個月，董事會共舉行兩次會議，本集團高級管理人員亦有列席。除李乃義先生因於香港外處理其他業務而未能出席二零零六年五月二十五日的會議外，各董事會成員均有出席該兩次會議。本集團確保董事會成員已及時獲得本集團業務有關的合適財務及相關文件。

於二零零六年六月三十日，董事會已成立三個委員會，分別為審核委員會、薪酬委員會及提名委員會，以協助其執行責任，審視本集團事務的特定範疇。獨立非執行董事於這些委員會內扮演重要角色，確保獨立、客觀的意見獲得發表及考慮。

ADDITIONAL INFORMATION *(Continued)*

Remuneration Committee

The primary aim of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and compensation packages for the employees of the Group. The Remuneration Committee is also entrusted to adopt appropriate staff development and retention policies. The members and chairperson of the Remuneration Committee are the same as those disclosed in the 2005 annual report of the Group.

For the six months ended 30 June 2006, the Remuneration Committee met 2 times in the presence of members of the Group's senior management. Each member of the Remuneration Committee participated in all meetings. During these meetings, the Remuneration Committee reviewed existing and proposed compensation packages and bonus rewards for the staff as a whole. The Remuneration Committee has full access to the records and details of such package, upon request. The Remuneration Committee also reviewed the remuneration for members of Independent Board Committee.

Audit Committee

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board. The members and chairperson of the Audit Committee are the same as those disclosed in the 2005 annual report of the Group.

For the six months ended 30 June 2006, the Audit Committee met 2 times in the presence of the Group's CFO, internal auditors and senior management. During these meetings, the Audit Committee reviewed the nature, scope and findings of internal and external audits. The Audit Committee has full access to the external auditor in these reviews when it sees fit.

其他資料 *(續)*

薪酬委員會

薪酬委員會的主要目的是就本集團員工薪酬及福利政策制訂具透明度的機制。薪酬委員會亦有權採納適當的員工發展及挽留政策。薪酬委員會成員及主席與本集團二零零五年年報所披露者一致。

截至二零零六年六月三十日止六個月，薪酬委員會共舉行兩次會議，本集團高級管理人員亦有列席。薪酬委員會各成員均有出席所有會議。會上，薪酬委員會審視現時整體員工的福利及花紅獎勵，以及建議新安排。薪酬委員會可要求取得該等資料的紀錄及詳情。薪酬委員會亦審閱了獨立董事委員會成員的薪酬。

審核委員會

審核委員會負責協助董事會檢討本集團財務報告程序及內部監控與風險管理制度之有效性。審核委員會亦監察審核程序及履行董事會指派的其他職務。審核委員會的成員及主席與本集團於二零零五年年報所披露者一致。

截至二零零六年六月三十日止六個月，審核委員會共舉行兩次會議，本集團財務長、內部審核員及高級管理人員亦有列席。會上，審核委員會審視內部及外部審核的性質、範疇及結果。審核委員會於審視期間，在其認為適當的時候會與外聘核數師聯絡。

ADDITIONAL INFORMATION *(Continued)*

Nomination Committee

The Nomination Committee is responsible for reviewing the composition of the Board and in case of necessary recommends change. It is also responsible for considering any nominations of new members to the Board. The members and chairperson of the Nomination Committee are the same as those disclosed in the 2005 annual report of the Group.

Meetings of Nomination committee are held when necessary.

其他資料 (續)

提名委員會

提名委員會負責審視董事會的組成，並在必要時作出改動建議。提名委員會亦負責對董事會新提名成員予以考慮。提名委員會的成員及主席與本集團二零零五年年報所披露者相同。

提名委員會於有需要時開會。

ADDITIONAL INFORMATION (Continued)

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As of 30 June 2006, 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 of 30 June 2006, 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
Dr. Peter CHEN Cheng-yu	陳正宇博士
Mr. Robert LEE Naii	李乃義先生
Mr. TSAI Nein-nan	蔡聯南先生
Total	總計

No options were granted to the Directors during the six months ended 30 June 2006.

其他資料 (續)

董事於本公司股份的權益

於二零零六年六月三十日，本公司董事及總裁及彼等各自的聯繫人於本公司或其聯營公司（定義見證券及期貨條例第XV部）股份、相關股份及債券中擁有根據證券及期貨條例第XV部第7及8分部須知會本公司及聯交所的權益及淡倉（包括已獲得或根據證券及期貨條例有關規定視為擁有的權益及淡倉），或擁有根據證券及期貨條例第352條所存置的本公司登記冊內所記錄的權益或淡倉，或擁有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如下：

— 根據股份獎勵計劃分配予董事的股份

於二零零六年六月三十日，根據股份獎勵計劃向董事及彼等相關的聯繫人（定義見上市規則）分配但尚未歸屬的已發行股份的詳情如下：

Outstanding Shares allocated Under the Equity Incentive Plan 根據股份獎勵計劃 獲分配的已發行股份	Approximate percentage of interest in the Company 於本公司權益的 概約百分比
3,500,000	0.13%
2,500,000	0.09%
2,000,000	0.07%
<u>8,000,000</u>	<u>0.29%</u>

截至二零零六年六月三十日止六個月，並無授予董事購股權。

ADDITIONAL INFORMATION (Continued)

- Shares held by the Directors

As of 30 June 2006, 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	Approximate percentage of interest in the Company 於本公司權益的 概約百分比
Dr. Peter CHEN Cheng-yu	陳正宇博士	36,123,200	1.34%
Mr. Robert LEE Naii	李乃義先生	15,160,694	0.56%
Mr. TSAI Nein-nan	蔡聯南先生	3,012,912	0.11%
Total	總計	<u>54,296,806</u>	<u>2.01%</u>

其他資料 (續)

— 董事持有的股份

於二零零六年六月三十日，董事及彼等各自的聯繫人(定義見上市規則)直接及間接持有的股份詳情如下：

ADDITIONAL INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS OF THE COMPANY

So far as known to the Directors of the Company, as of 30 June 2006, 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:

Company Name	公司名稱	Number of shares	Percentage of Aggregate Long Position in Shares to the Total Issued Share Capital of the Company 好倉股份共佔本公司已發行股本百分比
CR Logic (Note 1)	華潤勵致(附註1)	1,538,562,228	57.16%
Faithway Resources Limited ("Faithway")	Faithway Resources Limited ("Faithway")	691,437,790	25.67%
Crown Crystal Investments Limited (Note 2)	Crown Crystal Investments Limited(附註2)	289,433,780	10.75%
3i Group PLC (Note 2)	3i Group PLC(附註2)	173,664,270	6.45%
International Finance Corporation (Note 2)	International Finance Corporation(附註2)	138,927,410	5.16%

Notes:

- As of the report date, CR Logic holds a total of 1,984,967,848 CSMC shares, representing approximately 73% of the entire issued share capital of CSMC.
- As of the report date, Crown Crystal Investments Limited, 3i Group PLC and International Finance Corporation have ceased to hold any shares in CSMC.

其他資料(續)

本公司主要股東的權益

據本公司董事所知，於二零零六年六月三十日，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分部的條文須予披露的權益或淡倉，或擁有本公司根據證券及期貨條例第336條所存置的登記冊內所記錄的權益或淡倉，或預期直接或間接擁或視為擁有可於本公司股東大會所有情況下投票的任何類別股本面值5%或以上的權益或淡倉的股東(本公司董事或總裁除外)如下：

Number of shares	Percentage of Aggregate Long Position in Shares to the Total Issued Share Capital of the Company 好倉股份共佔本公司已發行股本百分比
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附註：

- 於報告日期，華潤勵致已持有1,984,967,848股華潤上華股份，佔華潤上華全部已發行股本約73%。
- 於報告日期，Crown Crystal Investments Limited、3i Group PLC及International Finance Corporation不再持有任何華潤上華股份。

ADDITIONAL INFORMATION (Continued)

SHARE RELATED OPTION PLANS

As disclosed in the 2005 Annual Report, the Company adopted the Equity Incentive Plan on 8 May 2004 by way of ordinary resolution of shareholders. The objective of the Equity Incentive Plan is to share the pride of ownership among the executives and employees of the Group and to reward their performance and contribution. The Equity Incentive Plan provided the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. The Equity Incentive Plan is subject to the administration of the Remuneration Committee.

Movements in the number of outstanding shares under the Equity Incentive Plan are as follows:

		Six months ended 30 June 2006 截至二零零六年 六月三十日止 六個月 (‘000) 千股	Year ended 31 December 2005 截至二零零五年 十二月三十一日 止年度 (‘000) 千股
As at beginning of period/year	期／年初	82,419	144,485
Allocated	已分配	26,749	33,914
Issued	已發行	(17,765)	(66,812)
Cancelled	已註銷	(11,080)	(29,168)
As at end of period/year	期／年末	80,323	82,419

In addition to the Equity Incentive Plan, the Company, as approved by its shareholders by way of ordinary resolution, adopted the Share Option Scheme (the “Scheme”) on 27 May 2005. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage them 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, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. This Scheme is subject to the administration of the Remuneration Committee. As at 30 June 2006, no option has been granted to any participants.

其他資料 (續)

購股權計劃

如二零零五年年報所披露，本公司股東於二零零四年五月八日通過普通決議案，批准採納股份獎勵計劃。股份獎勵計劃旨在讓本集團的行政人員及僱員以股東身份分享集團成果，並回報彼等的表現及貢獻。股份獎勵計劃為本公司提供一個靈活的方法，讓本公司能挽留、激勵、獎勵、慰勞、補償參與者，及／或給予參與者福利。股份獎勵計劃由薪酬委員會管理。

根據股份獎勵計劃已發行的股份數目變動如下：

	Six months ended 30 June 2006 截至二零零六年 六月三十日止 六個月 (‘000) 千股	Year ended 31 December 2005 截至二零零五年 十二月三十一日 止年度 (‘000) 千股
As at beginning of period/year	82,419	144,485
Allocated	26,749	33,914
Issued	(17,765)	(66,812)
Cancelled	(11,080)	(29,168)
As at end of period/year	80,323	82,419

除股份獎勵計劃外，本公司於二零零五年五月二十七日通過普通決議案，批准採納購股權計劃（「計劃」）。該計劃目的是為參與者提供收購本公司擁有權益的機會，並鼓勵彼等為增加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。該計劃為本公司提供一個靈活的方法，讓公司能挽留、激勵、獎勵、慰勞、補償參與者，及／或給予參與者福利。該計劃由薪酬委員會管理。於二零零六年六月三十日，並無向任何參與者授出任何購股權。

ADDITIONAL INFORMATION *(Continued)*

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 reporting period the amount of public float as required under the Listing Rules.

SUBSEQUENT EVENTS

Save as the disclosure on the takeover by CR Logic on page 20, the Directors believe that there are no significant subsequent events to be disclosed.

INTERIM RESULT REVIEWED BY THE AUDIT COMMITTEE AND THE AUDITOR

The Audit Committee has reviewed, with the management and the Company's external auditor, the accounting principles and policies adopted by the Group, and the unaudited interim financial reports for the six months ended 30 June 2006.

INTERIM RESULT APPROVED BY THE BOARD OF DIRECTORS

The unaudited condensed consolidated interim financial information for six months ended 30 June 2006 was approved by the Board of Directors on 18 August 2006.

On behalf of the Board.



Dr. Peter CHEN Cheng-yu
Chairman

Hong Kong, 18 August 2006

其他資料 (續)

充足公眾持股量

根據本公司所獲得的資料及就董事所知，董事確認於報告期間，本公司已維持上市規則規定的公眾持股量。

結算日後事項

除第20頁所披露有關華潤勵致的收購外，董事相信並無任何須予披露的重大結算日後事項。

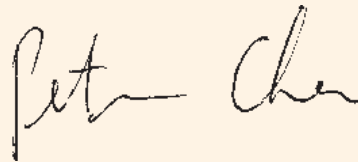
經審核委員會及核數師審閱的中期業績

審核委員會與管理層及本公司外聘核數師審閱本集團所採納之會計原則及政策和截至二零零六年六月三十日止六個月未經審核中期財務報告。

經董事會批准之中期業績

董事於二零零六年八月十八日批准通過截至二零零六年六月三十日止六個月的未經審核簡明綜合中期財務資料。

代表董事會



主席
陳正宇博士

香港，二零零六年八月十八日



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

**INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS
OF CSMC TECHNOLOGIES CORPORATION**

(incorporated in Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the condensed consolidated interim financial information of the Company set out on pages 32 to 66.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited requires the preparation of condensed consolidated interim financial information to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The condensed consolidated interim financial information is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on this condensed consolidated interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

致華潤上華科技有限公司董事會

(於開曼群島註冊成立之有限公司)

引言

本核數師已按 貴公司指引，審閱第32頁至第66頁所載之 貴公司簡明綜合中期財務資料。

董事與核數師各自的責任

香港聯合交易所有限公司證券上市規則規定，簡明綜合中期財務資料的編製須符合香港會計師公會頒佈的香港會計準則第34號「中期財務報告」及相關條款。董事須對簡明綜合中期財務資料負責，而有關資料已經董事會批准。

本核數師的責任是根據審閱結果，對簡明綜合中期財務資料提供獨立結論，並僅向 閣下報告，除此之外，本報告並無其他目的。本核數師不會就本報告的內容向任何其他人士負上或承擔任何責任。

Independent Review Report (Continued) 獨立審閱報告書 (續)

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the condensed consolidated interim financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the condensed consolidated interim financial information.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the condensed consolidated interim financial information for the six months ended 30 June 2006.

已進行的審閱工作

本核數師已根據香港會計師公會發佈的核數準則第700號「審閱中期財務報告的委聘」進行審閱工作。審閱工作主要包括向管理層作出查詢，及對簡明綜合中期財務資料進行分析程序，然後根據結果評估會計政策及呈報方式（除另有披露外）是否貫徹應用。審閱工作並不包括監控測試及核證資產、負債及交易等審核程序。因審閱的範圍遠較審核為小，故所提供的保證程度較審核為低。因此，本核數師不會對簡明綜合中期財務資料發表審核意見。

審閱結論

根據本核數師的審閱（並不構成審核），據本核數師所知，截至二零零六年六月三十日止六個月的簡明綜合中期財務資料毋須作任何重大修訂。

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2006

羅兵咸永道會計師事務所
執業會計師

香港，二零零六年八月十八日

Condensed Consolidated Interim Balance Sheet 簡明綜合中期資產負債表

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

			30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
		Note 附註	Unaudited 未經審核	Audited 經審核
ASSETS	資產			
Non-current assets	非流動資產			
Tangible and intangible assets	有形及無形資產	5	163,058	160,471
Deferred income tax assets	遞延所得稅資產		278	379
Other non-current assets	其他非流動資產		338	446
Total non-current assets	非流動資產總值		<u>163,674</u>	<u>161,296</u>
Current assets	流動資產			
Inventories	存貨		20,122	17,872
Trade and other receivables	貿易及其他應收賬款	6	19,774	18,003
Income tax recoverable	可收回所得稅		120	891
Restricted bank deposits	受限制銀行存款		2,481	1,310
Cash and bank balances	現金及銀行結餘		31,306	24,778
Total current assets	流動資產總值		<u>73,803</u>	<u>62,854</u>
Total assets	總資產		<u>237,477</u>	<u>224,150</u>
EQUITY	權益			
Capital and reserves attributable to equity holders of the company	本公司股本持有人應佔股本及儲備			
Capital	股本	7	109,752	108,961
Reserves	儲備		48,019	46,090
Retained earnings	保留盈利		2,476	1,953
Total equity	總權益		<u>160,247</u>	<u>157,004</u>

Condensed Consolidated Interim Balance Sheet (Continued) 簡明綜合中期資產負債表 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

			30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
		Note 附註	Unaudited 未經審核	Audited 經審核
LIABILITIES	負債			
Non-current liabilities	非流動負債			
Borrowings	借貸	8	9,251	9,230
Other non-current liabilities	其他非流動負債		4,651	—
Total non-current liabilities	非流動負債總額		13,902	9,230
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付賬款	9	24,313	24,994
Borrowings	借貸	8	39,015	32,922
Total current liabilities	流動負債總額		63,328	57,916
Total liabilities	負債總額		77,230	67,146
Total equity and liabilities	權益及負債總額		237,477	224,150
Net current assets	流動資產淨值		10,475	4,938
Total assets less current liabilities	資產總額減流動負債		174,149	166,234

The notes on pages 37 to 66 form an integral part of this condensed interim financial information.

第37頁至第66頁的附註為該簡明中期財務資料的組成部分。

Condensed Consolidated Interim Income Statement 簡明綜合中期收益表

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

		Unaudited	
		Six months ended 30 June	
		未經審核	
		截至六月三十日止六個月	
		2006	2005
	Note	二零零六年	二零零五年
	附註		
Sales	銷售額	53,444	32,511
Cost of goods sold	銷售成本	(44,316)	(32,068)
Gross profit	毛利	9,128	443
Other gains (net)	其他收益(淨額)	616	885
Operating expenses	經營開支	(7,352)	(7,275)
Operating profit (loss)	經營溢利(虧損)	2,392	(5,947)
Finance costs	財務成本	(1,594)	(616)
Profit (loss) before income tax	除所得稅前溢利(虧損)	798	(6,563)
Income tax (expense)/credit	所得稅(開支)/抵免	(275)	525
Profit (loss) for the period	期內溢利(虧損)	523	(6,038)
Attributable to:	應佔：		
– Equity holders of the Company	– 本公司權益持有人	523	(6,038)
Earnings (loss) per share for profit (loss) attributable to the equity holders of the Company, expressed in cents per share	本公司權益持有人應佔溢利(虧損)每股盈利(虧損)	Cents per share	Cents per share
		以每股仙表示	以每股仙表示
– basic	– 基本	0.02	(0.23)
– diluted	– 攤薄	0.02	N/A/不適用
Dividends	股息	—	1,705

The notes on pages 37 to 66 form an integral part of this condensed interim financial information.

第37頁至第66頁的附註為該簡明中期財務資料的組成部分。

Condensed Consolidated Interim Statement of Changes in Equity 簡明綜合中期權益變動表

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

		Unaudited Attributable to equity holders of the Company 未經審核 本公司股本持有人應佔			
	Note 附註	Capital 股本	Other reserves 其他儲備	Retained earnings 保留盈利	Total 總計
Balance at 1 January 2005	於二零零五年一月一日的結餘	107,102	42,811	10,500	160,413
Net loss recognised directly in equity	直接於權益確認的淨虧損				
– Currency translation differences	– 貨幣兌換差額	—	(2)	—	(2)
Loss for the period	期內虧損	—	—	(6,038)	(6,038)
Total recognised loss for the six months ended 30 June 2005	截至二零零五年六月三十日 止六個月的已確認虧損總額	—	(2)	(6,038)	(6,040)
Implementation of Equity Incentive Plan - Vesting	施行股份獎勵計劃 – 歸屬	—	796	—	796
Implementation of Equity Incentive Plan — Issuance of shares	施行股份獎勵計劃 – 發行股份	7	2,244	(1,816)	428
Dividends relating to 2004 paid in 2005	於二零零五年支付的上年股息	13	—	(1,705)	(1,705)
Balance at 30 June 2005	二零零五年六月三十日結餘	<u>109,346</u>	<u>41,789</u>	<u>2,757</u>	<u>153,892</u>
Balance at 1 January 2006	於二零零六年一月一日結餘	108,961	46,090	1,953	157,004
Net income recognised directly in equity	直接於權益確認的收入淨額				
– Currency translation differences	– 貨幣兌換差額	—	1,289	—	1,289
Profit for the period	期內溢利	—	—	523	523
Total recognised income for the six months ended 30 June 2006	截至二零零六年六月三十日 止六個月的已確認收入總額	—	1,289	523	1,812
Implementation of Equity Incentive Plan – Vesting	施行權益獎勵計劃 – 歸屬	—	1,462	—	1,462
Implementation of Equity Incentive Plan – Issuance of shares	施行權益獎勵計劃 – 發行股份	7	964	(822)	142
Repurchase of shares	購回股份	7	(173)	—	(173)
Balance as at 30 June 2006	於二零零六年六月三十日結餘	<u>109,752</u>	<u>48,019</u>	<u>2,476</u>	<u>160,247</u>

The notes on pages 37 to 66 form an integral part of this condensed interim financial information.

第37頁至第66頁的附註為該簡明中期財務資料的組成部分。

Condensed Consolidated Interim Cash Flow Statement 簡明綜合中期現金流量表

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

		Unaudited	
		Six months ended 30 June	
		未經審核	
		截至六月三十日止六個月	
	Note	2006	2005
	附註	二零零六年	二零零五年
Cash flows from operating activities – net	經營活動產生的現金流淨額	11,408	804
Cash flows from investing activities:	投資活動產生的現金流淨額		
– purchases of property, plant and equipment	– 購置物業、廠房及設備	(10,810)	(20,753)
– proceeds on disposal of property, plant and equipment	– 出售物業、廠房及設備所得款項	—	48
– other investing cash flow – net	– 其他投資現金流入淨額	154	(3)
Cash flows from investing activities – net	投資活動產生的現金流淨額	(10,656)	(20,708)
Cash flows from financing activities:	融資活動產生的現金流：		
– dividends paid	– 已付股息	—	(1,279)
– repayments of borrowings	– 償還借貸	8 (17,585)	(12,104)
– increase in borrowings	– 借貸增加	8 23,464	31,148
– repurchase of shares	– 購回股份	(173)	—
Cash flows from financing activities – net	融資活動產生的現金流淨額	5,706	17,765
Net increase (decrease) in cash and cash equivalents	現金及現金等價物增加(減少)淨額	6,458	(2,139)
Cash and cash equivalents at start of period	期初現金及現金等價物	24,778	24,463
Exchange gain	滙兌收益	70	—
Cash and cash equivalents at end of period	期末現金及現金等價物	31,306	22,324

The notes on pages 37 to 66 form an integral part of this condensed interim financial information.

第37頁至第66頁的附註為該簡明中期財務資料的組成部分。

Notes to the Condensed Interim Report 簡明中期報告附註

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

1. GENERAL INFORMATION

CSMC Technologies Corporation (the "Company") and its subsidiaries (together, the "Group") manufactures and sells integrated circuits and related products. The Group's production facilities are located in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Scotia Centre, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 18 August 2006.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

1. 一般資料

華潤上華科技有限公司(「本公司」)及其附屬公司(統稱「本集團」)製造及銷售集成電路及相關產品。本集團生產設施位於中華人民共和國(「中國」)。

本公司於開曼群島註冊成立為有限公司，註冊辦事處地址為Scotia Centre, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, British West Indies.

本公司以香港聯合交易所有限公司主板為上市地。

該簡明綜合中期財務資料於二零零六年八月十八日獲批准刊發。

2. 編製基準

截至二零零六年六月三十日止六個月的簡明綜合中期財務資料乃根據香港會計準則第34號「中期財務報告」編製。簡明綜合中期財務資料須與截至二零零五年十二月三十一日止年度財務報表一併閱讀。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005 as described in the 2005 annual report.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006:

- Amendment to HKAS 19, 'Actuarial gains and losses, group plans and disclosures', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, 'The fair value option', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 21, 'Net investment in a foreign operation', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

3. 會計政策

所採納的會計政策與二零零五年年報所載截至二零零五年十二月三十一日止年度財務報表所採納的會計政策一致。

以下新準則、準則修訂及詮釋必須於截至二零零六年十二月三十一日止財政年度採用：

- 香港會計準則第19號修訂「精算損益、集團計劃及披露」，自二零零六年一月一日或之後開始的年度期間生效。此修訂與本集團無關；
- 香港會計準則第39號修訂「選擇以公平值入賬」，自二零零六年一月一日或之後開始的年度期間生效。此修訂與本集團無關；
- 香港會計準則第21號修訂「海外業務投資淨額」，自二零零六年一月一日或之後開始的年度期間生效。此修訂與本集團無關；
- 香港會計準則第39號修訂「預測集團內部交易的現金流對沖會計」，自二零零六年一月一日或之後開始的年度期間生效。此修訂與本集團無關；

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

3. ACCOUNTING POLICIES (Continued)

- Amendment to HKAS 39 and HKFRS 4, 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006. The Group has assessed the impact of this amendment on the corporate guarantee granted to a third party bank as security for the mortgage loans of its employees and concluded that the impact is not significant to the Group;
- HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group;
- HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. The amendment is not relevant for the Group. The Group has reviewed its contracts. The operating lease has been accounted for as leases in accordance with HKAS 17, 'Leases'. Other arrangements containing the use of assets are accounted for in accordance with HKAS 16, 'Property, plant and equipment' or HKAS 38, 'Intangible assets';
- HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and

3. 會計政策(續)

- 香港會計準則第39號及香港財務報告準則第4號修訂「財務擔保合約」，自二零零六年一月一日或之後開始的年度期間生效。本集團已評估該修訂對向第三方銀行授出企業擔保以作為其僱員按揭貸款抵押事項的影響，認為對本集團影響不大；
- 香港財務報告準則第6號「礦產資源勘探及評估」，自二零零六年一月一日或之後開始的年度期間生效。此準則與本集團無關；
- 香港(國際財務報告詮釋委員會)－詮釋第4號「釐定安排是否包含租賃」，自二零零六年一月一日或之後開始的年度期間生效。該修訂與本集團無關。本集團已審閱其合約並根據香港會計準則第17號「租賃」記錄經營租賃。其他關於資產的使用安排乃根據香港會計準則第16號「物業、廠房及設備」或香港會計準則第38號「無形資產」入賬；
- 香港(國際財務報告詮釋委員會)－詮釋第5號「因關閉、復原及環境修復基金產生權益的權利」，自二零零六年一月一日或之後開始的年度期間生效。此詮釋與本集團無關；及

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

3. ACCOUNTING POLICIES (Continued)

- HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, 'Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics', effective for annual periods beginning on or after 1 March 2006. Management is currently assessing the impact of HK(IFRIC)-Int 7 on the Group's operations;
- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group's operations;
- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management is currently assessing the impact of HK(IFRIC)-Int 9 on the Group's operations; and

3. 會計政策 (續)

- 香港(國際財務報告詮釋委員會)－詮釋第6號「參與廢棄電力及電子設備之特定市場而產生之負債」，自二零零五年十二月一日或之後開始的年度期間生效。此詮釋與本集團無關。

本集團並無提早採納以下已頒佈但於二零零六年尚未生效的新準則、準則修改及詮釋：

- 香港(國際財務報告詮釋委員會)－詮釋第7號「根據香港會計準則第29號嚴重通貨膨脹經濟的財務報告採用重列法」，自二零零六年三月一日或之後開始的年度期間生效。管理層現正評估此詮釋對本集團營運的影響；
- 香港(國際財務報告詮釋委員會)－詮釋第8號「香港財務報告準則第2號的範圍」，自二零零六年五月一日或之後開始的年度期間生效。管理層現正評估此詮釋對本集團營運的影響；
- 香港(國際財務報告詮釋委員會)－詮釋第9號「重估嵌入式衍生工具」，自二零零六年六月一日或之後開始的年度期間生效。管理層現正評估此詮釋對本集團營運的影響；及

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

3. ACCOUNTING POLICIES (Continued)

- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

3. 會計政策(續)

- 香港財務報告準則第7號「金融工具：披露」，自二零零七年一月一日或之後開始的年度期間生效。香港會計準則第1號「資本披露的修訂」，自二零零七年一月一日或之後開始的年度期間生效。本集團已評估香港財務報告準則第7號及香港會計準則第1號的影響，認為主要增加的披露將為根據香港會計準則第1號修訂而須作出有關市場風險的敏感度分析以及資本披露。本集團將自二零零七年一月一日起的年度期間採納香港財務報告準則第7號及香港會計準則第1號修訂。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

4. SEGMENT INFORMATION

The Group has only one business segment which is the manufacturing of integrated circuits and related products.

The Group's sales are mainly in the People's Republic of China (the "PRC"), Asia other than the PRC, United States and Europe.

Sales	銷售額
The PRC	中國
Asia, other than the PRC	亞洲(中國除外)
United States	美國
Europe	歐洲
Total	總額

Sales are allocated based on the place / countries in which customers are located.

No segment information by location of assets and capital expenditure is presented as the majority of the Group's assets are located in the PRC.

4. 分類資料

本集團唯一的業務分類為製造集成電路及相關產品。

本集團主要於中華人民共和國(「中國」)、除中國以外的亞洲地區、美國及歐洲進行銷售。

Six months ended 30 June

截至六月三十日止六個月

2006	2005
二零零六年	二零零五年
37,566	21,658
9,134	7,608
5,555	1,877
1,189	1,368
<u>53,444</u>	<u>32,511</u>

銷售額乃按客戶所在地／國家分配。

由於本集團大部分資產均位於中國，故並無按資產及資本開支所在地呈列分類資料。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

5. CAPITAL EXPENDITURE

5. 資本開支

		Tangible and Intangible assets 有形及無形資產
Six months ended 30 June 2005 截至二零零五年六月三十日止六個月		
Opening net book amount as at 1 January 2005	於二零零五年一月一日 期初賬面淨值	139,356
Additions	增加	20,852
Disposals	出售	(25)
Depreciation and amortisation	折舊及攤銷	(10,707)
		<hr/>
Closing net book amount as at 30 June 2005	於二零零五年六月三十日 期末賬面淨值	149,476
		<hr/> <hr/>
Six months ended 30 June 2006 截至二零零六年六月三十日止六個月		
Opening net book amount as at 1 January 2006	於二零零六年一月一日 期初賬面淨值	160,471
Additions	增加	15,461
Disposals	出售	(10)
Depreciation and amortisation	折舊及攤銷	(14,299)
Translation adjustment	滙兌調整	1,435
		<hr/>
Closing net book amount as at 30 June 2006	於二零零六年六月三十日 期末賬面淨值	163,058
		<hr/> <hr/>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

6. TRADE AND OTHER RECEIVABLES

6. 應收貿易及其他賬款

		As at	
		於	
		30 June	31 December
		2006	2005
		二零零六年	二零零五年
		六月三十日	十二月三十一日
Trade Receivables	應收貿易賬款		
– Third parties	– 第三方	11,859	10,091
– Related parties	– 關連人士	3,062	3,806
Notes receivables	應收票據	1,844	1,368
		<u>16,765</u>	<u>15,265</u>
Less: provision for impairment of trade receivables	減：應收貿易賬款 減值撥備	(450)	(446)
Trade receivables – net	應收貿易賬款淨額	16,315	14,819
Prepayment and other receivables	預付款項及其他應收款項	3,458	2,967
Due from related parties	應收關連人士款項	1	217
		<u>19,774</u>	<u>18,003</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

6. TRADE AND OTHER RECEIVABLES (Continued)

The Group would generally grant a credit term from 0 to 90 days to its customers. A certain portion of the Group's sales are made on letter of credit terms. At 30 June 2006 and 31 December 2005, the ageing analysis of the net trade receivables (including amounts due from related parties that are trading in nature) were as follows:

Trade receivables – net

0 to 30 days
31 to 90 days
91 to 180 days
181 to 360 days

應收貿易賬款 — 淨額

0至30天
31至90天
91至180天
181至360天

6. 應收貿易及其他賬款(續)

本集團一般授予客戶0至90天的信貸期。本集團部分銷售乃以信用證的形式進行。於二零零六年六月三十日及二零零五年十二月三十一日，應收貿易賬款淨額(包括具貿易性質的應收關連人士款項)的賬齡分析如下：

		As at 於	
		30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
		9,973	7,349
		5,624	6,749
		547	620
		171	101
		<u>16,315</u>	<u>14,819</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

7. CAPITAL

7. 股本

		Number of shares			
		(thousands)	Ordinary	Share	
		股份	shares	premium	Total
		(千股)	普通股	股份溢價	總計
Capital	股本				
Opening balance	於二零零五年一月一日				
as at 1 January 2005	的期初結餘	2,616,146	33,540	73,562	107,102
Implementation of Equity Incentive Plan – issuance of shares	施行股份獎勵計劃 – 股份發行	42,667	547	1,697	2,244
At 30 June 2005	於二零零五年六月三十日	<u>2,658,813</u>	<u>34,087</u>	<u>75,259</u>	<u>109,346</u>
Opening balance as at 1 January 2006	於二零零六年一月一日				
Implementation of Equity Incentive Plan – issuance of shares	施行股份獎勵計劃 – 股份發行	17,765	228	736	964
Repurchase of shares	購回股份	(3,395)	(44)	(129)	(173)
At 30 June 2006	於二零零六年六月三十日	<u>2,691,904</u>	<u>34,511</u>	<u>75,241</u>	<u>109,752</u>

Equity Incentive Plan

The Company, as approved by its shareholders by way of ordinary resolution, adopted an “Equity Incentive Plan” on 8 May 2004. Under the Equity Incentive Plan, the Company may allocate the Company’s shares to full time employees of the Company and its subsidiaries, and the directors (including executive directors, non-executive directors and independent non-executive directors) (the “Plan participants”). The objective of the Equity Incentive Plan is to share the pride of ownership among the executives and employees of the Group and to reward their performance and contribution. The term of the Equity Incentive Plan is 10 years from the date of adoption.

股份獎勵計劃

本公司股東於二零零四年五月八日通過普通決議案，批准採納「股份獎勵計劃」。根據股份獎勵計劃，本公司可向本公司及其附屬公司的全職僱員及董事（包括執行董事、非執行董事及獨立非執行董事）（「計劃參與者」）分配本公司的股份。股份獎勵計劃旨在讓本集團的行政人員及僱員以股東身份分享集團成果，並回報彼等的表現及貢獻。股份獎勵計劃自採納日期起計為期十年。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

7. CAPITAL (Continued)

Equity Incentive Plan (Continued)

Under the Equity Incentive Plan, the total number of shares which may fall to be issued must not exceed 15% of the shares of the Company in issue from time to time and, when aggregated with the number of shares which may be issued under other employee incentive schemes (if any), must not exceed 30% of the shares of the Company in issue from time to time. Further, the total number of shares which may be issued pursuant to the Equity Incentive Plan in any financial year must not exceed 3% of the total number of shares in issue at the close of business on the last business day of the preceding financial year.

In general, the shares allocated under the Equity Incentive Plan will vest in equal portions over a period of four years commencing from the date of the grant to the Equity Incentive Plan participants. Shares allocated will only be issued once they vest and formal applications from the respective Equity Incentive Plan participants are received. An administration fee of US\$0.01 per share is payable by the participant upon application. Such vested and applied for shares will be issued to the Equity Incentive Plan participants as bonus shares.

7. 股本(續)

股份獎勵計劃(續)

根據股份獎勵計劃，可能將予發行的股份總數不得超過本公司不時已發行股份的15%，而於計入因任何其他僱員獎勵計劃(如有)而可能發行的股份數目後，不得超過本公司已發行股份的30%。此外，於任何財政年度就股份獎勵計劃可能發行的股份總數，不得超過上一個財政年度的最後一個營業日營業時間結束時已發行的股份總數的3%。

總括而言，根據股份獎勵計劃分配的股份將自發出日期起計的四年內按相同份額逐次撥歸股份獎勵計劃參與者名下。已分配的股份將僅於該等股票已歸屬有關人士名下及已收取有關股份獎勵計劃參與者的正式申請後方會發行。參與者於提出申請時應付每股0.01美元的行政費用。該等已被歸屬及提出申請的股份將以紅股方式授予股份獎勵計劃參與者。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

7. CAPITAL (Continued)

Share Options

The Company, as approved by its shareholders by way of ordinary resolution, adopted a "Share Option Scheme" (the "Scheme") on 27 May 2005. Under the Scheme, the Company may issue options to the directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries and any advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of the Company and its subsidiaries (the "Scheme participants"). The objective of the Scheme is to provide the Scheme participants with the opportunity to acquire proprietary interests in the Company and to encourage the Scheme 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 term of the Scheme is 10 years from the date of adoption.

The exercise price is determined by the Remuneration Committee, a committee of the Board comprising two independent non-executive Directors and a non-executive Director as established by the Board from time to time, at its absolute discretion and notified to the participant in the offer and shall not be less than the higher of:

- (a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange of Hong Kong Limited on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a Share on the date of grant.

7. 股本 (續)

購股權

本公司股東於二零零五年五月二十七日以普通決議案方式批准本公司採納「購股權計劃」(「計劃」)。根據該計劃，本公司可向本公司及其附屬公司的董事(包括執行董事、非執行董事及獨立非執行董事)及僱員，以及任何本公司及其附屬公司的專業顧問、顧問、分銷商、承包商、承包生產商、供應商、代理、客戶、商業夥伴、合營公司業務夥伴、服務供應商(「計劃參與者」)授出購股權。該計劃的目的是讓計劃參與者有機會獲得公司的所有權權益，並鼓勵計劃參與者致力於為本公司及其股東的整體利益提升公司及其股份的價值。該計劃的年期為採納日期起計十年。

行使價須由董事會屬下的薪酬委員會(由兩名獨立非執行董事及一名非執行董事組成，由董事會成立)按其絕對酌情權釐定，並將有關頒授知會參與者，惟行使價不得低於下列最高者：

- (a) 於授出日期，香港聯合交易所有限公司發出的每日報價表所列的股份收市價；
- (b) 緊接授出日期前五個營業日，香港聯合交易所有限公司發出的每日報價表所列的股份收市價平均數；及
- (c) 股份於授出日期的面值。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

7. CAPITAL (Continued)

Share Options (Continued)

An option may be exercised by the grantee at any time during a period to be notified by the Board to each grantee at the time of making an offer, which shall not expire later than 10 years from the date of grant.

As at 30 June 2006, no option has been granted under the Scheme.

Repurchase of share capital

During the period ended 30 June 2006, the Company repurchased 3,395,000 shares in the open market for a total consideration of approximately US\$173,000. The repurchased shares were subsequently cancelled.

7. 股本(續)

購股權(續)

購股權可由承授人於董事會向各承授人頒授時所通知的期間內隨時行使，惟應於授出日期起計十年內到期。

於二零零六年六月三十日，本公司並未根據該計劃授出任何購股權。

購回股本

截至二零零六年六月三十日止期間，本公司於公開市場以總代價約173,000美元購回3,395,000股股份。所購回的股份其後被註銷。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

8. BORROWINGS

8. 借貸

		As at 於	
		30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
Long-term bank loans	長期銀行貸款		
– Secured	– 有抵押	9,251	9,230
Short-term bank loans	短期銀行貸款		
– Secured	– 有抵押	9,759	3,000
– Unsecured	– 無抵押	29,256	29,922
		<u>39,015</u>	<u>32,922</u>
		<u>48,266</u>	<u>42,152</u>

Movements in borrowings is analysed as follows:

借貸變動分析如下：

Six months ended 30 June 2005

截至二零零五年六月三十日止六個月

Opening amount as at 1 January 2005	於二零零五年一月一日期初數額	17,500
Additions	增加	31,148
Repayment of borrowings	償還借貸	(12,104)
Closing amount as at 30 June 2005	於二零零五年六月三十日期末數額	<u>36,544</u>

Six months ended 30 June 2006

截至二零零六年六月三十日止六個月

Opening amount as at 1 January 2006	於二零零六年一月一日期初數額	42,152
Additions	增加	23,464
Repayment of borrowings	償還借貸	(17,585)
Translation differences	滙兌差額	235
Closing amount as at 30 June 2006	於二零零六年六月三十日期末數額	<u>48,266</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

8. BORROWINGS (Continued)

Interest expense on borrowings for the six months ended 30 June 2006 is US\$ 1,462,000 (30 June 2005: US\$ 616,000).

8. 借貸(續)

截至二零零六年六月三十日止六個月的借貸利息支出為1,462,000美元(二零零五年六月三十日: 616,000美元)。

9. TRADE AND OTHER PAYABLES

9. 應付貿易賬款及其他應付款

		As at 於	
		30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
Trade Payables	應付貿易賬款		
– Third parties	– 第三方	14,795	15,447
– Related parties	– 關連人士	1,202	1,183
Notes payables	應付票據	10	1,859
		<hr/>	<hr/>
		16,007	18,489
Advances from customers	客戶預付款項	1,909	1,721
Accruals and other payables	應計項目及其他應付款	5,827	3,664
Due to related parties	應付關連人士款項	142	958
Other taxes payable	其他應付稅款	428	162
		<hr/>	<hr/>
		24,313	24,994
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

9. TRADE AND OTHER PAYABLES (Continued)

At 30 June 2006, the ageing analysis of the trade payables (including amounts due to related parties that are trading in nature) were as follows:

Trade payables

0 to 30 days

31 to 180 days

181 to 360 days

應付貿易賬款

0至30天

31至180天

181至360天

9. 應付貿易賬款及其他應付款(續)

於二零零六年六月三十日，應付貿易賬款(包括具貿易性質的應付關連人士款項)的賬齡分析如下：

		As at 於	
		30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
		14,204	14,351
		1,676	3,103
		127	1,035
		<u>16,007</u>	<u>18,489</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

10. OPERATING PROFIT (LOSS)

The following items have been credited/(charged) to the operating profit/(loss) during the period:

Provision for impairment of trade receivables	應收貿易賬款 減值撥備	(4)	(1,204)
Reversal of provision (provision) to reduce carrying value of inventories to net realisable value	撥備撥回(撥備) 以減少存貨 賬面值至 可變現淨值	15	(771)
Loss on disposal of property, plant and equipment	出售物業、廠房及 設備的虧損	(10)	(23)

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. As at 30 June 2006, there was no indication of impairment.

Financial assets were reviewed for impairment as at 30 June 2006. Provision for doubtful receivables was made for trade receivables which are unlikely to be collected.

The Group also reviewed the non-financial assets which previously suffered impairment but concluded that no reversal of impairment should be recognised except for the reversal of provision for inventories as shown above.

10. 經營溢利(虧損)

下列項目已計入/(扣除)自期內經營溢利/(虧損)：

Six months ended 30 June
截至六月三十日止六個月

2006 二零零六年	2005 二零零五年
(4)	(1,204)
15	(771)
<u>(10)</u>	<u>(23)</u>

若事件發生或情況變化顯示須進行攤銷的資產賬面值未必可收回時，須檢討有否減值。於二零零六年六月三十日，公司資產並無出現減值跡象。

於二零零六年六月三十日，金融資產已就減值進行審閱。在應收貿易賬款未必可收回時，會作出應收款呆帳撥備。

本集團亦對曾出現減值的非金融資產進行審閱，認為除上述存貨撥備撥回外，毋須確認任何減值撥回。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

11. INCOME TAXES

The Company is not subject to taxation in Cayman Islands.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong.

The Company's subsidiaries registered in the PRC are subject to Enterprise Income Tax ("EIT") on the taxation income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The general applicable EIT rate for CSMC Technologies Fab 1 Co., Ltd. ("Fab 1"), CSMC Technologies Fab 2 Co., Ltd ("Fab 2") and CSMC Technologies Fab 3 Co., Ltd. ("Fab 3") in the PRC is 33%. However, being located in the "Old Urban Area of Costal Open Economic Zone" (沿海經濟開發區的老市區), Fab 1, is entitled to a preferential EIT rate of 24%. Furthermore, in accordance with the PRC "Law of Enterprise Income Tax for Enterprise with Foreign Investment", Fab 1 is also entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for next three years, commencing from the first profitable year after offsetting all tax losses carried forward from previous five years. Moreover, since Fab 1 also qualified as an "advanced-technology enterprise", it is further entitled to a 50% reduction in EIT for an additional three years. The first profitable year of Fab 1 was 1999.

11. 所得稅

本公司毋須繳付開曼群島稅項。

由於本公司並無自香港賺取或產生應課稅溢利，故並無為香港利得稅作出撥備。

本公司於中國註冊的附屬公司，須就彼等的中國法定賬目所呈報的應課稅收入(根據有關中國所得稅法作出調整)繳付企業所得稅(「企業所得稅」)。無錫華潤上華半導體有限公司(「一廠」、無錫華潤上華科技有限公司(「二廠」)及北京華潤上華半導體有限公司(「三廠」)的一般適用企業所得稅率為33%。然而，由於一廠位於沿海經濟開放區的老市區，故就企業所得稅享有24%的優惠企業所得稅稅率。此外，根據中國「外商投資企業所得稅法」，一廠亦可從其抵銷過往五年結轉的所得稅項虧損的首個獲利年度起的首兩年，有權獲享全數豁免繳付企業所得稅，及於隨後三年減免50%企業所得稅。此外，由於一廠亦符合「高新技術企業」資格，因而可再享三年50%企業所得稅減免。一廠首個獲利年度為一九九九年。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

11. INCOME TAXES (Continued)

In April 2005, Fab1 received approval from the PRC National Administration of Taxation to be classified as an encouraged technology intensive foreign investment enterprise with foreign investment in excess of US\$30 million. As a result, from 1 January 2004 onwards, Fab 1 enjoys a preferential EIT rate of 15%. However, according to PRC "Law of Enterprise Income Tax for Enterprise with Foreign Investment", the minimum EIT rate applicable to a foreign investment enterprise is 10%, and therefore although Fab 1 can enjoy 50% reduction in EIT for the years ended 31 December 2004 to 2006, Fab 1 is still subject to 10% EIT rate. Accordingly, EIT previously over-accrued on a rate of 12% of approximately US\$279,000 during the year ended 31 December 2004 was reversed during the six month period ended 30 June 2005 to reflect the preferential EIT rate of 10%.

Fab 2 and Fab 3 are still in pre-operating stage.

The amount of taxation credited/(charged) to the condensed consolidated interim income statement represents:

11. 所得稅(續)

於二零零五年四月，一廠收到中國國家稅務總局的批准，獲分類為投資超過3,000萬美元的受鼓勵技術密集型外商投資企業。因此，自二零零四年一月一日起，一廠享有15%的企業所得稅優惠稅率。然而，根據中國「外商投資企業所得稅法」，外商投資企業的適用企業所得稅稅率最低為10%，所以，雖然一廠就截至二零零四年至二零零六年十二月三十一日止年度的企業所得稅獲50%減免，一廠仍須按10%的企業所得稅稅率繳納稅項。因此，截至二零零四年十二月三十一日止年度，過往按12%多計提之企業所得稅約279,000美元已於截至二零零五年六月三十日止六個月期間被撥回，以反映10%的企業所得稅優惠稅率。

二廠及三廠仍處於預備經營階段。

簡明綜合中期收益表抵免/(支出)的稅項金額指：

Six months ended 30 June

截至六月三十日止六個月

		2006	2005
		二零零六年	二零零五年
Current income tax	現行所得稅		
– PRC taxation	– 中國所得稅	(172)	—
– Reversal of over-accrued EIT	– 撥回多計的企業所得稅	—	279
Deferred income tax	遞延所得稅	(103)	246
		<u>(275)</u>	<u>525</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

12. EARNINGS (LOSS) PER SHARE

(a) Basic

Basic earnings (loss) per share are calculated by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Profit (loss) attributable to equity holders of the Company	本公司股本持有人應佔溢利(虧損)
Weighted average number of ordinary shares in issue ('000)	已發行普通股加權平均股數(千股)
Basic earnings (loss) per share (US cent per share)	每股基本盈利(虧損)(每股美仙)

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares to be issued under the Equity Incentive Plan (Note 7). The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the right of subscription.

12. 每股盈利(虧損)

(a) 基本

每股基本盈利(虧損)的計算方法乃按本公司權益持有人應佔溢利(虧損)除以期內已發行普通股加權平均股數。

Six months ended 30 June
截至六月三十日止六個月

	2006 二零零六年	2005 二零零五年
Profit (loss) attributable to equity holders of the Company	523	(6,038)
Weighted average number of ordinary shares in issue ('000)	2,647,908	2,655,213
Basic earnings (loss) per share (US cent per share)	0.02	(0.23)

(b) 攤薄

每股攤薄盈利乃在假設已轉換所有潛在攤薄普通股的情況下，按調整已發行普通股加權平均股數的方式計算。本公司僅有一類潛在攤薄普通股：根據股份獎勵計劃(附註7)發行的股份。股份數目乃根據已發行股份所附帶認購權的貨幣價值按公平值(釐定為本公司股份的平均年度股份市價)可予購買的股份數目釐定。按上述方式計算的股份數目已與假設行使認購權而發行的股份數目作比較。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

12. EARNINGS (LOSS) PER SHARE (Continued)

(b) Diluted (Continued)

12. 每股盈利(虧損)(續)

(b) 攤薄(續)

		Six months ended 30 June 2006 截至二零零六年 六月三十日止六個月
Profit attributable to equity holders of the Company	本公司股本持有人 應佔溢利	523
Weighted average number of ordinary shares in issue ('000)	已發行普通股加權 平均股數(千股)	2,647,908
Adjustments for Equity Incentive Plan ('000)	股份獎勵計劃調整 (千股)	64,852
Weighted average number of ordinary shares for diluted earnings per share ('000)	用作計算每股攤薄 盈利的普通股加權 平均股數(千股)	2,712,760
Diluted earnings per share (US cent per share)	每股攤薄盈利 (每股美仙)	0.02

No diluted loss per share for the six months ended 30 June 2005 has been presented as the potential ordinary shares resulted from the Equity Incentive Plan is anti-dilutive.

由於根據股份獎勵計劃發行的潛在普通股票反攤薄影響，故並無呈列截至二零零五年六月三十日止六個月每股攤薄虧損。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

13. DIVIDENDS

Final dividend proposed of Nil (2005: HK\$0.005) per ordinary share (a)	擬派末期股息每股普通股 零元(二零零五年： 0.005港元)(a)
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- (a) In March 2005, the Company declared a final dividend of HK\$0.005 (equivalent to approximately US\$0.00064) per ordinary share for the financial year ended 31 December 2004, which was paid in June and July 2005.

14. CONTINGENT LIABILITIES

With respect to the mortgage loans of its employees, the Group has provided a corporate guarantee amounting to approximately US\$235,000 (2005: US\$372,000) to a third party bank and pledged a bank deposit of approximately US\$569,000 (2005: US\$366,000) as security for these employees' mortgage loans. Management anticipate that no material liabilities will arise from the above guarantees.

13. 股息

Six months ended 30 June

截至六月三十日止六個月

2006	2005
二零零六年	二零零五年

—	1,705
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- (a) 於二零零五年三月，本公司就截至二零零四年十二月三十一日止財政年度宣派末期股息每股普通股0.005港元(約相當於約0.00064美元)，並已於二零零五年六月及七月派付。

14. 或然負債

本集團已就其僱員的按揭貸款向一家第三方銀行作出企業擔保，款額約為235,000美元(二零零五年：372,000美元)，並抵押約569,000美元(二零零五年：366,000美元)的銀行存款作為有關僱員按揭貸款的抵押品。管理人員預期上述擔保將不會產生重大負債。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

15. COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

Contracted but not provided for: 已訂約但未撥備：

- Acquisition of facility equipment and machinery
- Acquisition of information technology system

- 收購設施設備及機器
- 收購資訊科技系統

Authorised but not contracted for: 已授權但未訂約：

- Acquisition of facility equipment and machinery
- Acquisition of information technology system

- 收購設施設備及機器
- 收購資訊科技系統

15. 承擔

(a) 資本承擔

於結算日尚未支付的資本開支如下：

	As at 於	
	30 June 2006 二零零六年 六月三十日	31 December 2005 二零零五年 十二月三十一日
Contracted but not provided for: 已訂約但未撥備：		
- Acquisition of facility equipment and machinery	7,397	4,588
- Acquisition of information technology system	98	929
Authorised but not contracted for: 已授權但未訂約：		
- Acquisition of facility equipment and machinery	205,101	211,597
- Acquisition of information technology system	2,537	3,235
	<u>215,133</u>	<u>220,349</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

15. COMMITMENTS (Continued)

(b) Others

The Group has entered into a co-operation agreement with Institute of Microelectronics of Chinese Academy of Science ("IMECAS") on 19 October 2005 pursuant to which IMECAS would let and/or sell certain manufacturing and office premises and assets related to the manufacturing of wafers to the Group. The Group will also inject additional machinery and equipment, procure upgrades and improvement to the equipment provided by IMECAS to increase production capacity of this equipment. Pursuant to this transaction, the Group has entered into separate detailed agreements with IMECAS on 2 February 2006 in relation to this transaction. On 1 March 2006, the Group entered into a supplementary agreement with IMECAS pursuant to which the effective date of the co-operation agreement was postponed from 1 January 2006 to 1 April 2006.

Under the terms of the agreements:

- (i) IMECAS would transfer certain 4 inch wafer equipment to the Group at a consideration of US\$6,210,000 per annum payable for 10 years commencing from 2006. In addition, IMECAS agreed that the Group is entitled to use certain 6 inch wafer equipment at no consideration during the subsistence of the co-operation agreement with IMECAS.

15. 承擔 (續)

(b) 其他

於二零零五年十月十九日，本集團與中國科學院微電子研究所（「微電子所」）訂立合作協議，據此，微電子所將出租及／或出售若干有關製造晶圓片的生產與辦公室物業及資產予本集團。本集團亦將注入額外機器和設備，提升和改善微電子所提供的設備，以增加有關設備的產能。根據該項交易，於二零零六年二月二日，本集團與微電子所訂立有關該項交易的獨立詳細協議。於二零零六年三月一日，本集團與微電子所訂立補充協議，據此，合作協議的生效日期由二零零六年一月一日延至二零零六年四月一日。

根據協議條款：

- (i) 微電子所將向本集團轉讓若干4英寸晶圓設備，而代價為621萬美元，由二零零六年起十年內支付。此外，微電子所同意本集團可於與微電子所的合作協議仍然有效期間免費使用若干6英寸晶圓設備。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

15. COMMITMENTS (Continued)

(b) Others (Continued)

- (ii) The Group shall pay IMECAS an annual rental fee of approximately US\$125,000 (RMB 1,000,000) for the use of certain office premises for a period of 10 years commencing from 1 January 2006. In addition, IMECAS agreed that the Group is entitled to use certain manufacturing premises at no consideration for a period of 10 years from the effective date of the co-operation agreement.
- (iii) The Group shall pay IMECAS an annual licence fee of US\$377,000 for the use of certain technologies for a period of 12 years commencing from 1 July 2006 and an annual technical support fee of US\$386,500 for the provision of certain technical support service for a period of 10 years commencing from 1 April 2006. The Group can continue to use the technologies at no cost after the expiry of the agreement.

The Group has accounted for the transaction by allocating the estimated net present value of the consideration as set out in the agreements of US\$11,454,000 to each element described above based on their relative fair values as of 1 January 2006 to 31 May 2006 as assessed by a qualified valuer.

15. 承擔(續)

(b) 其他(續)

- (ii) 本集團就使用若干辦公室向微電子所每年支付約125,000美元(相當於人民幣100萬元)的租金，由二零零六年一月一日起為期10年。此外，微電子所同意本集團可於合作協議生效當日起計10年期間免費使用若干生產物業。
- (iii) 本集團須就使用若干技術向微電子所每年支付約377,000美元的許可費，由二零零六年七月一日起為期十二年的，以及就若干技術支援服務每年支付約386,500美元的技术服務費，由二零零六年四月一日起為期十年。本集團可於協議終止後繼續免費使用該等技術。

本集團將交易入賬時，將協議所載代價的估計現值淨額11,454,000美元根據上述各項於二零零六年一月一日至二零零六年五月三十一日由合資格估值師評估的相關公平值分配至上述各項。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

16. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name
名稱

China Resources Logic Limited (“CR Logic”)*
華潤勵致有限公司(「華潤勵致」)*

China Resources Microelectronics (Holdings) Limited
 (“CR Microelectronics”)
華潤微電子(控股)有限公司
(「華潤微電子」)

Wuxi China Resources Microelectronics Co., Ltd.
 (“Wuxi CR”)
無錫華潤微電子有限公司(「無錫華潤」)

Wuxi China Resources Semico Co., Ltd.
 (“Wuxi CR Semico”)
無錫華潤矽科微電子有限公司
(「無錫華潤矽科」)

Wuxi Huajing Multi-Services Co., Ltd. (“Wuxi Services”)
無錫華晶綜合服務有限公司
(「無錫服務」)

CR Powtech (Shanghai) Limited
華潤矽威科技(上海)有限公司

China Resources Semiconductor Company Limited
 (“HK Semico”)
華潤半導體有限公司(「華潤半導體」)

Wuxi China Resources Huajing Microelectronics Co., Ltd.
 (“Wuxi Huajing”)
無錫華潤華晶微電子有限公司(「無錫華晶」)

Shenzhen China Resources Semico Co., Ltd.
 (“Shenzhen CR Semico”)
深圳華潤矽科微電子有限公司
(「深圳華潤矽科」)

16. 關聯人士交易

(a) 名稱及關係

Relationship
關係

Controlling shareholder
控權股東

Subsidiary of CR Logic
華潤勵致附屬公司

Subsidiary of CR Logic
華潤勵致附屬公司

Subsidiary of CR Logic
華潤勵致附屬公司

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Subsidiary of CR Logic
華潤勵致附屬公司

Subsidiary of CR Logic
華潤勵致附屬公司

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

16. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship (Continued)

Name 名稱
Central Semiconductor Manufacturing Corporation ("CSMC Cayman")
Central Semiconductor Manufacturing Corporation (「上華半導體」)
Central Semiconductor Manufacturing Co., Ltd. ("CSMC-HK")
Central Semiconductor Manufacturing Co., Ltd. (「上華香港」)
Wiston Management Limited ("Wiston")
Wiston Management Limited (「Wiston」)
IPCore Technologies Corporation ("IPCore")**
IPCore Technologies Corporation (「IPCore」)**
IPCore Technologies (Shanghai) Co., Ltd. ("IPCore SH")**
智芯科技(上海)有限公司 (「智芯科技(上海)」)**

* Became the controlling shareholder since 28 June 2006.

** Ceased to be related parties since February 2006.

16. 關聯人士交易(續)

(a) 名稱及關係(續)

Relationship 關係
Under significant influence of certain directors and shareholder of the Company
受本公司若干董事及股東的重大影響
Subsidiary of CSMC Cayman 上華半導體的附屬公司
Controlled by certain Directors of the Company 由本公司若干董事控制
Under significant influence of a director and shareholder of the Company
受本公司若干董事及股東的重大影響
Subsidiary of IPCore IPCore的附屬公司

* 自二零零六年六月二十八日起成為控權股東。

** 自二零零六年二月起不再為關連人士。

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註 (續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

16. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

For the six months ended 30 June 2006, the Group had the following significant transactions with related parties. Sales and purchases transactions are negotiated with related parties in the normal course of business with a margin on the same basis with non-related parties:

(a) Sales of goods to:	商品銷售至：
– Subsidiaries of CR Logic	– 華潤勵致的附屬公司
– IPCore SH	– 智芯科技(上海)
– IPCore	– IPCore

(b) Rental, utilities and other services fees paid to the subsidiaries of CR Logic	向華潤勵致附屬公司支付的租金、公用及其他服務費
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(c) Consultancy fee paid to Wiston	已付Wiston的顧問費
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16. 關聯人士交易 (續)

(b) 關連人士交易

截至二零零六年六月三十日止六個月，本集團與關連人士有下列重大交易。與關聯人士進行的買賣交易乃於正常業務過程中進行，利潤率的釐定與非關連人士相同。

Six months ended 30 June

截至六月三十日止六個月

	2006 二零零六年	2005 二零零五年
(a) Sales of goods to:		
– Subsidiaries of CR Logic	8,018	5,511
– IPCore SH	—	1,886
– IPCore	—	1,022
	<u>8,018</u>	<u>8,419</u>
(b) Rental, utilities and other services fees paid to the subsidiaries of CR Logic	<u>6,838</u>	<u>5,982</u>
(c) Consultancy fee paid to Wiston	<u>118</u>	<u>84</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

16. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Salaries and other
short-term benefits
Share-based payments

薪金及其他
短期福利
以股份支付的報酬

16. 關聯人士交易(續)

(c) 主要管理人員薪酬

Six months ended 30 June
截至六月三十日止六個月

2006 二零零六年	2005 二零零五年
692	486
212	95
<u>904</u>	<u>581</u>

Notes to the Condensed Interim Report (Continued) 簡明中期報告附註(續)

(All amounts in US dollars thousands unless otherwise stated)

(除文義另有所指外，所有數額均以千美元計算)

17. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 12 May 2006, the Company and China Resources Logic Limited ("CR Logic") jointly announced that CR Logic intends to make a voluntary conditional offer ("the Offer") to acquire all of the issued shares in the share capital of the Company, by cash or new CR Logic shares to optimise synergistic benefit to both companies. As at 12 May 2006, CR Logic and parties acting in concert with it held 691,437,790 of the Company's shares, representing approximately 25.4% of the entire issued share capital of the Company.

On 28 June 2006, the Offer became unconditional in all respects. After taking into account the valid acceptances received under the Offer, CR Logic and parties acting in concert with it together own 1,492,901,602 shares of the Company, representing approximately 55.5% of the entire issued share capital of the Company as at 28 June 2006, subject to payment by CR Logic for the tendering of the Company's shares.

On 12 July 2006, CR Logic and the Company jointly announced that the Offer made by CR Logic to acquire the entire issued share capital of the Company had received valid acceptances in respect of 1,293,530,058 of the Company's shares, representing approximately 47.5% of the entire issued share capital of the Company. Upon the completion of the Offer on 12 July 2006, the equity interests held by CR Logic in the Company was increased to approximately 72.9%.

17. 結算日後事項

於二零零六年五月十二日，本公司及華潤勵致有限公司（「華潤勵致」）共同宣佈，華潤勵致擬作出自願有條件收購建議（「收購建議」），以現金或新華潤勵致股份收購本公司股本的全部已發行股份，以優化兩家公司的協同利益。於二零零六年五月十二日，華潤勵致及其一致行動人士持有691,437,790股本公司股份，佔本公司全部已發行股本約25.4%。

於二零零六年六月二十八日，收購建議於所有方面成為無條件。經計及根據收購建議所獲得的有效接納後，華潤勵致及其一致行動人士共同持有1,492,901,602股本公司股份，佔本公司於二零零六年六月二十八日全部已發行股本約55.5%（或會因華潤勵致就收購本公司股份的繳款方式而改變）。

於二零零六年七月十二日，華潤勵致與本公司共同公佈，華潤勵致就收購本公司全部已發行股本而作出的收購建議已收到有關1,293,530,058股本公司股份（佔本公司全部已發行股本約47.5%）的有效接納。收購建議於二零零六年七月十二日完成後，華潤勵致所持本公司股權增至約72.9%。

INVESTOR RELATIONS

Shareholders can obtain copies of Annual Report by writing to:

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

If you are not a shareholder, please write to:

CSMC Technologies Corporation
14 Liangxi Road
Wuxi, Jiangsu
214061, China
Attn: IR Department

CSMC annual report is also available online at
<http://www.csmc.com.cn>.

SHAREHOLDER ENQUIRIES

Our enquiry hotline is operational during normal office hours:

Telephone: +86-510-88118089

Facsimile: +86-510-85877352

Email: ir@csmc.com.cn

投資者關係

股東可致函以下地址索取年報印製本：

香港中央證券登記有限公司

香港
灣仔
皇后大道東183號
合和中心
1712-1716室

倘若閣下並非股東，請致函：

華潤上華科技有限公司
中國
江蘇省無錫市
梁溪路14號
郵政編碼214061
收件人：投資者關係部

華潤上華的年報亦可於網上瀏覽，網址
為<http://www.csmc.com.cn>。

股東查詢熱線

閣下可於一般辦公時間內致電本公司的
查詢熱線：

電話：+86-510-88118089

傳真：+86-510-85877352

電子郵件：ir@csmc.com.cn

上天翼辰鯤鵬舉
華日皓明宏圖新



CSMC TECHNOLOGIES CORPORATION
華潤上華科技有限公司

www.csmc.com.cn