

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2010

FINANCIAL HIGHLIGHTS

- Turnover increased by 27.6% to HK\$3,874.21 million in 2010 from HK\$3,036.88 million in 2009.
- EBITDA increased by 129.9% to HK\$894.38 million in 2010 from HK\$389.10 million in 2009.
- The Group recorded a net profit of HK\$279.55 million in 2010, comparing with a net loss of HK\$182.38 million in 2009.
- A final dividend of 0.5 HK cent per share has been proposed by the Directors.

The Board of Directors (the “Board”) of CHINA RESOURCES MICROELECTRONICS LIMITED (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 (the “year”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2010	2009
	Notes	HK\$'000	HK\$'000 (restated)
Turnover	4	3,874,207	3,036,881
Cost of sales		<u>(2,901,244)</u>	<u>(2,485,078)</u>
Gross profit		972,963	551,803
Other income/gains and losses	5	147,579	186,364
Selling and distribution expenses		(101,098)	(84,972)
Administrative expenses		(371,427)	(324,546)
Research and development expenses		(225,004)	(194,231)
Other operating expenses		(79,816)	(69,482)
Finance costs	6	(23,332)	(43,747)
Impairment loss on available-for-sale investment		–	(190,000)
Profit (loss) before taxation		319,865	(168,811)
Taxation	8	(40,317)	(13,566)
Profit (loss) for the year		<u>279,548</u>	<u>(182,377)</u>
Other comprehensive income (expenses)			
Exchange differences arising on translation		128,321	343
Total comprehensive income (expenses) for the year		<u>407,869</u>	<u>(182,034)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		272,364	(172,206)
Non-controlling interests		7,184	(10,171)
		<u>279,548</u>	<u>(182,377)</u>
Total comprehensive income (expenses) attributable to:			
Owners of the Company		397,648	(172,030)
Non-controlling interests		10,221	(10,004)
		<u>407,869</u>	<u>(182,034)</u>
Earnings (loss) per share			
Basic (<i>HK cents</i>)	10	<u>3.13</u>	<u>(2.35)</u>
Diluted (<i>HK cents</i>)	10	<u>3.13</u>	<u>(2.35)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2010	2009
	Notes	HK\$'000	HK\$'000 (restated)
Non-current assets			
Property, plant and equipment		3,138,849	3,170,864
Prepaid lease payments		169,515	168,570
Available-for-sale investment		573,141	564,092
Loans receivable		284,729	186,248
Derivative financial asset		1,513	–
Goodwill		21,024	21,024
Technical know-how		19,415	815
Deferred tax assets		47,910	26,700
Deposit for acquisition of property, plant and equipment		15,225	13,646
		<u>4,271,321</u>	<u>4,151,959</u>
Current assets			
Inventories		730,170	602,850
Debtors, deposits and prepayments	11	1,231,526	996,165
Prepaid lease payments		4,335	4,191
Tax recoverable		–	187
Restricted bank deposits		13,577	8,603
Bank balances and cash		1,271,969	1,221,089
		<u>3,251,577</u>	<u>2,833,085</u>
Current liabilities			
Creditors and accrued charges	12	1,676,437	1,332,923
Government grants		29,545	29,745
Bank borrowings		853,812	1,127,535
Provisions		22,878	25,048
Taxation		9,025	16,016
		<u>2,591,697</u>	<u>2,531,267</u>
Net current assets		<u>659,880</u>	<u>301,818</u>
Total assets less current liabilities		<u>4,931,201</u>	<u>4,453,777</u>

	As at 31 December	
	2010	2009
	HK\$'000	HK\$'000
		(restated)
Capital and reserves		
Share capital	878,955	878,940
Share premium and reserves	2,751,513	2,353,775
	<hr/>	<hr/>
Equity attributable to owners of the Company	3,630,468	3,232,715
Non-controlling interests	98,379	88,158
	<hr/>	<hr/>
Total equity	3,728,847	3,320,873
	<hr/>	<hr/>
Non-current liabilities		
Bank borrowings	950,000	975,000
Long-term payables	–	15,324
Deferred tax liabilities	4,712	4,712
Government grants	247,642	137,868
	<hr/>	<hr/>
	1,202,354	1,132,904
	<hr/>	<hr/>
	4,931,201	4,453,777
	<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. GENERAL

The Company is incorporated in the 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 because the Company is listed on the Hong Kong Stock Exchange.

2. CHANGES IN PRESENTATION AND RECLASSIFICATION

In prior years, the Group presented the government grants as other income in the consolidated statement of comprehensive income. During the year, the management changed the presentation of the government grants relating to the expenses as a deduction of the related items for which they are intended to compensate.

Accordingly, amounts recognised in profit or loss in respect of government grants included in other income/ gains and losses for 2009 have been reclassified to ensure comparability and consistency of presentation.

The effects of changes in presentation described above on the results for the current year and prior year by line items are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Decrease in cost of sales in respect of depreciation expenses	20,527	13,390
Decrease in other income/gains and losses	(28,083)	(21,481)
Decrease in research and development expenses	7,556	8,091
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	-

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK-Int 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

In order to comply with the requirements set out in HK-Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, a bank loan that contains a repayment on demand clause with the carrying amount of HK\$500,000,000 and HK\$500,000,000 as at 31 December 2009 and 1 January 2009 respectively have been reclassified from non-current liabilities to current liabilities. As at 31 December 2010, the bank loan (that is repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the carrying amount of HK\$500,000,000 has been classified as current liabilities. The application of HK-Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

Amendments to HKAS 17 Leases

As part of “Improvements to HKFRSs” issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of amendment to HKAS 17 “Leases” had no material impact on the consolidated financial statements.

HKAS 24 (Revised) Related party disclosures

Paragraphs 25 to 27 of HKAS 24 (Revised) “Related party disclosure” exempt certain disclosures in relation to the government-related entities. The Group has early applied this disclosure exemption in the consolidated financial statements.

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

HKASs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7	Disclosures – Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 24 (as revised in 2009)	Related Party Disclosures (except for paragraphs 25 to 27) ⁶
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2012

⁶ Effective for annual periods beginning on or after 1 January 2011

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

The management is in the process of assessing the impact on the results and the financial position of the Group upon application of these Standards, Amendments or Interpretations.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising on sales of goods of HK\$3,042,563,000 (2009: HK\$2,411,320,000) and rendering of service of HK\$831,644,000 (2009: HK\$625,561,000) for the year.

The Group is organised into five operating divisions according to the nature of the products or services. The Group, therefore, determines its operating segments based on these five operating divisions by reference to the products or services, for the purpose of reporting to the chief operating decision maker (the Executive Committee of the Company).

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

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

The operating 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 2010

	Open Foundry HK\$'000	IC Design HK\$'000	IC Testing & Packaging HK\$'000	Discrete Devices HK\$'000	Supporting Function HK\$'000	Total HK\$'000
Turnover from external customers	1,204,234	647,246	831,644	1,105,733	85,350	3,874,207
Intersegment turnover	199,662	4,057	43,533	26,503	361,777	635,532
Segment turnover	1,403,896	651,303	875,177	1,132,236	447,127	4,509,739
Segment profit	135,878	36,284	31,710	146,664	9,531	360,067
Segment assets	2,665,789	543,711	1,051,279	1,462,435	1,422,889	7,146,103
Segment liabilities	529,744	211,413	547,400	554,416	146,499	1,989,472
<i>Included in measure of segment profit:</i>						
Interest income	14,271	154	82	20	13,511	28,038
Finance costs	(1,785)	–	(1,207)	(1,083)	(2,836)	(6,911)
Depreciation and amortisation	(256,921)	(16,270)	(114,239)	(94,774)	(68,283)	(550,487)
Impairment of assets	–	(763)	(21,894)	(560)	–	(23,217)
Reversal of (allowance) for doubtful debts	2,173	(2,799)	–	717	–	91
Additions to property, plant and equipment and prepaid lease payments	122,069	29,188	108,600	183,135	24,299	467,291
Addition to deposit for acquisition of property, plant and equipment	11,664	–	722	2,839	–	15,225

Year ended 31 December 2009

	Open Foundry HK\$'000	IC Design HK\$'000	IC Testing & Packaging HK\$'000	Discrete Devices HK\$'000	Supporting Function HK\$'000	Total HK\$'000
Turnover from external customers	964,572	589,210	625,561	795,250	62,288	3,036,881
Intersegment turnover	155,286	4,868	44,739	25,222	308,273	538,388
Segment turnover	1,119,858	594,078	670,300	820,472	370,561	3,575,269
Segment (loss) profit	(170,534)	11,475	(17,003)	43,459	19,876	(112,727)
Segment assets	2,527,787	395,123	965,080	1,202,924	1,779,828	6,870,742
Segment liabilities	491,084	208,851	452,381	393,821	180,446	1,726,583
<i>Included in measure of segment (loss) profit:</i>						
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)
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	753	10,126	26	–	2,741	13,646

- (a) The accounting policies of the operating segments are the same as the Group's accounting policies. Performance is measured based on operating segment profit (loss) 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 segments.

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

Segments profit is profit (loss) before taxation, excluding 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).

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).

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 segment turnover, profit or loss, assets and liabilities**

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover		
Segment turnover	4,509,739	3,575,269
Elimination of intersegment turnover	(635,532)	(538,388)
	<hr/>	<hr/>
Turnover per consolidated statement of comprehensive income	3,874,207	3,036,881
	<hr/> <hr/>	<hr/> <hr/>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit or loss		
Segment profit (loss)	360,067	(112,727)
Unallocated amounts:		
Release of financial guarantee liability	–	1,790
Unallocated interest income	4,818	507
Unallocated corporate finance costs	(16,421)	(29,254)
Unallocated corporate expenses	(28,599)	(29,127)
	<hr/>	<hr/>
Profit (loss) before taxation per consolidated statement of comprehensive income	319,865	(168,811)
	<hr/> <hr/>	<hr/> <hr/>

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Assets		
Segment assets	7,146,103	6,870,742
Unallocated assets:		
Tax recoverable	–	187
Deferred tax assets	47,910	26,700
Unallocated bank balances and cash	319,470	80,317
Unallocated corporate assets	9,415	7,098
	<u>7,522,898</u>	<u>6,985,044</u>
Total assets per consolidated statement of financial position	<u>7,522,898</u>	<u>6,985,044</u>
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Liabilities		
Segment liabilities	1,989,472	1,726,583
Unallocated liabilities:		
Taxation	9,025	16,016
Deferred tax liabilities	4,712	4,712
Financial guarantee contract	–	–
Unallocated bank borrowings	1,775,000	1,900,000
Unallocated corporate liabilities	15,842	16,860
	<u>3,794,051</u>	<u>3,664,171</u>
Total liabilities per consolidated statement of financial position	<u>3,794,051</u>	<u>3,664,171</u>

(c) Geographical information

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Domicile country/region		
Mainland China	2,314,760	1,742,353
Hong Kong	15,903	16,016
	<u>2,330,663</u>	<u>1,758,369</u>
Foreign countries/regions:		
Mainland China	23,829	8,505
Hong Kong	493,480	505,607
Taiwan	290,946	210,317
United States	434,820	332,801
Europe	16,998	17,901
Others	283,471	203,381
	<u>1,543,544</u>	<u>1,278,512</u>
	<u>3,874,207</u>	<u>3,036,881</u>

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

(d) **Information about major customers**

In 2010 and 2009, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's revenue.

5. OTHER INCOME/GAINS AND LOSSES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
Included in other income/gains and losses are:		
Interest on bank deposits	19,338	7,925
Interest on loan to a fellow subsidiary	13,518	3,196
Income from release of financial guarantee liability	–	1,790
Government grants	12,285	14,498
Net (loss) gain on disposal of property, plant and equipment	(31,729)	12,968
Increase in fair value of a commodity future contract	2,045	–
Gain on disposal of available-for-sale investment	–	840
Supporting and administrative service income from a fellow subsidiary	101,698	88,733
Tax refund on re-investment of profit of subsidiaries in the Mainland China	–	12,302
Write back of provisions	–	9,625
	<u> </u>	<u> </u>

6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interests on:		
Bank loans wholly repayable within five years	22,023	42,885
Long-term payables	1,309	862
	<u> </u>	<u> </u>
	<u>23,332</u>	<u>43,747</u>

7. 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation of property, plant and equipment	545,485	508,990
Amortisation of technical know-how	1,360	814
Amortisation of prepaid lease payments	4,335	4,361
	<u> </u>	<u> </u>

8. TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax		
Mainland China	56,742	22,718
Hong Kong	204	24
Under (over) provision in prior year	1,316	(1,060)
	58,262	21,682
Mainland China withholding tax	1,692	–
Deferred tax	(19,637)	(8,116)
	40,317	13,566

Profits tax arising in the Mainland China is calculated based on the applicable tax rates on assessable profits. The relevant tax rates for the Group's subsidiaries in the Mainland China for both years range from 15% to 25%.

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 Mainland China subsidiaries is 25% from 1 January 2008 onwards.

Certain subsidiaries have 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 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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

9. DIVIDENDS

A final dividend of 0.5 Hong Kong cent per share totalling HK\$43,948,000 (2009: Nil) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

No dividend has been declared or paid during the year (2009: Nil).

10. EARNINGS (LOSS) PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
<i>Earnings:</i>		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	<u>272,364</u>	<u>(172,206)</u>
<i>Number of shares:</i>		
Weighted average number of shares for the purpose of basic earnings (loss) per share	8,689,479,479	7,327,643,487
Effect of dilutive potential shares:		
Share options – Equity Incentive Plan	1,401,718	–
Share options – Share Option Scheme	<u>220,241</u>	<u>–</u>
Weighted average number of shares for the purpose of diluted earnings (loss) per share	<u>8,691,101,438</u>	<u>7,327,643,487</u>

Diluted loss per share for the year ended 31 December 2009 did 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 (2009: 100,000,000) held by 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.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade debtors	1,073,500	928,168
Less: allowance for doubtful receivables	<u>(37,035)</u>	<u>(36,314)</u>
	1,036,465	891,854
Deposits and prepayments	<u>195,061</u>	<u>104,311</u>
	<u>1,231,526</u>	<u>996,165</u>

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 period, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0-60 days	621,497	549,424
61-90 days	108,783	103,753
91-180 days	293,858	227,562
Over 180 days	12,327	11,115
	1,036,465	891,854

Included in the Group's trade debtors is receivable of HK\$48,889,000 (2009: HK\$14,267,000) due from a fellow subsidiary arising from transactions carried out in the ordinary course of business of the Group. The amount is unsecured, interest-free and repayable within the credit periods similar to those offered to the Group's customers.

Included in the Group's trade debtors are receivables of HK\$92,100,000 (2009: HK\$85,052,000) 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\$512,303,000 (2009: HK\$363,947,000), in which HK\$25,773,000 (2009: HK\$88,961,000) 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.

91% (2009: 90%) 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\$50,660,000 (2009: HK\$49,018,000), HK\$149,553,000 (2009: HK\$74,702,000) and HK\$10,542,000 (2009: HK\$21,615,000) which are denominated in United States dollar, Renminbi 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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0-60 days	76,483	66,056
61-90 days	4,326	6,436
91-180 days	6,962	10,250
Over 180 days	4,329	2,310
	92,100	85,052

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\$37,035,000 (2009: HK\$36,314,000) which are in financial difficulties. The Group does not hold any collateral over these receivables.

Movements in the allowance for doubtful debts

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Balance at beginning of the year	36,314	34,273
Exchange differences	1,102	(5)
Amounts written off as uncollectible	(290)	(2,715)
(Decrease) increase in allowance recognised in profit or loss	(91)	4,761
	<u>37,035</u>	<u>36,314</u>

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0-60 days	677,669	632,185
61-90 days	192,843	92,278
91-180 days	254,562	156,311
Over 180 days	19,897	31,862
	<u>1,144,971</u>	<u>912,636</u>

The other creditors and accrued charges mainly include:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Payables for acquisition of property, plant and equipment	103,054	87,024
Accrued staff costs	142,545	81,360
Deposits received	49,004	54,026
Current portion of long-term payable	17,188	17,036
Amounts due to fellow subsidiaries	21,727	9,269
Amount due to a group company of a non-controlling shareholder of a subsidiary	134,124	152,435

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

Included in the Group's trade creditors are notes payable with a carrying amount of HK\$545,344,000 (2009: HK\$357,444,000) which are unsecured, interest free and with a maturity period of 180 days.

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 creditors are creditors with a carrying amount of HK\$29,851,000 (2009: HK\$18,384,000), HK\$227,409,000 (2009: HK\$133,492,000) and HK\$11,775,000 (2009: HK\$9,186,000) 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

Following the trend of semiconductor industry's recovery from second quarter of 2009, the Group's operation has regained growth momentum. Along with the strong growth of the Chinese economy, the strong market demand kept driving the Group to maintain its products delivery quantities and high capacity utilization rates. The Group kept adopting its strategy to focus in the domestic market and analog segment through continuous investment in its research and development to maintain its competitive power. As a result, the Group reported a net profit of HK\$279.55 million in 2010 comparing with the net loss of HK\$182.38 million in 2009, inclusive of a significant impairment loss of HK\$190 million in the available-for-sale investment of the Group.

Turnover

Turnover increased by 27.6% to HK\$3,874.21 million in 2010 from HK\$3,036.88 million in 2009. The increase was due mainly to the increase in sales orders with the semiconductor business recovery and improved demands in China market since the second quarter 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 increased by 16.7% to HK\$2,901.24 million in 2010 from HK\$2,485.08 million in 2009. The increase in cost of sales in the year was primarily due to the increase in sales volume.

Gross Profit

Gross profit increased by 76.3% to HK\$972.96 million in 2010 from HK\$551.80 million in 2009. Moreover, gross margin increased to 25.1% from 18.2% in previous year, due mainly to the continuous improvement in product and process mix as well as the increase in capacity utilisation rates with the industry recovery since the second quarter of 2009.

The capacity utilisation rates in each of open foundry, discrete devices and IC testing and packaging sectors were around 91%, 85% and 88% respectively in 2010, compared to 75%, 64% and 74% respectively in 2009.

EBITDA

The Group's total earnings before interest expense, taxation, depreciation and amortization ("EBITDA") in 2010 amounted to HK\$894.38 million, representing an increase of 129.9% compared with HK\$389.10 million in 2009. The increase of EBITDA was due mainly to the increase in profit generated.

Liquidity and Capital Resources

As at 31 December 2010, the Group's cash on hand was HK\$1,271.97 million, representing an increase of HK\$50.88 million compared with that of 31 December 2009. Among the cash balances, 59.3%, 25.4% and 15.1% were denominated in Renminbi, Hong Kong dollars and United States dollars respectively.

The table below sets forth the cashflow of the Group for the two years ended 31 December 2010, as well as the cash and cash equivalents at the end of each of the two years:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Net cash inflow generated from operating activities	787,099	648,660
Net cash used in investing activities	(562,498)	(392,486)
Net cash (used in) generated from financing activities	(180,101)	106,842
	<hr/>	<hr/>
Net increase in cash and cash equivalents	44,500	363,016
Effect of foreign exchange rate changes	6,380	1,196
Cash and cash equivalents at beginning of the year	1,221,089	856,877
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	1,271,969	1,221,089
	<hr/> <hr/>	<hr/> <hr/>

Indebtedness

The borrowings of the Group as at 31 December 2010 and 2009 were as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Secured bank loans	25,773	88,961
Unsecured bank loans	1,778,039	2,013,574
	<hr/>	<hr/>
Less: Amount due within one year shown under current liabilities	(853,812)	(1,127,535)
	<hr/>	<hr/>
Amount due after one year shown as non-current liabilities	950,000	975,000
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2010, the Group had total bank borrowings of HK\$1,803.81 million, of which HK\$353.81 million was short-term in nature which carried interest at rates ranging from 0.89% to 1.64% per annum and HK\$500.00 million was repayable within two to three years from 31 December 2010 but contained a repayment on demand clause (shown under current liabilities) which carried interest rates ranging from 1.08% to 1.13% per annum. The long-term portion of HK\$950.00 million carried interest at rates of 0.89% to 1.34% per annum and was repayable within 3 years. Bank borrowing of HK\$975.00 million, with maturity date in March 2012, was guaranteed by China Resources (Holdings) Co., Ltd. ("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. Among the Group's bank borrowings, 1.4%, 98.4% and 0.2% were denominated in Renminbi, Hong Kong dollars and United States dollars respectively.

Capital Expenditures

The Group requires capital to build, expand, upgrade and maintain its production facilities and equipment. The Group incurred capital expenditure of HK\$487.27 million in 2010, mainly including HK\$122.07 million spent on upgrading 6-inch wafer fabrication lines, HK\$108.60 million on construction of IC testing and packaging facilities, HK\$183.13 million on discrete device manufacture and the rest on construction of supporting 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 2010, certain Group's assets with carrying values of HK\$39.35 million were pledged with banks to secure certain banking facilities.

Commitments and Contingent Liabilities

(a) Capital commitments

As at 31 December 2010 and 2009, the Group had the following significant capital commitments:

	As at 31 December	
	2010	2009
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
Authorised but not contracted for	388,291	247,071
Contracted but not provided for	97,509	68,207
	<u> </u>	<u> </u>

(b) Operating lease commitments

As at 31 December 2010 and 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2010	2009
	HK\$'000	HK\$'000
Within one year	3,415	5,525
In the second to fifth year inclusive	533	2,072
	<u> </u>	<u> </u>
	<u>3,948</u>	<u>7,597</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\$50,000 (2009: HK\$606,000). The management anticipates that no material liabilities will be arising from the above guarantees.

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

Legal Liabilities

For the year ended 31 December 2010, 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 2010, the gearing ratio, calculated as net borrowings divided by total equity was 14.3%, compared with 26.5% as at 31 December 2009.

Prospects for the year 2011

Recently, the Chinese State Council announced new stimulus policies to boost the development of the software and IC industries, which are believed to further stimulate the Chinese semiconductor industry growth. In the beginning of the Twelfth Five-Year Plan, the Chinese government also strived to facilitate the development of Seven Strategic Industries such as alternative energies, energy-saving and environmentally friendly technologies. This favourable environment will help drive the growing demands for green lighting, power management and power devices. The Group continuously focuses on relevant analog technologies development and capacity optimization to serve its customers in power management, green lighting, communication and automotive markets and develops its business to better satisfy market demands, by utilizing its comprehensive and synergetic capabilities in IC design, open foundry, testing and packaging, as well as discrete devices.

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

The annual results for the year ended 31 December 2010 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 then Chairman of the Board, Mr. SONG Lin did not attend the Annual General Meeting on 2 June 2010 due to other crucial business on that date which required his attention. Mr. Song was aware the above deviation from the provision E.1.2 of the Code which stipulates that the Chairman should attend the annual general meeting of the Company and had arranged the then Vice Chairman, Dr. Peter CHEN Cheng-yu to attend the Annual General Meeting. The Chairpersons of Audit, Remuneration and Nomination Committees also attended the AGM. The Company considers that their presence was sufficient for (i) answering questions from and (ii) ensuring effective communication with shareholders present at the AGM.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. With effect from 4 June 2010, Mr. SONG Lin has resigned as an Executive Director and the Chairman of the Board of the Company in order to concentrate on overall strategies and business of CRH as its Chairman, and Mr. WANG Guoping, an Executive Director and the Chief Executive Officer of the Company, was appointed as the Chairman of the Board effective on the same date. The Board decided that Mr. WANG would continue to hold the office of Chief Executive Officer of the Company notwithstanding his appointment as the Chairman, while the Company was processing the appointment of the successor of Chief Executive Officer. Accordingly, Mr. WANG Guoping held the offices of both Chairman and Chief Executive Officer of the Company from 4 June to 24 August 2010. On 24 August 2010, the Board has appointed Mr. Elvis DENG Mao-song as the Chief Executive Officer of the Company with effect from the conclusion of the meeting of the Board held on 24 August 2010.

Code provision E.1.3 stipulates that notice of an annual general meeting to shareholders of a listed issuer should be sent at least 20 clear business days before the meeting. The Company sent notice of its annual general meeting held on 2 June 2010 to its shareholders on 10 May 2010, which was less than 20 clear business days before the meeting. Though the Company was unable to comply with the foregoing code provision, the requirement of the Company’s articles of association to give not less than 21 clear days notice for the annual general meeting was complied with.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2010, the Company or its subsidiaries didn’t purchase, sell or redeem any shares of the Company or its subsidiaries, respectively.

Dividend

The Board recommends the payment of a final dividend of 0.5 Hong Kong cent per share for the year ended 31 December 2010 (2009: Nil). Subject to approval by shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about 30 June 2011 to shareholders whose names appear on the Register of Members of the Company on 24 June 2011. Such final dividend will not be subject to any withholding tax in Hong Kong.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 20 June 2011 to Friday, 24 June 2011, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the final dividend and attendance at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 June 2011.

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 2010 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
WANG Guoping
Chairman

Hong Kong, 22 March 2011

As at the date of this announcement, the executive directors of China Resources Microelectronics Limited are Mr. WANG Guoping (Chairman) and Mr. Elvis DENG Mao-song (Chief Executive Officer); the non-executive directors are Dr. Peter CHEN Cheng-yu, Mr. DU Wenmin, Mr. SHI Shanbo, Mr. WEI Bin and Dr. ZHANG Haipeng; and the independent non-executive directors are Mrs. OON Kum Loon, Mr. Ralph Sytze YBEMA, Professor KO Ping Keung, Mr. LUK Chi Cheong and Mr. WONG Tak Shing.