



華潤微電子有限公司

China Resources Microelectronics Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 597)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Turnover dropped slightly by 2.6% to HK\$3,036.88 million in 2009 from HK\$3,118.69 million in 2008
- EBITDA increased by 94.3% to HK\$389.10 million in 2009 from HK\$200.21 million in 2008
- The Group recorded a net loss of HK\$182.38 million in 2009, inclusive of HK\$190 million impairment loss on its investment in CSMC Asia.

The Board of Directors (the “Board”) of CHINA RESOURCES MICROELECTRONICS LIMITED (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 (the “year”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2009 HK\$'000	2008 HK\$'000
Turnover	3	3,036,881	3,118,692
Cost of sales		<u>(2,498,468)</u>	<u>(2,537,396)</u>
Gross profit		538,413	581,296
Other income/gains	4	207,845	142,757
Selling and distribution expenses		(84,972)	(89,357)
Administrative expenses		(324,546)	(374,152)
Research and development expenses		(202,322)	(187,006)
Other operating expenses		(89,198)	(117,775)
Finance costs	5	(43,747)	(92,293)
Gain on disposal of subsidiaries		–	84,972
Reversal of (loss on) suspension of a production plant		19,716	(314,119)
Impairment loss on available-for-sale investment	10	(190,000)	–
Loss before taxation		(168,811)	(365,677)
Taxation	7	(13,566)	(17,242)
Loss for the year		<u>(182,377)</u>	<u>(382,919)</u>
Other comprehensive income			
Exchange differences arising on translation of foreign operations		343	245,563
Reclassification adjustment for cumulative gain included in profit or loss upon disposal of subsidiaries		–	(56,212)
Other comprehensive income for the year		<u>343</u>	<u>189,351</u>
Total comprehensive income for the year		<u>(182,034)</u>	<u>(193,568)</u>
Loss for the year attributable to:			
Owners of the Company		(172,206)	(371,535)
Non-controlling interests		(10,171)	(11,384)
		<u>(182,377)</u>	<u>(382,919)</u>
Total comprehensive income attributable to:			
Owners of the Company		(172,030)	(187,191)
Non-controlling interests		(10,004)	(5,777)
		<u>(182,034)</u>	<u>(193,568)</u>
			(restated)
Loss per share			
Basic (HK cents)	9	<u>(2.35)</u>	<u>(5.98)</u>
Diluted (HK cents)	9	<u>(2.35)</u>	<u>(5.98)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2009	2008
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		3,170,864	3,592,396
Prepaid lease payments		168,570	174,906
Available-for-sale investments	10	564,092	741,698
Loan receivables		186,248	–
Goodwill		21,024	21,024
Technical know-how		815	1,629
Deferred tax assets		26,700	18,589
Deposit for acquisition of property, plant and equipment		13,646	21,120
		<u>4,151,959</u>	<u>4,571,362</u>
Current assets			
Inventories		602,850	812,721
Debtors, deposits and prepayments	11	996,165	876,431
Prepaid lease payments		4,191	4,176
Tax recoverable		187	9,329
Restricted bank deposits		8,603	492
Bank balances and cash		1,221,089	856,877
		<u>2,833,085</u>	<u>2,560,026</u>
Current liabilities			
Creditors and accrued charges	12	1,332,923	1,352,722
Government grants		29,745	26,308
Bank borrowings		627,535	515,891
Provisions		25,048	39,303
Taxation		16,016	5,088
Financial guarantee contract		–	10,790
		<u>2,031,267</u>	<u>1,950,102</u>
Net current assets		<u>801,818</u>	<u>609,924</u>
Total assets less current liabilities		<u>4,953,777</u>	<u>5,181,286</u>

	As at 31 December	
	2009	2008
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves		
Share capital	878,940	585,521
Share premium and reserves	2,353,775	2,400,135
	<hr/>	<hr/>
Equity attributable to owners of the Company	3,232,715	2,985,656
Non-controlling interests	88,158	98,162
	<hr/>	<hr/>
Total equity	3,320,873	3,083,818
	<hr/>	<hr/>
Non-current liabilities		
Bank borrowings	1,475,000	1,913,590
Long-term payables	15,324	59,456
Deferred tax liabilities	4,712	4,718
Government grants	137,868	119,704
	<hr/>	<hr/>
	1,632,904	2,097,468
	<hr/>	<hr/>
	4,953,777	5,181,286
	<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. GENERAL

The Company is a company incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Scotia Center, P.O. Box 2804GT, George Town, Grand Cayman, Cayman Islands, British West Indies and No. 14 Liangxi Road, Wuxi, Jiangsu, China, respectively.

The Company is an investment holding company.

The functional currency of the Company is United States dollars and the presentation currency of the financial statements is Hong Kong dollars as the directors consider that Hong Kong dollars is preferable in presenting the operating and financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

In addition, the Group has elected to adopt the HKAS 32 (Amendment) “Classification of Rights Issues” in advance of its effective date. In the past, rights issue in a currency different from the functional currency of the Company were required to be accounted for as derivative financial instruments. However, under the amendments to HKAS 32 rights, options and warrants otherwise meeting the definition of equity instruments in paragraph 11 of HKAS 32 issued to acquired a fixed number of an entity’s own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the equity’s own non-derivative equity instruments.

Except as described above, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters ⁴
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14(Amendment)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combinations for which the acquisition date is on or after 1 January 2010.

HKFRS 9 Financial instruments introduces new requirements for the classification and measurement of financial assets will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured in fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The management is assessing the impact on the consolidated financial statements upon the application of the other new revised Standards, Amendments or Interpretations.

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising on sales of goods of HK\$2,411,320,000 (2008: HK\$2,518,973,000) and rendering of service of HK\$625,561,000 (2008: HK\$599,719,000) for the year.

The Group determines its operating segments based on resources allocation with reference of products or services, for the purpose of reporting to the chief operating decision maker (the Executive Committee of the Company).

The Group's reportable segments under HKFRS 8 are therefore as follows:

- Open Foundry
- Integrated Circuits ("IC") Design
- IC Testing and Packaging
- Discrete Devices
- Supporting Function

The segments are managed separately as each division offers different products and services.

The activities of these divisions are as follows:

Open Foundry – open foundry for manufacturing of wafers with technical platforms, such as CMOS, BiCMOS, DMOS, BCDMOS and Bipolar

IC Design – design and development of semiconductor IC products

IC Testing and Packaging – provision of IC assembly and testing foundry services

Discrete Devices – manufacture of discrete device wafers and finished products for energy saving lightings, home appliances, industrial control devices and personal computers

Supporting Function – provision of utilities and other supporting services

Information regarding these segments is reported below.

Year ended 31 December 2009

	Open Foundry <i>HK\$'000</i>	IC Design <i>HK\$'000</i>	IC Testing & Packaging <i>HK\$'000</i>	Discrete Devices <i>HK\$'000</i>	Supporting Function <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover from external customers	964,572	589,210	625,561	795,250	62,288	3,036,881
Intersegment turnover	<u>155,286</u>	<u>4,868</u>	<u>44,739</u>	<u>25,222</u>	<u>308,273</u>	<u>538,388</u>
Segment turnover	1,119,858	594,078	670,300	820,472	370,561	3,575,269
Interest income	4,644	58	160	248	5,504	10,614
Finance costs	6,681	–	3,844	1,927	2,041	14,493
Depreciation and amortisation	244,551	14,549	105,159	89,362	60,345	513,966
Impairment of assets	198,791	–	4,347	–	–	203,138
Reportable segment (loss) profit	(170,534)	11,475	(17,003)	43,459	19,876	(112,727)
Reportable segment assets	2,527,787	395,123	965,080	1,202,924	1,779,828	6,870,742
Reportable segment liabilities	491,084	208,851	452,381	393,821	180,446	1,726,583
(Reversal of) allowance for doubtful debts	(3,154)	5,376	309	2,170	60	4,761
Additions to property, plant and equipment and prepaid lease payments	41,902	12,981	29,639	23,497	45,599	153,618
Addition to deposit for acquisition of property, plant and equipment	<u>753</u>	<u>10,126</u>	<u>26</u>	<u>–</u>	<u>2,741</u>	<u>13,646</u>

Year ended 31 December 2008

	Open Foundry <i>HK\$'000</i>	IC Design <i>HK\$'000</i>	IC Testing & Packaging <i>HK\$'000</i>	Discrete Devices <i>HK\$'000</i>	Supporting Function <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover from external customers	956,580	692,081	599,719	808,067	62,245	3,118,692
Intersegment turnover	<u>208,988</u>	<u>15,026</u>	<u>64,867</u>	<u>83,235</u>	<u>359,633</u>	<u>731,749</u>
Segment turnover	1,165,568	707,107	664,586	891,302	421,878	3,850,441
Interest income	3,814	182	174	156	26,094	30,420
Finance costs	26,135	6,058	7,384	8,131	7,156	54,864
Depreciation and amortisation	247,114	14,166	73,098	80,347	58,664	473,389
Impairment of assets	255,684	–	–	–	–	255,684
Reportable segment (loss) profit	(367,007)	(15,037)	(36,107)	23,708	38,416	(356,027)
Reportable segment assets	2,902,448	515,064	1,018,720	1,160,790	1,301,047	6,898,069
Reportable segment liabilities	671,526	183,659	508,195	461,313	194,115	2,018,808
Allowance for doubtful debts	3,014	6,983	276	567	11	10,851
Additions to property, plant and equipment and prepaid lease payments	345,437	42,863	223,856	123,864	31,344	767,364
Write down of inventories to net realisable value	55,455	24,298	5,951	12,506	188	98,398
Addition to deposit for acquisition of property, plant and equipment	<u>3,488</u>	<u>–</u>	<u>859</u>	<u>–</u>	<u>16,773</u>	<u>21,120</u>

- (a) The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment (loss) profit that is used by the Executive Committee of the Company for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

The turnover, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segments profit is profit before taxation, excluding gain on disposal of subsidiaries, unallocated corporate finance costs from borrowings raised by headquarters and other corporate expenses (mainly including staff costs of general management and other general administrative expenses).

Reportable segment assets exclude tax recoverable, deferred tax assets, unallocated bank balances and cash held by headquarters and unallocated corporate assets (mainly including prepayments and deposits of headquarters).

Reportable segment liabilities exclude taxation, deferred tax liabilities, financial guarantee contract, unallocated bank borrowings raised by headquarters and unallocated corporate liabilities (mainly including accrued charges of headquarters).

(b) **Reconciliation of the reportable segment turnover, profit or loss, assets and liabilities**

Reportable segment turnover, profit or loss, assets and liabilities are reconciled to total assets and total liabilities of the Group as follows:

<i>Turnover</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Reportable segment turnover	3,575,269	3,850,441
Elimination of intersegment turnover	(538,388)	(731,749)
Turnover per consolidated statement of comprehensive income	<u>3,036,881</u>	<u>3,118,692</u>

Inter-segment sales are charged at cost plus a percentage profit mark-up.

<i>Profit or loss</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Reportable segment loss	(112,727)	(356,027)
Unallocated amounts:		
Gain on disposal of subsidiaries	–	84,972
Release of financial guarantee liability	1,790	–
Unallocated corporate finance costs	(29,254)	(59,678)
Unallocated corporate expenses	(28,620)	(34,944)
Loss before taxation per consolidated statement of comprehensive income	<u>(168,811)</u>	<u>(365,677)</u>

<i>Assets</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Reportable segment assets	6,870,742	6,898,069
Unallocated assets:		
Tax recoverable	187	9,329
Deferred tax assets	26,700	18,589
Unallocated bank balances and cash	80,317	197,352
Unallocated corporate assets	7,098	8,049
Total assets per consolidated statement of financial position	<u>6,985,044</u>	<u>7,131,388</u>

<i>Liabilities</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Reportable segment liabilities	1,726,583	2,018,808
Unallocated liabilities:		
Taxation	16,016	5,088
Deferred tax liabilities	4,712	4,718
Financial guarantee contract	–	10,790
Unallocated bank borrowings	1,900,000	2,000,000
Unallocated corporate liabilities	16,860	8,166
Total liabilities per consolidated statement of financial position	<u>3,664,171</u>	<u>4,047,570</u>

(c) **Geographical information**

The following table provide an analysis of the Group's sales by geographical market attributed to the group entities' countries/regions of domiciles (i.e. the People's Republic of China ("Mainland China") and Hong Kong) and attributed to all foreign countries/regions. All the non-current assets other than available-for-sale investments and deferred tax assets are located in the entity's countries/regions of domicile.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Domicile countries/regions		
Mainland China	1,742,353	2,205,453
Hong Kong	16,016	8,516
	<hr/> 1,758,369 <hr/>	<hr/> 2,213,969 <hr/>
Foreign countries/regions:		
Mainland China	8,505	6,140
Hong Kong	505,607	273,194
Taiwan	210,317	188,729
United States	332,801	311,331
Europe	17,901	90,378
Others	203,381	34,951
	<hr/> 1,278,512 <hr/>	<hr/> 904,723 <hr/>
	<hr/> 3,036,881 <hr/>	<hr/> 3,118,692 <hr/>

Turnover is analysed on the basis of the customer's location.

(d) **Information about major customers**

In 2009 and 2008, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's revenue.

4. **OTHER INCOME / GAINS**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Included in other income/gains are:		
Interest on bank deposits	7,925	35,641
Interest on loan to a fellow subsidiary	3,196	–
Income from release of financial guarantee liability	1,790	–
Government grants	35,979	30,481
Gain on disposal of property, plant and equipment	12,968	1,408
Gain on disposal of available-for-sale investments	840	–
Supporting and administrative service income from a fellow subsidiary	88,733	57,058
Tax refund on re-investment of profit of PRC subsidiaries	12,302	–
Write back of provisions	9,625	–
	<hr/> 9,625 <hr/>	<hr/> – <hr/>

5. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interests on:		
Bank loans wholly repayable within five years	42,885	88,090
Long-term payables	862	4,203
	<u>43,747</u>	<u>92,293</u>

6. DEPRECIATION AND AMORTISATION

Depreciation of property, plant and equipment and amortisation of prepaid lease payments on land use rights and intangible assets included in cost of sales, selling and distribution expenses, administrative expenses and research and development expenses are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Depreciation of property, plant and equipment	508,990	465,403
Amortisation of technical know-how	814	4,197
Amortisation of prepaid lease payments	4,361	3,992
	<u>514,165</u>	<u>473,592</u>

7. TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
PRC	22,718	23,417
Hong Kong	24	201
Overprovision in prior year	(1,060)	(3,812)
	<u>21,682</u>	<u>19,806</u>
Deferred tax	(8,116)	(2,564)
	<u>13,566</u>	<u>17,242</u>

On 26 June 2008 the Hong Kong Legislative Council passed the Revenue Bill 2009 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the both years.

Profits tax arising in the Mainland China is calculated based on the applicable tax rates on assessable profits.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the domestic tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain subsidiaries obtained approval from the relevant tax bureau and are qualified as High and New Technology Enterprise which would be subject to a tax rate of 15% for the both years.

In addition, certain subsidiaries operating in the Mainland China were exempted from tax applicable in the Mainland China for two years starting from 2008 and were granted a 50% relief for the following three years.

The relevant tax rates for the Group's subsidiaries in the PRC for the both years range from 15% to 25%.

8. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (restated)
Loss:		
Loss for the purpose of basic and diluted loss per share	<u>(172,206)</u>	<u>(371,535)</u>
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted loss per share	<u>7,327,643,487</u>	<u>6,211,099,863</u>

The weighted average number of shares in issue for the years ended 31 December 2009 and 2008 have been adjusted to reflect the rights issue completed on 11 August 2009.

Diluted loss per share for both years does not assume the exercise of the share options because inclusion of the share options in the calculation of diluted loss per share would result in a decrease in loss per share.

The weighted average number of shares shown above has been arrived at after deducting 100,000,000 shares (2008: Nil) held by restricted share award scheme trust under the Restricted Share Award Scheme of the Company and accounted for by the Group as treasury shares held by the Group.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Unlisted equity investments, at cost	754,092	741,698
Less: Impairment loss recognised	<u>(190,000)</u>	<u>–</u>
	<u>564,092</u>	<u>741,698</u>

The directors reviewed the carrying value of the Group's available-for-sale investments and determined that the investment in CSMC Asia Limited ("CSMC Asia") was impaired due to the delay in production plan after the financial crisis. The investment was included in the Group's open foundry segment. The recoverable amount of the available-for-sale investments had been determined on the basis of their estimated present value of the estimated future cashflow expected to be generated by the CSMC Asia with a discount rate of 14% per annum. As a result, an impairment loss amounting to HK\$190 million was charged to the consolidated statement of comprehensive income for the year ended 31 December 2009.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade debtors	928,168	798,039
Less: allowance for doubtful receivables	(36,314)	(34,273)
	891,854	763,766
Deposits and prepayments	104,311	112,665
	996,165	876,431

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on their trade volume and settlement terms. The aged analysis of trade debtors, including notes receivable, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting periods, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-60 days	549,424	339,130
61-90 days	103,753	108,013
91-180 days	227,562	295,096
Over 180 days	11,115	21,527
	891,854	763,766

Included in the Group's debtors are receivables of HK\$14,267,000 (2008: HK\$6,384,000) due from fellow subsidiaries arising from transactions carried out in the ordinary course of business of the Group. These amounts were unsecured, interest-free and are repayable within the credit periods similar to those offered to its customers.

Included in the Group's debtors are receivables of HK\$85,052,000 (2008: HK\$144,522,000) which are past due at the reporting date but are regarded as not impaired as there has not been a significant change in the credit standing of the debtors. The Group does not hold any collateral over these receivables.

Included in Group's trade debtors are notes receivables with the carrying amount of HK\$363,947,000 (2008: HK\$351,895,000), in which HK\$88,961,000 (2008: HK\$128,603,000) are discounted with full recourse to obtain general funding. The amounts are unsecured, interest free and with a maturity period of 180 days.

The credit quality of trade debtors that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have significant defaults in the past.

90% (2008: 81%) of the debtors are neither past due nor impaired and have either been subsequently settled or maintain active trade business relationship with the Group.

Included in the Group's debtors are receivables with carrying amounts of HK\$49,018,000 (2008: HK\$60,785,000), HK\$74,702,000 (2008: HK\$119,663,000) and HK\$21,615,000 (2008: HK\$20,310,000) which are denominated in United States dollar, Renminbi ("RMB") and Hong Kong dollar respectively, being the foreign currency of the respective group entities.

Aging of trade debtors which are past due but not impaired

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-60 days	66,056	99,632
61-90 days	6,436	14,212
91-180 days	10,250	19,868
Over 180 days	2,310	10,810
	<u>85,052</u>	<u>144,522</u>

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the debtor from the date credit was initially granted. The concentration of credit risk is limited as the Group's customer base comprises of a large number of customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the consolidated financial statements.

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK\$36,314,000 (2008: HK\$34,273,000) which have either been placed under liquidation or are in financial difficulties. The Group does not hold any collateral over these receivables.

Movements in the allowance for doubtful debts

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	34,273	22,189
Exchange differences	(5)	1,415
Amounts written off as uncollectible	(2,715)	(182)
Increase in allowance recognised in profit or loss	4,761	10,851
	<u>36,314</u>	<u>34,273</u>

The Group did not pledged notes receivable (2008: HK\$4,998,000) to secure certain banking facilities granted to the Group at the end of reporting date.

12. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors based on the invoice date which are included in creditors and accrued charges at the end of the reporting date is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-60 days	632,185	397,681
61-90 days	92,278	166,120
91-180 days	156,311	313,228
Over 180 days	31,862	33,667
	<u>912,636</u>	<u>910,696</u>

The other creditors and accrued charges mainly include:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables for acquisition of property, plant and equipment	87,024	123,618
Accrued staff costs	81,360	58,174
Deposits received	54,026	43,712
Current portion of long-term payable	17,036	8,462
Amounts due to fellow subsidiaries	9,269	16,846
Amount due to a group company of a minority shareholder of a subsidiary	152,435	182,309

The amounts due to a group company of a minority shareholder of a subsidiary and fellow subsidiaries were unsecured, interest-free and are mainly repayable within the credit periods similar to its suppliers.

The average credit period on purchases of goods is 7 to 180 days. The notes payable have maturity period of 180 days. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

Included in the Group's trade creditors are notes payable with a carrying amount of HK\$357,444,000 (2008: HK\$475,829,000) which are unsecured, interest free and with a maturity period of 180 days.

Included in the Group's creditors are creditors with a carrying amount of HK\$18,384,000 (2008: HK\$33,212,000), HK\$133,492,000 (2008: HK\$290,378,000) and HK\$9,186,000 (2008: HK\$2,070,000) which are denominated in United States dollar, Renminbi and Hong Kong dollar respectively, being the foreign currency of the respective group entities.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company's business was back on track with the trend of semiconductor market recovery from the financial crisis and market downturn since the second quarter of 2009. For the year ended 31 December 2009, the Company saw its operation and capacity utilization rates regain growth momentum, which was mainly attributable to the Company's implementation of the analog strategy and business diversification and continued capturing of opportunities arising from stable demands of the China market. However, as a result of a significant impairment loss occurred in the available-for-sale investments amounted to HK\$190 million, the Company recorded a net loss of HK\$182.38 million for the year ended 31 December 2009.

Turnover

Turnover slightly decreased by 2.6% to HK\$3,036.88 million for the year ended 31 December 2009 from the HK\$3,118.69 million recorded in previous year. Such decrease was mainly due to a decline in average selling prices of each business segments within the Group amid the global financial crisis and economic downturn. However, leveraging the industry recovery since the second quarter, the Group recorded its turnover of HK\$1,772.36 million in the second half of 2009, a 40.2% increase as comparing with the first half of 2009.

Cost of Sales

Cost of sales principally consists of:

- depreciation;
- direct materials;
- manufacturing overhead, including utilities, spare parts, repair and maintenance, rent, and indirect labor; and
- direct labor, including salaries for employees directly involved in manufacturing activities.

Cost of sales decreased by 1.5% to HK\$2,498.47 million in 2009 from HK\$2,537.40 million in 2008. During the industrial downturn, the Group adopted several measures to reduce the manufacturing overhead, especially in cutting down some of major direct materials' purchase prices and the labor cost by salary cut and temporary staff lay-off. In addition, the closure of a manufacturing facility in last year also reduced fixed manufacturing cost.

Gross Profit

Gross profit slightly decreased to HK\$538.41 million for the year ended 31 December 2008 from HK\$581.30 million in the previous year. Gross margin also dropped to 17.7% from 18.6% mainly due to declines in average selling prices and low capacity utilization rates in the first quarter of 2009 amid severe market condition.

The capacity utilisation rates in each of the open foundry, discrete devices and IC testing and packaging sector significantly dropped in the first quarter of 2009 when compared with those of the first quarter of 2008. However, with the industry recovery since the second quarter of 2009, the Group's capacity utilisation rates in each of the open foundry, discrete devices and IC testing and packaging sector for the whole year increased to 75%, 64% and 74% respectively as compared to those of the previous year. As a result, the gross profit and gross margin of the Group in the second half of 2009 were HK\$391.61 million and 22.1% respectively.

EBITDA

The Group's total earnings before interest expenses, taxation, depreciation and amortisation ("EBITDA") for the year ended 31 December 2009 amounted to HK\$389.10 million, representing an increase of 94.3% compared with HK\$200.21 million in 2008. The increase of EBITDA was mainly due to increase in other income and decrease of administrative and other operating expenses. Previous year's EBITDA contained a one-time loss arising from the closure of a manufacturing facility.

Liquidity and Capital Resources

As at 31 December 2009, the Group's cash on hand was HK\$1,221.09 million, representing an increase of HK\$364.21 million compared with that of 31 December 2008. Among the cash balances, 56.6%, 1.4% and 41.8% were denominated in Renminbi, Hong Kong dollars and US dollars respectively.

The table below sets forth the cashflow of the Group for the two years ended 31 December 2009, as well as the cash and cash equivalents at the end of each of the two years:

	2009	2008
	HK\$'000	HK\$'000
Net cash inflow generated from operating activities	648,660	466,600
Net cash used in investing activities	(392,486)	(844,858)
Net cash generated from financing activities	106,842	388,089
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	363,016	9,831
Effect of foreign exchange rate changes	1,196	7,836
Cash and cash equivalents at beginning of the year	856,877	839,210
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	1,221,089	856,877
	<hr/> <hr/>	<hr/> <hr/>

Indebtedness

The borrowings of the Group as at 31 December 2009 and 2008 were as follows:

	2009	2008
	HK\$'000	HK\$'000
Secured bank loans	88,961	128,603
Unsecured bank loans	2,013,574	2,300,878
	<hr/>	<hr/>
Less: Amount due within one year shown under current liabilities	(627,535)	(515,891)
	<hr/>	<hr/>
Amount due after one year shown as non-current liabilities	1,475,000	1,913,590
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2009, the Group had total bank borrowings of HK\$2,102.54 million, of which HK\$627.54 million was short-term in nature which carried interest at rates ranging from 1.03% to 3.51% per annum. The long-term portion of HK\$1,475.00 million carried interest at rates of 1.03% to 1.13% per annum and was repayable within 4 years. Bank borrowing of HK\$1,300.00 million, with maturity date in March 2012, was guaranteed by China Resources (Holdings) Company Limited (“CRH”). Furthermore, CRH is required to remain as a majority beneficial owner of the issued share capital of the Company and shall maintain its management control over the Company under the terms of the loan facilities agreements.

Capital Expenditures

The Group requires capital to build, expand, upgrade and maintain its production facilities and equipment. The Group incurred a capital expenditure of HK\$153.62 million in 2009, mainly including HK\$41.90 million spent on upgrading of 6-inch wafer fabrication lines, HK\$29.64 million on construction of IC testing and packaging facilities, HK\$45.60 million on construction of supporting facilities and the rest on discrete device manufacture and other facilities.

The Group will continue to implement its prudent capital management policy and optimize the allocation of its capital resources.

Charge of Assets

As at 31 December 2009, certain Group's assets with carrying values of HK\$97.56 million were pledged with banks to secure certain banking facilities.

Commitments and Contingent Liabilities

(a) Capital commitments

As at 31 December 2009 and 2008, the Group had the following significant capital commitments:

	As at 31 December	
	2009	2008
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
Authorised but not contracted for	247,071	356,968
Contracted but not provided for	68,207	47,230
	<u>247,071</u>	<u>356,968</u>

(b) Operating lease commitments

As at 31 December 2009 and 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2009	2008
	HK\$'000	HK\$'000
Within one year	5,525	6,218
In the second to fifth year inclusive	2,072	7,403
After five years	–	1,893
	<u>7,597</u>	<u>15,514</u>

(c) Contingent liabilities

During the year, the Group has provided corporate guarantees for the down payment of loans of its employees amounting to approximately HK\$0.61 million (2008: HK\$1.98 million). The management anticipates that no material liabilities will be arising from the above guarantees.

(d) Financial guarantee contracts

	As at 31 December	
	2009	2008
	HK\$'000	HK\$'000
Carrying Amount		
Financial guarantee contracts	–	10,790
	<u>–</u>	<u>10,790</u>

On 24 November 2008, the Group and CRH issued a financial guarantee to the extent of US\$140 million to a bank in respect of a term loan facility agreement granted to a fellow subsidiary, CSMC Asia, of which US\$26.6 million (representing the portion of the financial guarantee covered by the Group) was attributable to the Group. The fair value of the financial guarantee contract at initial recognition of HK\$10,790,000 was capitalised as investment cost of the available-for-sale investment. CSMC Asia repaid the loan and cancelled the undrawn portion of the facility during the year. An amount of HK\$1,790,000 has been released to profit or loss up to the date of cancellation of the facility. The remaining balance of HK\$9,000,000 was adjusted to the cost of the available-for-sale investment as return of investment since the fair value of the financial guarantee on initial recognition was previously treated as deemed contribution to CSMC Asia.

Save as disclosed above, the Group does not have any other commitments or contingent liabilities.

Legal Liabilities

For the year ended 31 December 2009, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company as far as the Company is aware of.

Gearing Ratio

As at 31 December 2009, the gearing ratio, calculated as net borrowings divided by total equity was 26.5%, compared with 51.0% as at 31 December 2008.

Other Significant Matters

On 26 June 2009, the Board announced a proposal to raise not less than approximately HK\$439.1 million before expenses by way of a rights issue at HK\$0.15 per rights share (the "Rights Issue"). The purpose of the Rights Issue is to strengthen the Company's capital base, augment its overall financial position, and provide more flexibility to enable the Company to capture any development and expansion opportunities which may arise in the future, including expansion of the Group's manufacturing capacity, upgrading of its manufacturing capabilities and strengthening its technology bases. On 7 August 2009, the Company has received a total of 431 valid acceptances and applications in respect of 5,683,244,813 rights shares, representing approximately 194% of the total number of rights shares available under the Rights Issue and raised HK\$437.6 million.

Prospects for the year 2010

The global semiconductor business started its recovery in the second quarter of the year 2009 since the industry meltdown triggered by the financial crisis. Benefiting from the RMB4 trillion economic stimulus package deployed by the PRC government, the Chinese economy continued its strong growth. According to the China Semiconductor Industry Association, the Chinese IC market is projected to grow over 15% in year 2010 in terms of sales revenue. The Group is well poised to meet the anticipated strong demand, especially in power management, green lighting, consumer electronic devices, communication and automobile markets, by utilizing its comprehensive and synergetic capabilities in IC design, open foundry, testing and packaging, as well as discrete devices. With healthy financial position and solid operational resources, the Group aims to develop its business to better satisfy market demand.

OTHER INFORMATION

Audit Committee

The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also oversees the audit process and performs other duties as assigned by the Board.

All the members of our Audit Committee are Non-Executive Directors, with a majority serving as Independent Non-Executive Directors.

The annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

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

Save as disclosed below, in the opinion of the Directors, the Group has been in compliance with the Code of Corporate Governance Practices (the "Code"), as set out in Appendix 14 to the Listing Rules throughout the financial year. The Board acknowledges its responsibility for the Group's internal controls systems and has assumed this responsibility through formalized financial and legal procedures within the Group, the Group's auditors and the Audit Committee.

The Chairman of the Board, Mr. SONG Lin did not attend the Annual General Meeting on 26 June 2009 (the "AGM") due to other crucial business on that date. The Chairman is aware that it deviated from the provision E.1.2 of the Code which stipulates that the Chairman should attend the annual general meeting of the Company. However, the Chairman has asked a Vice Chairman, Dr. Peter CHEN Cheng-yu to act on his behalf. In addition the Chairpersons of Audit, Remuneration and Nomination Committees and the Chief Executive Officer also attended the meeting. The Company considers that their presence is sufficient for (i) answering questions from and (ii) effective communication with shareholders presented at the AGM.

Purchase, Sale or Redemption of the Company's Securities

During the year ended 31 December 2009, the Company didn't purchase, sell or redeem any shares of the Company.

Disclosure of Information of The Stock Exchange's Website

The electronic version of this announcement will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>). An annual report for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the website of the Stock Exchange in due course.

On behalf of the Board of Directors
China Resources Microelectronics Limited
SONG Lin
CHAIRMAN

Hong Kong, 9 April 2010

As at the date of this announcement, the executive directors of China Resources Microelectronics Limited are Mr. SONG Lin (Chairman), Dr. Peter CHEN Cheng-yu (Vice Chairman) and Mr. WANG Guoping (Chief Executive Officer); the non-executive directors are Mr. ZHU Jinkun (Vice Chairman), Mr. JIANG Wei, Mr. LI Fuzuo Mr. DU Wenmin and Mr. Frank LAI Ni Hium; and the independent non-executive directors are Mrs. OON Kum Loon, Mr. Ralph Sytze YBEMA and Professor KO Ping Keung.