

Dear Shareholders,

Since the founding of the Group, we successfully executed a growth strategy that targeted the mainstream technology demand of the Chinese semiconductor market. Through expanding cost effective capacity and variety of process technologies, CSMC positioned itself as a leading mainstream foundry partner for local fabless design houses. These strengths also enabled CSMC to attract and build partnerships with an expanding international customer base. Today, we are viewed as a foundry of choice for mainstream products and continue to access the future needs of our valued customers. Through diligent industry analysis and assessment of our present strengths, we are pleased to declare that CSMC is transitioning its corporate strategy and technology roadmap towards a China leading analog foundry mission.

Analog semiconductors have characteristics that differ from digital semiconductors. The manufacturing of analog products can be accomplished with lower density process technology and equipment, and require relatively lower capital expenditures than advanced digital technologies. Analog products are found in widely used applications, offer improved pricing stability and are less cyclical than digital semiconductors. CSMC sees continuing growth of the Chinese analog market that significantly outpacing that of the worldwide market. We believe our current leading position in the Chinese semiconductor market, our substantial Chinese customer base and our evolving process technology portfolio will underpin the transition to analog foundry services.

致各股東：

自本集團成立以來，我們所成功採取的成長策略，是專注於滿足中國半導體市場之主流技術需求。透過具有成本效益的的產能擴展及增加工藝技術種類，華潤上華曾定位成為國內無生產線設計商的主流晶圓代工之先鋒合作夥伴。此優勢亦令華潤上華吸引愈來愈多海外客戶，並與其建立夥伴關係。今天，我們被視為主流產品代工之優選，且繼續配合重要客戶的未來需要。藉著孜孜不倦的行業分析並評估自身現有優勢，我們欣然指出，華潤上華正在調整公司策略及技術路線圖，向中國模擬晶圓專工領航者的目標進發。

模擬半導體與數碼半導體具有不同的特點。生產模擬半導體產品可用較低密度工藝技術和設備完成，所需資本開支較先進數碼技術為低。模擬產品應用廣泛，價格更穩定且周期性波動較數碼半導體為低。華潤上華看到中國模擬市場的持續增長，步伐遠快於全球市場。我們相信，以本集團目前在中國半導體市場現有的先鋒地位、龐大的中國客戶基礎及不斷改進的工藝技術，將為本集團成功轉型至模擬代工服務奠定基石。

2006 was another record-setting year for CSMC and a milestone in the history of the Company. The Group's consolidated revenue exceeded the hundred million dollars threshold to reach US\$114.30 million, representing a 46.4% increase compared to 2005. We successfully recovered from the loss of US\$6.84 million in 2005 and recorded a net profit of US\$6.37 million in 2006. The Group's operational capacity reached 67,200 wafers per month in 2006 and is expected to reach 79,200 wafers per month by the end of 2007. We have expanded our capacity in the previous years to better serve the demand of both Chinese semiconductor market and the growing outsourcing demands from overseas IDMs. Looking ahead, Fab 2, the Group's first 8-inch fab under planning will provide the next platform for capacity expansion and revenue growth. CSMC is cultivating business opportunities with certain technology partners and endeavors to form strategic partnerships for Fab 2. We are confident that our great efforts in transitioning 6-inch lines to a leading analog foundry will also contribute to the new 8-inch capacity in both technology and customer bases.

We are optimistic that China Resource Logic Limited becoming the controlling shareholder will bring synergistic benefits to both companies towards capturing business opportunities offered by the ongoing growth in the domestic and global semiconductor markets and in particular, the robust growth of Chinese analog semiconductor market.

Finally, on behalf of CSMC, I would like to take this opportunity to thank all of our shareholders, business partners and our staff for your support and confidence on us.



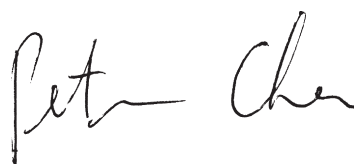
Dr. Peter CHEN Cheng-yu
Chairman

Hong Kong, 28 March 2007

二零零六年是華潤上華的又一個創紀錄年份，在本公司歷史上亦是一個里程碑。本集團的綜合收入突破一億美元至1億1430萬美元，較二零零五年增長46.4%。我們成功地從二零零五年淨虧損684萬美元，轉而於二零零六年錄得637萬美元的純利。本集團的產能於二零零六年達到每月67,200片晶圓，並預期到二零零七年底可達每月79,200片晶圓。我們在過去幾年一直擴大產能，以便更能滿足中國半導體市場的需求及海外IDM日益增加的外判需求。展望未來，晶圓二廠，即本集團規劃中的首個8吋廠，將會成為產能擴展和收入增長的另一個平台。華潤上華正開拓與技術夥伴的閤作機會，致力為晶圓二廠建立策略伙伴。我們深信，本集團將6吋生產線轉為領先模擬代工的 effort，亦會在技術和客戶基礎方面為8吋產能作出貢獻。

我們認為，華潤勵致有限公司成為控股股東將為雙方帶來協同效應，從而抓住因國內外半導體市場，特別是中國模擬半導體市場的蓬勃持續增長，所帶來的機遇。

最後，本人謹代表華潤上華，對本公司股東、業務夥伴及員工的支持和信心表示感謝。



主席
陳正宇博士

香港，二零零七年三月二十八日