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**華潤微電子有限公司**

**China Resources Microelectronics Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 597)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**HIGHLIGHTS**

- The Group recorded consolidated turnover of HK\$1,878.30 million in the Period, 1.3% higher than that of the same period of 2010.
- The Group's EBITDA and net profit was HK\$343.70 million and HK\$47.74 million respectively for the Period, decreased by 21.7% and 63.4%, respectively as compared with the same period of 2010.
- The analog products and processing services contributed HK\$1,125.12 million, or 59.9% of total turnover for the Period.

The board (the “Board”) of directors (the “Director”) of CHINA RESOURCES MICROELECTRONICS LIMITED (the “Company” or “CR Micro”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 (the “Period”) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

		<b>Six months ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
Turnover	4	<b>1,878,303</b>	1,854,266
Cost of sales		<b>(1,491,405)</b>	(1,378,332)
Gross profit		<b>386,898</b>	475,934
Other income/gains and losses		<b>65,352</b>	91,666
Selling and distribution expenses		<b>(50,944)</b>	(48,009)
Administrative expenses		<b>(185,992)</b>	(177,072)
Research and development expenses		<b>(104,969)</b>	(117,815)
Other operating expenses		<b>(40,266)</b>	(52,458)
Finance costs		<b>(8,676)</b>	(10,775)
Profit before taxation		<b>61,403</b>	161,471
Taxation	5	<b>(13,660)</b>	(31,102)
Profit for the period	6	<b>47,743</b>	130,369
<b>Other comprehensive income</b>			
Exchange differences arising on translation		<b>99,115</b>	37,665
Total comprehensive income for the period		<b>146,858</b>	168,034
Profit for the period attributable to:			
Owners of the Company		<b>45,075</b>	125,687
Non-controlling interests		<b>2,668</b>	4,682
		<b>47,743</b>	130,369
Total comprehensive income attributable to:			
Owners of the Company		<b>141,997</b>	162,420
Non-controlling interests		<b>4,861</b>	5,614
		<b>146,858</b>	168,034
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	8		
Basic		<b>0.52</b>	1.45
Diluted		<b>0.52</b>	1.45

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2011**

	<i>Notes</i>	<b>30 June 2011 HK\$'000 (unaudited)</b>	31 December 2010 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,185,366</b>	3,138,849
Prepaid lease payments		<b>171,754</b>	169,515
Available-for-sale investment		<b>595,996</b>	573,141
Loans receivable		<b>479,896</b>	284,729
Derivative financial asset		<b>1,513</b>	1,513
Goodwill		<b>21,024</b>	21,024
Technical know-how		<b>19,576</b>	19,415
Deferred tax assets		<b>52,793</b>	47,910
Deposit for acquisition of property, plant and equipment		<b>14,757</b>	15,225
		<b>4,542,675</b>	4,271,321
<b>Current assets</b>			
Inventories		<b>818,606</b>	730,170
Debtors, deposits and prepayments	9	<b>1,257,556</b>	1,231,526
Prepaid lease payments		<b>4,466</b>	4,335
Tax recoverable		<b>621</b>	–
Restricted bank deposits		<b>4,736</b>	13,577
Bank balances and cash		<b>550,836</b>	1,271,969
		<b>2,636,821</b>	3,251,577
<b>Current liabilities</b>			
Creditors and accrued charges	10	<b>1,392,271</b>	1,676,437
Government grants		<b>46,614</b>	29,545
Bank borrowings		<b>1,312,500</b>	853,812
Provisions		<b>23,437</b>	22,878
Taxation		<b>12,752</b>	9,025
		<b>2,787,574</b>	2,591,697
<b>Net current (liabilities) assets</b>		<b>(150,753)</b>	659,880
<b>Total assets less current liabilities</b>		<b>4,391,922</b>	4,931,201

	<b>30 June 2011 HK\$'000 (unaudited)</b>	31 December 2010 HK\$'000 (audited)
<b>Capital and reserves</b>		
Share capital	<b>878,965</b>	878,955
Share premium and reserves	<b>2,849,560</b>	2,751,513
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Equity attributable to owners of the Company	<b>3,728,525</b>	3,630,468
Non-controlling interests	<b>103,240</b>	98,379
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<b>Total equity</b>	<b>3,831,765</b>	3,728,847
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Bank borrowings	<b>300,000</b>	950,000
Deferred tax liabilities	<b>4,712</b>	4,712
Government grants	<b>255,445</b>	247,642
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	<b>560,157</b>	1,202,354
	<hr/>	<hr/>
	<b>4,391,922</b>	4,931,201
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## NOTES:

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities of HK\$150,753,000. The condensed consolidated financial statements have been prepared on a going concern basis because an intermediate holding company has stated that it will give financial support to the Group as necessary to enable the Group to continue business as a going concern for twelve months from 30 June 2011.

### 2. COMPARATIVE FIGURES

Prior to 2010, the Group presented the government grants as other income in the consolidated statement of comprehensive income. During the year ended 31 December 2010, 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 the six months ended 30 June 2010 have been reclassified to ensure comparability and consistency of presentation.

The changes in accounting policies described above have no effect on the net profit for the current period and prior period.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010 except for those described below.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKASs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosure (except for paragraphs 25 to 27, which were early adopted by the Group in 2010)
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early applied new and revised standards that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

The five new or revised standards on consolidation, joint arrangements and disclosures, namely HKAS 27, HKAS 28, HKFRS 10, HKFRS 11, HKFRS 12 were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Early application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidation financial statements for the financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidation and Separate Financial Statements that deal with consolidation financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Other than disclosed above, the directors of the Company anticipate that the application of these new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

#### **4. SEGMENT INFORMATION**

The Group is organised into five operating divisions according to the nature of the products or services. The Group 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 are 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 of these segments are reported below:

**Six months ended 30 June 2011**

	Open Foundry HK\$'000 (unaudited)	IC Design HK\$'000 (unaudited)	IC Testing & Packaging HK\$'000 (unaudited)	Discrete Devices HK\$'000 (unaudited)	Supporting Function HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Turnover from external customers	552,021	306,076	429,235	552,421	38,550	1,878,303
Intersegment turnover	90,847	2,078	22,560	8,296	188,642	312,423
Segment turnover	642,868	308,154	451,795	560,717	227,192	2,190,726
Segment profit	16,122	3,600	11,876	52,527	228	84,353
<i>Included in measure of segment profit:</i>						
Impairment loss of property, plant and equipment	10,248	1,393	993	4,658	354	17,646
Interest income	8,927	183	470	7	5,315	14,902
Finance costs	500	-	-	-	225	725
Depreciation and amortisation	122,123	7,408	54,903	52,627	34,929	271,990

**Six months ended 30 June 2010**

	Open Foundry HK\$'000 (unaudited)	IC Design HK\$'000 (unaudited)	IC Testing & Packaging HK\$'000 (unaudited)	Discrete Devices HK\$'000 (unaudited)	Supporting Function HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Turnover from external customers	584,489	317,675	379,672	532,077	40,353	1,854,266
Intersegment turnover	94,824	2,312	20,206	12,018	168,946	298,306
Segment turnover	679,313	319,987	399,878	544,095	209,299	2,152,572
Segment profit	57,391	22,314	16,895	74,019	9,571	180,190
<i>Included in measure of segment profit:</i>						
Interest income	6,201	60	51	19	6,494	12,825
Finance costs	1,186	-	840	711	765	3,502
Depreciation and amortisation	124,505	8,160	55,672	45,113	33,178	266,628

- (a) Segment's profit is profit before taxation, excluding unallocated interest income, 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). This is the measure reported to the Executive Committee for the purposes of resource allocation and assessment of segment performance.

(b) Reconciliation of the segment turnover and profit or loss.

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Turnover</b>		
Segment turnover	2,190,726	2,152,572
Elimination of intersegment turnover	<u>(312,423)</u>	<u>(298,306)</u>
Turnover per condensed consolidated statement of comprehensive income	<u><b>1,878,303</b></u>	<u>1,854,266</u>

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Profit or loss</b>		
Segment profit	84,353	180,190
Unallocated amounts:		
Unallocated interest income	1,160	504
Unallocated corporate finance costs	(7,951)	(7,273)
Unallocated corporate expenses	<u>(16,159)</u>	<u>(11,950)</u>
Profit before taxation per condensed consolidated statement of comprehensive income	<u><b>61,403</b></u>	<u>161,471</u>

5. TAXATION

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Current tax		
Mainland China	17,655	36,679
Hong Kong	–	103
(Over) under provision in prior year	<u>(144)</u>	<u>1,316</u>
Deferred tax	<u>17,511</u>	<u>38,098</u>
	<u><b>(3,851)</b></u>	<u>(6,996)</u>
	<u><b>13,660</b></u>	<u>31,102</u>



## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of technical know-how (included in administrative expense)	1,551	412
Amortisation of prepaid lease payments	2,233	2,119
Allowance for doubtful debts	3,978	295
Depreciation of property, plant and equipment	269,841	264,188
Government grants		
– Included in other income/gains and losses	(545)	(9,728)
– Included in cost of sales	(9,496)	(6,215)
– Included in research and development expenses	(15,761)	(1,939)
Impairment loss on property, plant and equipment (included in other operating expenses) ( <i>note</i> )	17,646	–
Interest expenses on borrowings wholly repayable within five years	8,676	10,775
Interest income on bank deposits	(7,418)	(7,295)
Interest income on loan to a fellow subsidiary	(8,644)	(6,034)
Loss on disposal of property, plant and equipment	4,462	28,156
Write off of inventories (included in other operating expenses)	9,329	6,607

### *Note:*

During the current period, an impairment loss of HK\$17,646,000 was made to fully write off certain plant and machinery. Due to change in technology, the Group plans to modernise its production facilities. Certain items of plant and equipment were identified as obsolete and fully impaired in current period.

## 7. DIVIDEND

Final dividend of 0.5 HK cent per share totalling HK\$43,948,000 for the year ended 31 December 2010 was declared and paid during the interim period. No dividend was paid during the six months ended 30 June 2010. The directors do not recommend the payment of an interim dividend for the year ending 31 December 2011.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<i>Earnings:</i>		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>45,075</b>	125,687
<i>Number of shares:</i>		
Weighted average number of shares for the purpose of basic earnings per share	<b>8,689,623,813</b>	8,689,449,836
Effect of dilutive potential shares:		
Share options – Equity Incentive Plan	<b>1,327,885</b>	1,443,023
Share options – Share Option Scheme	<b>1,500,914</b>	404,192
Weighted average number of shares for the purpose of diluted earnings per share	<b>8,692,452,612</b>	8,691,297,051

The weighted average number of shares shown above has been arrived at after deducting 100,000,000 shares (2010: 100,000,000) held by share award scheme trust under the Restricted Share Award Scheme and accounted for by the Group as treasury shares held by the Group.

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

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 methods. 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:

	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
0 – 60 days	<b>788,374</b>	621,497
61 – 90 days	<b>102,224</b>	108,783
91 – 180 days	<b>141,458</b>	293,858
Over 180 days	<b>6,000</b>	12,327
	<b>1,038,056</b>	1,036,465

Included in the Group's debtors are receivables of HK\$42,242,000 (31 December 2010: HK\$48,889,000) 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.

## 10. CREDITORS AND ACCRUED CHARGES

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

	<b>30 June 2011</b>	31 December 2010
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
0 – 60 days	<b>708,288</b>	677,669
61 – 90 days	<b>125,134</b>	192,843
91 – 180 days	<b>126,274</b>	254,562
Over 180 days	<b>17,907</b>	19,897
	<b>977,603</b>	1,144,971

Included in the Group's creditors are payables of HK\$1,285,000 and HK\$20,085,000 (31 December 2010: HK\$134,124,000 and HK\$21,727,000) due to a subsidiary of a non-controlling shareholder of a subsidiary and fellow subsidiaries respectively arising from transactions carried out in the ordinary course of business of the Group. The amounts were unsecured, interest-free and are repayable within the credit periods similar to its suppliers.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2011, the Group's turnover continued the growth momentum in 2010 on the back of recovery in the semiconductor industry since the second quarter of 2009. The rebound market demand fuelled by the stable growth in the Chinese economy kept driving the Group to maintain its growth in turnover. The Group kept adopted its strategy to focus its business in the domestic market and analog semiconductor segment through continuous investment in its research and development to maintain its competitive power during the Period. However, except for the huge earthquake in Japan hitting the semiconductor industry in both of end-product manufacturing as well as raw material supply, several economic uncertainties such as inflation threats, increasing costs on raw wafer, electricity, gold and copper as well as local labor costs effected the industry's overall performance in 2011.

During the Period, the Group's consolidated turnover increased slightly by 1.3% to HK\$1,878.30 million from HK\$1,854.27 million in the same period of 2010. The Group's total earnings before interest expenses, taxation, depreciation and amortisation ("EBITDA") decreased by 21.7% to HK\$343.70 million from HK\$438.97 million in the same period last year. The Group's net profit for the Period was HK\$47.74 million, while basic earnings per share for the Period was 0.52 HK cents (for the same period in 2010: net profit of HK\$130.37 million and basic earnings per share of 1.45 HK cents respectively).

The Group focuses on providing analog semiconductor products and processing services to its customers. The analog products and processing services contributed HK\$1,125.12 million, or 59.9% of total turnover for the Period. The Group also maintains a healthy geographical business mix to balance the market differentiation, growth potential as well as risks from over-concentration. During the Period, turnover from mainland China and Hong Kong together amounted to HK\$1,376.73 million, accounting for 73.3% of the Group's consolidated turnover.

During the Period, the Group demonstrated the outcome on its product and application focus from consistently investment in recent years. The Group's turnover from the green lighting application business contributed HK\$320.56 million, or 17.1% of total turnover for the Period. Meanwhile, the Group's power management business contributed HK\$312.34 million turnover, or 16.6% of total turnover for the Period. The total turnover from green lighting application and power management increased by 1.5% to HK\$632.90 million from HK\$623.40 million in the same period last year.

The Group's four business segments' results are primarily reported as follows:

- During the Period, the Group's open foundry operation reported a turnover of HK\$552.02 million, which decreased by 5.6% from that of the same period last year. The segment profit was HK\$16.12 million in the Period mainly due to the decrease in capacity utilisation rate, while it was HK\$57.39 million in the same period last year. The segment capacity utilisation rate was approximately 80% in the Period, while in the same period last year it was 91%.
- The Group's IC design houses' performance was affected by the slowdown in market demands. The overall turnover from the IC design segment decreased by 3.7% to HK\$306.08 million from HK\$317.68 million in the same period last year, as well as the segment profit decreased 83.9% to HK\$3.60 million from HK\$22.31 million in the same period last year.
- The Group's testing and packaging segment reported turnover of HK\$429.24 million, representing an increase of 13.1% as compared with that of the same period last year. It recorded a segment profit of HK\$11.88 million in the Period, which decreased by 29.7% from that of the same period last year, mainly due to the increase in gold and copper price as well as labor cost. The capacity utilisation rate was approximately 78% in the Period, while in the same period last year it was 85%.
- The Group's discrete device business's turnover hit historical high as to HK\$552.42 million which increased by 3.8% from the same period last year, attributed to the strong demands for discrete products from green lighting and power saving market. The segment profit was HK\$52.53 million in the Period comparing with HK\$74.01 million in the same period last year. The capacity utilisation rate was approximately 72% in the Period, as compared to 80% in the same period last year.

In addition, Fab 2, the Group's available-for-sale investment, had finished its phase one construction and capacity installation. Its manufacturing capacity maintained 30,000 8-inch wafers per month in the first half of 2011. Fab 2 had set up reliable quality assurance and manufacturing management system and successfully extended its processing geometry into 0.18  $\mu\text{m}$  and started mass-production of several products. Fab 2's main market focuses include automobile electronics, green power and LED display.

## **PROSPECTS**

The uncertainties of the global financial environment and the inflation expectation, especially in mainland China, limit the demand growth for the second half of 2011. Facing the softening market, the Group will continue to enhance its technical research and development activities to design and manufacture higher value-added products to serve the high-growth IC market segment in mainland China. The analog ICs have relatively longer product life cycle, and thus are relatively immune to volatile price fluctuations and provide relatively stable marginal contribution. The Group will diligently apply its successful business model of utilising our accumulated technology base and hence optimizing the capital expenditure to increase profitability in the growing Chinese analog IC market. The Group has developed various capabilities to supply analog semiconductor products and services to its customers. Benefiting from the Group's focus on analog products and Chinese economy's growing prospects, the Group believe the synergy arising from the model of virtual industry chain will enable it to better capture broader opportunities in the future.

## **SUBSEQUENT EVENTS**

Save as disclosed below, the Directors believe that there's no other significant subsequent event to be reported.

On 18 July, 2011, China Resources (Holdings) Company Limited ("CRH"), through its wholly-owned subsidiary, CRH (Microelectronics) Limited, requested the board of directors of the Company to put forward to the shareholders of the Company a proposal which, if implemented, will result in the Company becoming a wholly-owned subsidiary of CRH (Microelectronics) Limited. The proposal will be implemented by way of a scheme of arrangement under section 86 of the Companies Law. The Board agreed to put forward the proposal as it considered the proposal to be appropriate for consideration by the public shareholders of the Company.

Under the scheme of arrangement, if approved by the shareholders and relevant authorities, the shareholders of the Company will receive from CRH (Microelectronics) Limited in consideration for the cancellation of their shares either a cash of HK\$0.48 for every share held ("Cash Alternative") or one new share in CRH (Microelectronics) Limited for every Share held ("Share Alternative"). CRH will undertake to elect the Share Alternative only and shareholders of the Company, other than CRH, may elect either the Cash Alternative or the Share Alternative or a combination of both.

## **SALE, PURCHASE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2011, the Company and any of its subsidiaries did not sell, purchase or redeem the Company's listed shares.

## **COMPLIANCE WITH THE CODE ON 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 on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the Period. The Board acknowledges its responsibility for the Group's systems of internal controls 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. WANG Guoping was unable to attend the Annual General Meeting (the "AGM") on 24 June 2011 due to the cancellation of his flight from Beijing to Hong Kong for the bad weather condition. Mr. WANG 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 Chief Executive Officer and Executive Director, Mr. Elvis DENG Mao-song to attend the AGM. 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, for the six months ended 30 June 2011, they have complied with required standard of dealing set out in the Model Code.

## **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.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed, with the management and the Company's external auditor, the unaudited interim financial report for the six months ended 30 June 2011.

The unaudited interim financial report for six months ended 30 June 2011 was approved by the Board for issue on 10 August 2011.

On behalf of the Board  
**China Resources Microelectronics Limited**  
**WANG Guoping**  
*Chairman*

Hong Kong, 10 August 2011

*As at the date hereof, the Board of the Company comprises of ten Directors, Mr. WANG Guoping (Chairman) and Mr. Elvis DENG Mao-song (Chief Executive Officer), being executive Directors; Dr. Peter CHEN Cheng-yu, Mr. DU Wenmin, Mr. WEI Bin, Mr. SHI Shanbo and Dr. ZHANG Haipeng, being non-executive Directors; and Professor KO Ping Keung, Mr. LUK Chi Cheong and Mr. WONG Tak Shing, being independent non-executive Directors.*