

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

May 03, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of May 2005

Commission File Number 1-31994

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

(Translation of Registrant's Name Into English)

18 Zhangjiang Road

Pudong New Area, Shanghai 201203

People's Republic of China

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(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F):

Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)):

Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)):

Yes No

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934):

Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-)

Semiconductor Manufacturing International Corporation (the Registrant) is furnishing under the cover of Form 6-K:

- Exhibit 99.1: Press announcement, dated April 29, 2005, containing the Registrant's results of operations for the three months ended March 31, 2005.
- Exhibit 99.2: Press announcement, dated April 29, 2005, relating to the Registrant's receipt of a waiver from The Stock Exchange of Hong Kong Limited with respect to the requirement to employ a qualified accountant on a full-time basis.
- Exhibit 99.3: Press announcement, dated May 3, 2005, relating to the establishment of a testing and assembly facility in Chengdu, China pursuant to joint venture arrangements between the Registrant and United Test and Assembly Center Ltd.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Semiconductor Manufacturing
International Corporation

By: /s/ Richard R. Chang

Name: Richard R. Chang
Title: Chairman of the Board, President and Chief
Executive Officer

Date: May 3, 2005

EXHIBIT INDEX

| Exhibit | Description |
|----------------|--|
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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SEMICONDUCTOR MANUFACTURING

INTERNATIONAL CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 0981)

SMIC REPORTS RESULTS FOR THE THREE MONTHS ENDED MARCH 31 2005

The Company today announced its unaudited consolidated results of operations for the three months ended March 31, 2005. Sales decreased 14.7% in the first quarter of 2005 to \$248.8 million from \$291.8 million in the prior quarter. Capacity increased to 131,172 8-inch equivalent wafers per month. Utilization rate decreased to 85% in the first quarter of 2005 from 95% in the prior quarter. Gross margins of 3.4% in 1Q05 from 20.3% in 4Q04. Net loss of \$30.0 million in 1Q05 compared to a loss of \$11.2 million in 4Q04.

Set out below is a copy of the full text of the press release made in the United States by the Company on April 29, 2005 in relation to its unaudited results for the three months ended March 31, 2005.

This announcement is made pursuant to the disclosure obligations under Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the Company made the press release reproduced below.

Set out below is a copy of the full text of the press release made in the United States by the Company on April 29, 2005 in relation to its unaudited results for the three months ended March 31, 2005.

All currency figures stated in this report are in US Dollars unless stated otherwise.

The financial statement amounts in this report are determined in accordance with US GAAP.

SMIC REPORTS 2005 FIRST QUARTER RESULTS

Highlights

Sales of \$248.8 million in 1Q05, down 14.7% from \$291.8 million in 4Q04.

Capacity increased to 131,172 8-inch equivalent wafers per month.

Utilization rate of 85% in 1Q05 from 95% in 4Q04.

Gross margins of 3.4% in 1Q05 from 20.3% in 4Q04.

Net loss of \$30.0 million in 1Q05 compared to a loss of \$11.2 million in 4Q04.

Shanghai, China April 29, 2005. Semiconductor Manufacturing International Corporation (NYSE: SMI; SEHK: 981) (SMIC or the Company), one of the leading semiconductor foundries in the world, today announced its consolidated results of operations for the three months ended March 31, 2005. Sales decreased 14.7% in the first quarter of 2005 to \$248.8 million from \$291.8 million in the prior quarter. The Company reported an increase in capacity to 131,172 8-inch equivalent wafers per month and a utilization rate of 85% in the first quarter of 2005. Gross margins were 3.4% in the first quarter of 2005 compared to 20.3% in the fourth quarter of 2004. Net loss increased to \$30.0 million in the first quarter of 2005 compared to a loss of \$11.2 million in the fourth quarter of 2004.

Our revenues were in line with expectations, down 15% in 1Q05, mainly due to industry softness and a generally tough pricing environment for foundries, said Dr. Richard Chang, President and Chief Executive Officer of SMIC. However, we are encouraged by the 11.6% increase quarter on quarter for the 0.18 micron and below technologies due in part to our successful qualification and shipment of our first customer product from Fab 4, our first 12-inch fab. With a reduction in our customers' inventory levels in the first quarter, we are beginning to see improved customer demand for the second half of the year. This trend in conjunction with the execution of our business strategy should lead to improvements in our business environment.

Conference call/Webcast announcement details

Date: April 29, 2005

Time: 8:00 a.m. Shanghai time

Dial-in numbers and pass code: U.S. 1-617-786-4501 or HK 852-3002-1672 (Pass code: SMIC).

A live webcast of the 2005 first quarter announcement will be available at <http://www.smics.com> under the Investor Relations section. An archived version of the webcast, along with a soft copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.

About SMIC

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SMIC (NYSE: SMI, SEHK: 0981.HK) is one of the leading semiconductor foundries in the world, providing integrated circuit (IC) manufacturing at 0.35-micron to 0.11-micron and finer line technologies to customers worldwide. Established in 2000, SMIC has four 8-inch wafer fabrication facilities in volume production in Shanghai and Tianjin. In the first quarter of 2005, SMIC commenced commercial production at its 12-inch wafer fabrication facility in Beijing. SMIC also maintains customer service and marketing offices in the U.S., Europe, and Japan, and a representative office in Hong Kong. As part of its dedication towards providing high-quality services, SMIC strives to comply with or exceed international standards and has achieved ISO9001, ISO/TS16949, OHSAS18001, TL9000, and ISO14001 certifications. For additional information, please visit <http://www.smics.com/>.

Safe harbor statements

(Under the Private Securities Litigation Reform Act of 1995)

This press release may contain, in addition to historical information, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on SMIC's current assumptions, expectations and projections about future events. SMIC uses words like believe, anticipate, intend, estimate, expect, project similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of SMIC's senior management and involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC's actual performance, financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, among others, risks associated with cyclical and market conditions in the semiconductor industry, intense competition, timely wafer acceptance by SMIC's customers, timely introduction of new technologies, SMIC's ability to ramp new products into volume, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, components and raw materials, availability of manufacturing capacity and financial stability in end markets.

Investors should consider the information contained in SMIC's filings with the U.S. Securities and Exchange Commission (SEC), including its registration statement on Form F-1, as amended, filed with the SEC on March 11, 2004, especially in the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections, and its registration statement on Form A-1 as filed with the Stock Exchange of Hong Kong (SEHK) on March 8, 2004, and such other documents that SMIC may file with the SEC or SEHK from time to time, including on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on SMIC's future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this press release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this press release.

Except as required by law, SMIC undertakes no obligation and does not intend to update any forward-looking statement, whether as a result of new information, future events or otherwise.

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Summary:

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Amounts in US\$ thousands, except for percentages, EPS and operating data

| | <u>1Q05</u> | <u>4Q04</u> | <u>QoQ</u> | <u>1Q04</u> | <u>YoY</u> |
|--|-------------|-------------|------------|-------------|------------|
| Sales | 248,808 | 291,842 | -14.7% | 186,937 | 33.1% |
| Cost of sales | 240,277 | 232,725 | 3.2% | 126,781 | 89.5% |
| Gross profit | 8,531 | 59,117 | -85.6% | 60,156 | -85.8% |
| Operating expenses | 30,505 | 82,505 | -63.0% | 33,313 | -8.4% |
| Income (loss) from operations | (21,974) | (23,388) | 6.0% | 26,843 | |
| Other income (expenses) | (8,012) | 12,358 | | 609 | |
| Net income (loss) after income taxes | (29,995) | (11,216) | -167.4% | 27,452 | |
| Deemed dividend on preference shares | | | | (18,839) | |
| Income (loss) attributable to holders of ordinary shares | (29,995) | (11,216) | -167.4% | 8,613 | |
| Gross margin | 3.4% | 20.3% | | 32.2% | |
| Operating margin | -8.8% | -8.0% | | 14.4% | |
| Basic EPS per ordinary share ⁽¹⁾ | \$ (0.0017) | \$ (0.0006) | | \$ 0.0033 | |
| Basic EPS per ADS | \$ (0.0831) | \$ (0.0311) | | \$ 0.1630 | |
| Diluted EPS per ordinary share | \$ (0.0017) | \$ (0.0006) | | \$ 0.0005 | |
| Diluted EPS per ADS | \$ (0.0831) | \$ (0.0311) | | \$ 0.0273 | |
| Wafers shipped (in 8 wafers ⁽³⁾) | 284,912 | 303,796 | -6.2% | 174,325 | 63.4% |
| Blended ASP | \$ 829 | \$ 917 | -9.6% | \$ 1,008 | -17.8% |
| Logic ASP ⁽³⁾ | \$ 967 | \$ 1,020 | -5.2% | \$ 1,081 | -10.5% |
| Capacity utilization | 85% | 95% | | 99% | |

Note:

- (1) Based on weighted average ordinary shares of 18,054 million in 1Q05, 18,006 million in 4Q04 and 2,641 million in 1Q04
- (2) Including copper interconnects
- (3) Excluding copper interconnects

Sales decreased to \$248.8 million in 1Q05, down 14.7% QoQ from \$291.8 million in 4Q04 and up 33.1% YoY from \$186.9 million in 1Q04. Key factors leading to these decreases were the following:

decreased 8-inch equivalent wafer shipments to 284,912, down 6.2% QoQ from 303,796 in 4Q04; and

decreased blended ASP of \$829, down 9.6% QoQ from \$917.

Cost of sales increased to \$240.3 million in 1Q05 from \$232.7 million in 4Q04, primarily due to the increase in depreciation expenses and an inventory write-down as a result of declining estimated market value of approximately \$8.9 million in 1Q05 compared to \$3.8 million in 4Q04.

Gross profit decreased to \$8.5 million in 1Q05, down 85.6% QoQ from \$59.1 million in 4Q04 and down 85.8% YoY from \$60.2 million in 1Q04.

Gross margins decreased to 3.4% in 1Q05 from 20.3% in 4Q04, primarily due to the decrease in wafer production, the increase in depreciation expenses, and a lower blended ASP, which was the result of the DRAM pricing declines and industry softness.

R&D expenses decreased to \$17.9 million in 1Q05, down 34.6% QoQ from \$27.4 million in 4Q04, primarily due to non-recurring start up costs associated with Fab 4 (Beijing) being classified as research and development in 4Q04. Those R&D expenses have subsequently been classified in cost of sales upon commencement of Fab 4 commercial production in 1Q05.

G&A expenses decreased to \$6.6 million in 1Q05, down 74.1% QoQ from \$25.5 million in 4Q04, primarily due to foreign exchange gains of \$3.6 million in 1Q05 compared to losses of \$11.3 million in 4Q04 relating to operating activities, and decreases in legal fees and bad debt provision.

Income (loss) from operations improved to a loss of \$22.0 million in 1Q05 from a loss of \$23.4 million in 4Q04 and decreased from a gain of \$26.8 million in 1Q04.

Other non-operating income (loss) decreased to a loss of \$8.0 million in 1Q05 from gains of \$12.4 million in 4Q04, primarily due to foreign exchange losses of \$2.3 million in 1Q05 compared to gains of \$13.3 million in 4Q04 relating to non-operating activities resulting from financing or investment transactions, and the increase in interest expenses of \$3.1 million to \$7.7 million in 1Q05 from \$4.6 million in 4Q04.

Net foreign exchange gain of \$1.3 million based on foreign exchange gains of \$3.6 million in G&A and foreign exchange losses of \$2.3 million relating to non-operating activities resulting from financing or investment transactions (i.e. forward contracts) classified as other income (expenses).

Net loss of \$30.0 million compared to a loss of \$11.2 million in 4Q04 and a gain of \$27.5 million in 1Q04.

1. Analysis of revenues

Sales analysis

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By Application

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Computer | 36.8% | 26.8% | 20.5% | 22.5% | 25.1% |
| Communications | 44.5% | 58.1% | 57.2% | 54.3% | 56.0% |
| Consumer | 13.6% | 10.2% | 17.1% | 17.1% | 12.7% |
| Others | 5.1% | 4.9% | 5.2% | 6.1% | 6.2% |

By Device

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Logic (including copper interconnect) | 61.9% | 75.1% | 77.6% | 73.5% | 72.4% |
| DRAM ⁽¹⁾ | 33.0% | 20.4% | 17.5% | 20.8% | 21.6% |
| Other (mask making & probing, etc.) | 5.1% | 4.5% | 4.9% | 5.7% | 6.0% |

By Customer Type

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Fabless semiconductor companies | 48.1% | 50.2% | 35.3% | 36.1% | 36.6% |
| Integrated device manufacturers (IDM) | 49.6% | 47.5% | 56.3% | 54.8% | 54.0% |
| System companies and others | 2.3% | 2.3% | 8.4% | 9.1% | 9.4% |

By Geography

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| North America | 40.4% | 34.9% | 41.8% | 44.0% | 41.4% |
| Asia Pacific (ex. Japan) | 26.9% | 43.5% | 31.5% | 26.5% | 27.2% |
| Japan | 8.0% | 8.8% | 15.6% | 16.2% | 16.3% |
| Europe | 24.7% | 12.8% | 11.1% | 13.3% | 15.1% |

Wafer revenue analysis

By Technology (logic, DRAM & copper interconnect only)

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|--------|-------------|-------------|-------------|-------------|-------------|
| 0.13μm | 29.2% | 13.8% | 11.9% | 9.9% | 10.1% |
| 0.15μm | 12.5% | 14.9% | 13.2% | 13.3% | 15.7% |
| 0.18μm | 40.3% | 33.6% | 46.2% | 48.6% | 44.4% |
| 0.25μm | 4.6% | 6.0% | 6.4% | 8.3% | 8.3% |
| 0.35μm | 13.4% | 31.7% | 22.3% | 19.9% | 21.5% |

By Logic Only⁽²⁾

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|--------|-------------|-------------|-------------|-------------|-------------|
| 0.13μm | 5.4% | 2.4% | 1.8% | 0.9% | 0.0% |
| 0.15μm | 2.2% | 5.3% | 4.6% | 3.9% | 4.4% |
| 0.18μm | 59.8% | 38.2% | 56.2% | 63.0% | 58.5% |
| 0.25μm | 7.1% | 7.8% | 6.1% | 3.1% | 5.0% |
| 0.35μm | 25.5% | 46.3% | 31.3% | 29.1% | 32.1% |

Note:

- (1) Previously referred to as Memory however, all historical reported figures in this category have consisted of only DRAM devices
(2) Excluding 0.13μm copper interconnects

Sales from the computer products segment grew faster than other applications in 1Q05 compared to 4Q04.

Percentage of sales from logic wafers, including copper interconnects, decreased to 61.9% of sales in 1Q05, as compared to 75.1% in 4Q04 and 72.4% in 1Q04.

Percentage of sales generated from North American and European customers in 1Q05 increased to 40.4% and 24.7%, respectively as compared to 34.9% and 12.8% in 4Q04, respectively.

Percentage of wafer revenues from 0.18μm and below technologies increased to 82.0% of sales in 1Q05, as compared with 62.3% in 4Q04 and 70.2% in 1Q04.

Capacity:

| Fab/(Wafer Size) | <u>1Q05⁽¹⁾</u> | <u>4Q04⁽¹⁾</u> |
|---|---------------------------|---------------------------|
| Fab 1 (8) | 45,731 | 45,536 |
| Fab 2 (8) | 40,000 | 35,870 |
| Fab 4 (12) | 10,220 | 7,027 |
| Fab 7 (8) | 16,221 | 14,182 |
| Total monthly wafer fabrication capacity | 112,172 | 102,615 |
| Copper Interconnects: | | |
| Fab 3 (8) | 19,000 | 17,802 |
| Total monthly copper interconnect capacity | 19,000 | 17,802 |

Note:

- (1) Wafers per month at the end of the period in 8 equivalent wafers

As of the end of 1Q05, monthly capacity increased to 131,172 8-inch wafer equivalents.

Shipment and utilization:

8 equivalent wafers

| | <u>1Q05</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Wafer shipments including copper interconnects | 284,912 | 303,796 | 263,808 | 201,534 | 174,325 |
| Utilization rate ⁽¹⁾ | 85% | 95% | 99% | 99% | 99% |

Note:

(1) Capacity utilization based on total wafer out divided by estimated capacity

Wafer shipments decreased to 284,912 units of 8-inch equivalent wafers in 1Q05 down 6.2% QoQ from 303,796 units of 8-inch equivalent wafers in 4Q04, and up 63.4% YoY from 174,325 8-inch equivalent wafers in 1Q04.

Utilization rate decreased to 85% in 1Q05.

Blended average

selling price trend

The blended ASP decreased to \$829 in 1Q05 from \$917 in 4Q04 and \$1,008 in 1Q04, mainly due to DRAM pricing declines and industry softness.

Logic average selling price trend

(excluding 0.13µm copper interconnects)

The logic ASP (excluding 0.13µm copper interconnects) decreased to \$967 in 1Q05 from \$1,020 in 4Q04 and \$1,081 in 1Q04, mainly due to industry softness and a tough pricing environment for foundries.

2. Detailed financial analysis**Gross profit analysis**

Amounts in US\$ thousands, except percentages

| | <u>1Q05</u> | <u>4Q04</u> | <u>QoQ</u> | <u>1Q04</u> | <u>YoY</u> |
|---------------------------|-------------|-------------|------------|-------------|------------|
| Cost of sales | 240,277 | 232,725 | 3.2% | 126,781 | 89.5% |
| Depreciation | 145,307 | 130,839 | 11.1% | 64,423 | 125.6% |
| Other manufacturing costs | 94,970 | 101,886 | -6.8% | 62,358 | 52.3% |
| Gross profit | 8,531 | 59,117 | -85.6% | 60,156 | -85.8% |
| Gross margin | 3.4% | 20.3% | | 32.2% | |

Cost of sales increased to \$240.3 million in 1Q05 from \$232.7 million in 4Q04, primarily due to the increase in depreciation expenses and an inventory write-down as a result of declining estimated market value of approximately \$8.9 million in 1Q05 compared to \$3.8 million in 4Q04.

Gross profit decreased to \$8.5 million in 1Q05, down 85.6% QoQ from \$59.1 million in 4Q04 and down 85.8% YoY from \$60.2 million in 1Q04.

Gross margins decreased to 3.4% in 1Q05 from 20.3% in 4Q04, primarily due to the decrease in wafer production, the increase in depreciation expenses, and a lower blended ASP, which was the result of DRAM pricing declines and industry softness.

Operating expense analysis

Amounts in US\$ thousands, except percentages

| | <u>1Q05</u> | <u>4Q04</u> | <u>QoQ</u> | <u>1Q04</u> | <u>YoY</u> |
|---|-------------|-------------|------------|-------------|------------|
| Total operating expenses | 30,505 | 82,505 | -63.0% | 33,313 | -8.4% |
| Research and development | 17,933 | 27,407 | -34.6% | 16,540 | 8.4% |
| General and administrative | 6,591 | 25,476 | -74.1% | 10,688 | -38.3% |
| Selling and marketing | 2,494 | 2,544 | -2.0% | 1,747 | 42.8% |
| Litigation settlement | 0 | 23,153 | -100.0% | 0 | |
| Amortization of deferred stock compensation | 3,487 | 3,925 | -11.2% | 4,338 | -19.6% |

Total operating expenses were \$30.5 million in 1Q05, a decrease of 63.0% QoQ from \$82.5 million in 4Q04.

R&D expenses decreased to \$17.9 million in 1Q05, down 34.6% QoQ from \$27.4 million in 4Q04, primarily due to non-recurring start up costs associated with Fab 4 (Beijing) being classified as research and development in 4Q04. Those R&D expenses have

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subsequently been classified in cost of sales upon commencement of Fab 4 commercial production in 1Q05.

G&A expenses decreased to \$6.6 million in 1Q05, down 74.1% QoQ from \$25.5 million in 4Q04, primarily due to foreign exchange gains of \$3.6 million in 1Q05 compared to foreign exchange losses of \$11.3 million in 4Q04 relating to operating activities, and decreases in legal fees and bad debt provision.

Other income (expenses)

Amounts in US\$ thousands, except percentages

| | <u>1Q05</u> | <u>4Q04</u> | <u>QoQ</u> | <u>1Q04</u> | <u>YoY</u> |
|---------------------------------------|-------------|-------------|------------|-------------|------------|
| Other income (expenses) | (8,012) | 12,358 | | 609 | |
| Interest income | 1,928 | 3,264 | -40.9% | 1,484 | 30.0% |
| Interest expense | (7,688) | (4,581) | 67.8% | (2,743) | 180.2% |
| Other, net | (2,252) | 13,675 | | 1,868 | |
| Deemed dividends on preference shares | | | | (18,839) | |

Other non-operating income (loss) decreased to a loss of \$8.0 million in 1Q05 from gains of \$12.4 million in 4Q04, primarily due to foreign exchange losses of \$2.3 million in 1Q05 compared to gains of \$13.3 million in 4Q04 relating to non-operating activities resulting from financing or investment transactions, and the increase in interest expenses of \$3.1 million to \$7.7 million in 1Q05 from \$4.6 million in 4Q04.

3. Liquidity

Amounts in US\$ thousands, except ratios

| | <u>1Q05</u> | <u>4Q04</u> |
|-----------------------------------|-------------|-------------|
| Cash and cash equivalents | 438,802 | 607,173 |
| Short term investments | 10,349 | 20,364 |
| Accounts receivable | 180,878 | 169,188 |
| Inventory | 174,525 | 144,018 |
| Others | 8,565 | 14,675 |
| Total current assets | 813,119 | 955,418 |
| Accounts payable | 333,442 | 364,334 |
| Current portion of long-term debt | 228,625 | 191,986 |
| Others | 222,371 | 174,010 |
| Total current liabilities | 784,438 | 730,330 |
| Cash Ratio | 0.6x | 0.8x |
| Quick Ratio | 0.8x | 1.1x |
| Current Ratio | 1.0x | 1.3x |

Cash and cash equivalents decreased to \$438.8 million from \$607.2 million, primarily due to capital expenditure purchases.

*Receivable/Inventory days outstanding trends**Capital Structure**Amounts in US\$ thousands, except percentages*

| | <u>1Q05</u> | <u>4Q04</u> |
|------------------------------------|-------------|-------------|
| Cash and cash equivalents | 438,802 | 607,173 |
| Short-term investment | 10,349 | 20,364 |
| Current portion of promissory note | 4,833 | |
| Promissory note | 129,310 | |
| Short-term borrowings | 133,499 | 91,000 |
| Current portion of long-term debt | 228,625 | 191,986 |
| Long-term debt | 411,824 | 544,462 |
| Total debt | 773,948 | 827,448 |
| Net cash | (458,940) | (199,911) |
| Shareholders' equity | 3,086,256 | 3,109,484 |
| Total debt to equity ratio | 25.1% | 26.6% |

Total debt decreased to \$773.9 million in 1Q05 compared with \$827.4 million in 4Q04, primarily due to the repayment on the long-term debt.

Total debt-to-equity ratio decreased to 25.1% in 1Q05 from 26.6% in 4Q04.

4. Cashflow & Capex*Amounts in US\$ thousands*

| | <u>1Q05</u> | <u>4Q04</u> |
|--|-------------|-------------|
| Net loss | (29,995) | (11,216) |
| Depreciation & amortization | 166,243 | 148,271 |
| Amortization of acquired intangible assets | 9,869 | 4,092 |
| Purchases of plant and equipment | (248,495) | (643,069) |
| Net change in cash | (168,371) | (342,992) |

Capex plans

Capital expenditures for 1Q05 were \$343 million, which includes the acquisition of intangible assets.

Planned capital expenditures for 2005 are approximately \$1 billion and will be adjusted based on market conditions.

5. 2Q05 guidance

Wafer shipments expected to increase by approximately 16-18%.

Utilization expected to increase to approximately 86-87%.

Blended ASP QoQ expected to decrease by a low single digit percentage point.

Percentage of sales from logic wafers including copper interconnects expected to decrease by approximately 5%.

Gross margins expected to decrease slightly.

Operating expense as a percentage of sales expected to be in the mid teens.

Non-operating interest expenses expected to increase to approximately \$10 million, primarily due to additional long-term debt facilities.

Capital expenditures of approximately \$230-250 million.

Depreciation and amortization of approximately \$190-200 million.

Deferred compensation charge of approximately \$7 million, of which \$4 million will be charged to operating expenses and \$3 million in cost of sales.

6. Recent announcements

SMIC and Dolphin Integration Partner to Offer Microprocessor Core for 0.35 micron EEPROM Process 2005-04-26

SMIC and ISSI-Shanghai Have Jointly Developed a High Reliability EEPROM Technology for Automotive Electronics Market 2005-04-08

SMIC issues Notice of Annual General Meeting 2005-04-06

SMIC announces clarification of newspaper reports 2005-04-04

SMIC announces Proposed Continuing Connected Transactions 2005-04-04

SMIC reports Fourth Quarter Results 2005-03-29

SMIC report announcement of 2004 Annual Results 2005-03-29

Chief Financial Officer and Qualified Accountant 2005-03-29

SMIC achieves TL9000 Quality Management certification 2005-03-21

SMIC and C*Core Sign Cooperation Agreement 2005-03-17

SMIC Featured in SEMICON China 2005 2005-03-15

Postponement of meeting of Board of Directors 2005-03-15

SMIC Expands Its One-Stop Offerings Through Wafer Bumping Services 2005-03-04

Unusual movement of trading volume 2005-03-02

QQ Technology and SMIC-BJ Sign an MOU of Partnership 2005-02-28

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SMIC reports revenue results for the three months ended December 31, 2004 2005-01-31

SMIC Settles Litigation with Taiwan Semiconductor Manufacturing Corporation 2005-01-31

Please visit SMIC's website <http://www.smics.com> for further details regarding the above announcements.

SMIC FINANCIALS

CONSOLIDATED BALANCE SHEET

(In US dollars)

| | As of the end of | |
|--|----------------------------------|-----------------------------------|
| | March 31, 2005 (unaudited) | December 31, 2004 (audited) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 438,801,533 | 607,172,570 |
| Short term investments | 10,349,390 | 20,364,184 |
| Accounts receivable, net of allowances of \$342,768 and \$1,105,165 respectively | 180,877,544 | 169,188,287 |
| Inventories | 174,525,252 | 144,017,852 |
| Prepaid expense and other current assets | 6,732,846 | 12,842,994 |
| Assets held for sale | 1,831,972 | 1,831,972 |
| Total current assets | 813,118,537 | 955,417,859 |
| Land use rights, net | 38,976,538 | 39,197,774 |
| Plant and equipment, net | 3,354,240,115 | 3,311,924,599 |
| Acquired intangible assets, net | 202,682,671 | 77,735,299 |
| Long-term investment | 2,810,309 | |
| TOTAL ASSETS | 4,411,828,170 | 4,384,275,531 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | 333,442,304 | 364,333,613 |
| Accrued expenses and other current liabilities | 84,038,636 | 82,857,551 |
| Short-term borrowings | 133,498,761 | 91,000,000 |
| Current portion of promissory note | 4,833,421 | |
| Current portion of long-term debt | 228,625,170 | 191,986,372 |
| Income tax payable | | 152,000 |
| Total current liabilities | 784,438,292 | 730,329,536 |
| Long-term liabilities: | | |
| Promissory note | 129,309,552 | |
| Long-term debt | 411,824,480 | 544,462,074 |
| Total long-term liabilities | 541,134,032 | 544,462,074 |
| Total liabilities | 1,325,572,324 | 1,274,791,610 |

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| | | |
|--|----------------------|----------------------|
| Commitments Stockholders equity: | | |
| Ordinary shares A\$0.0004 par value, 50,000,000,000 shares authorized, shares issued and outstanding 18,233,297,823 and 18,232,179,139 respectively | 7,293,320 | 7,292,872 |
| Warrants | 32,387 | 32,387 |
| Additional paid-in capital | 3,289,197,990 | 3,289,724,885 |
| Notes receivable from stockholders | (339,157) | (391,375) |
| Accumulated other comprehensive income | 245,959 | 387,776 |
| Deferred stock compensation | (43,794,707) | (51,177,675) |
| Accumulated deficit | (166,379,946) | (136,384,949) |
| Total stockholders equity | 3,086,255,846 | 3,109,483,921 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | 4,411,828,170 | 4,384,275,531 |

CONSOLIDATED STATEMENT OF OPERATIONS*(In US dollars)*

| | For the three months ended | |
|---|-----------------------------------|----------------------------------|
| | March 31, 2005 | December 31, 2004 |
| | (unaudited) | (unaudited) |
| Sales | 248,808,088 | 291,841,924 |
| Cost of sales | 237,103,387 | 229,573,732 |
| Cost of sales Amortization of deferred stock compensation | 3,173,661 | 3,151,575 |
| Gross profit | 8,531,040 | 59,116,617 |
| Operating expenses: | | |
| Research and development | 17,933,336 | 27,406,568 |
| General and administrative | 6,591,065 | 25,476,267 |
| Selling and marketing | 2,493,753 | 2,543,654 |
| Litigation settlement | | 23,153,105 |
| Amortization of deferred stock compensation* | 3,486,827 | 3,925,186 |
| Total operating expense | 30,504,981 | 82,504,780 |
| Loss from operations | (21,973,941) | (23,388,163) |
| Other income (expenses): | | |
| Interest income | 1,928,135 | 3,263,727 |
| Interest expense | (7,688,304) | (4,580,725) |
| Others, net | (2,252,173) | 13,675,198 |
| Total other income (expenses), net | (8,012,342) | 12,358,200 |
| Net loss before income taxes | (29,986,283) | (11,029,963) |
| Income tax | 8,714 | 186,044 |
| Net loss | (29,994,997) | (11,216,007) |
| Deemed dividends on preference shares | | |
| Loss attributable to holders of ordinary shares | (29,994,997) | (11,216,007) |
| Loss per share, basic | (0.0017) | (0.0006) |
| Loss per ADS, basic ⁽¹⁾ | (0.0831) | (0.0311) |
| Loss per share, diluted | (0.0017) | (0.0006) |
| Loss per ADS, diluted ⁽¹⁾ | (0.0831) | (0.0311) |
| Shares used in calculating basic income per share <i>(in millions)</i> | 18,054 | 18,006 |
| Shares used in calculating diluted income per share <i>(in millions)</i> | 18,054 | 18,006 |

* Amortization of deferred stock compensation related to:

| | | |
|----------------------------|-----------|-----------|
| Research and development | 1,309,708 | 1,175,503 |
| General and administrative | 1,573,391 | 2,289,305 |
| Selling and marketing | 603,728 | 460,378 |

| | | |
|-------|-----------|-----------|
| Total | 3,486,827 | 3,925,186 |
|-------|-----------|-----------|

(1) 1 ADS equals 50 ordinary shares.

CONSOLIDATED STATEMENT OF CASH FLOWS*(In US dollars)*

| | For the three months ended | |
|---|-----------------------------------|------------------------------|
| | March 31, 2005 | December 31, 2004 |
| | (unaudited) | (unaudited) |
| Operating activities: | | |
| Loss attributable to holders of ordinary shares | (29,994,997) | (11,216,007) |
| Deemed dividends on preference shares | | |
| Net loss | (29,994,997) | (11,216,007) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Gain (loss) on disposal of plant and equipment | (3,434) | (69,916) |
| (Reversal of) Bad debt expense | (762,397) | 683,484 |
| Depreciation and amortization | 166,242,887 | 148,271,100 |
| Amortization of acquired intangible assets | 9,868,813 | 4,091,723 |
| Amortization of deferred stock compensation | 6,660,488 | 7,076,761 |
| Non-cash interest expense on promissory notes | 1,173,682 | |
| Loss on long-term investment | 69,691 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (10,926,860) | 17,363,354 |
| Inventories | (30,507,400) | (9,260,846) |
| Prepaid expense and other current assets | 5,873,806 | (5,852,079) |
| Accounts payable | 8,296,980 | 5,602,323 |
| Income tax payable | (152,000) | 152,000 |
| Accrued expenses and other current liabilities | 13,982,097 | 1,312,002 |
| Net cash provided by operating activities | 139,821,356 | 158,153,899 |
| Investing activities: | | |
| Purchases of plant and equipment | (248,495,009) | (643,069,258) |
| Purchases of acquired intangible assets | (2,400,500) | (3,967,841) |
| Proceeds paid for long-term investment | (2,880,000) | |
| Sale of short-term investments | 9,932,932 | 69,933,387 |
| Proceeds received for assets held for sale | 1,878,435 | 3,158,817 |
| Proceeds from disposal of plant and equipment | 1,089 | 868,000 |
| Net cash used in investing activities | (241,963,053) | (573,076,895) |
| Financing activities: | | |
| Proceeds from short-term borrowings | 92,498,781 | 71,010,793 |
| Proceeds from long-term debt | 28,475,559 | |
| Repayment of promissory notes | (25,000,000) | |
| Repayment of long-term debt | (124,474,375) | |
| Repayment of short-term debt | (50,000,000) | |
| Proceeds from exercise of employee stock options | 196,032 | 297,743 |
| Collection of notes receivables from employees | 52,218 | 485,536 |
| Proceeds from government subsidy | 12,082,400 | |
| Net cash provided by financing activities | (66,169,385) | 71,794,072 |
| Effect of foreign exchange rate changes | (59,955) | 136,585 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (168,371,037) | (342,992,339) |

| | | |
|---|--------------------|--------------------|
| CASH AND CASH EQUIVALENTS, beginning of period | 607,172,570 | 950,164,909 |
| CASH AND CASH EQUIVALENTS, end of period | 438,801,533 | 607,172,570 |

As at the date of this announcement, the directors of the Company are Richard R. Chang as Chairman and executive director of the Company; Lai Xing Cai and Fang Yao (alternate director to Lai Xing Cai) as non-executive directors of the Company; Ta-Lin Hsu, Yen-Pong Jou, Tsuyoshi Kawanishi, Henry Shaw, Lip-Bu Tan and Yang Yuan Wang as independent non-executive directors of the Company.

By order of the Board
Semiconductor Manufacturing International Corporation
Richard R. Chang
Chairman

Shanghai, PRC

April 29, 2005

* *for identification only.*

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**SEMICONDUCTOR MANUFACTURING INTERNATIONAL
CORPORATION**

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 0981)

QUALIFIED ACCOUNTANT WAIVER

Semiconductor Manufacturing International Corporation (the **Company**) announces that The Stock Exchange of Hong Kong Limited (the **Stock Exchange**) has agreed to grant a three-year conditional waiver (the **Waiver**) to the Company from the strict compliance with Rule 3.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the **Listing Rules**) commencing from 15 April, 2005. The Waiver will cease on 14 April, 2008 or when the Company fails to fulfill any of the conditions to the Waiver set out below, whichever is earlier.

The Company refers to its announcement made in relation to the Company's Chief Financial Officer, Chief Accounting Officer and Qualified Accountant on 29 March, 2005.

Under Rule 3.24 of the Listing Rules, the Company must employ an individual on a full-time basis who, amongst other things, must be a qualified accountant and a fellow or associate member of the Hong Kong Institute of Certified Public Accountants (the **HKICPA**) (previously known as the Hong Kong Society of Accountants) or a similar body of accountants recognised by HKICPA for the purpose of granting exemptions from the examination requirement for membership of HKICPA.

The Company had applied and the Stock Exchange has granted the Waiver from strict compliance with Rule 3.24 of the Listing Rules commencing from 15 April, 2005. The Waiver will cease either on 14 April 2008, being 3 years from the date of the Waiver or when the Company fails to fulfill any of the conditions to the Waiver set out below, whichever is earlier.

The Waiver is subject to the following conditions:

1. Ms. Morning Wu (Ms. Wu), being a member of the senior management of the Company, is able to meet all the requirements set out in Rule 3.24 of the Listing Rules, save for being a fellow or associate member of the HKICPA or a similar body of accountants recognised by

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the HKICPA for the purpose of granting exemptions from the examination requirement for membership of HKICPA; and

2. the Company has in place arrangement(s) providing Ms. Wu with access to the assistance of Ms. Wong Yu Pok, Marina, who shall continue to be a fellow of the HKICPA and the Association of Chartered Certified Accountants, to provide assistance to Ms. Wu in the discharge of her duties as the Qualified Accountant of the Company during the period of the Waiver.

If the Company fails to fulfill any of the Waiver conditions, the Company will immediately inform the Stock Exchange and take remedial steps to comply with Rule 3.24 of the Listing Rules.

As at the date of this announcement, the directors of the Company are Richard R. Chang as Chairman and executive director of the Company; Lai Xing Cai and Fang Yao (alternate director to Lai Xing Cai) as non-executive directors of the Company; Ta-Lin Hsu, Yen-Pong Jou, Tsuyoshi Kawanishi, Henry Shaw, Lip-Bu Tan and Yang Yuan Wang as independent non-executive directors of the Company.

Semiconductor Manufacturing International Corporation
Richard R. Chang
Chairman

Shanghai, PRC

April 29, 2005

* *for identification only*

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SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 0981)

SMIC and UTAC to Establish Semiconductor Assembly and
Testing Facility in China

Semiconductor Manufacturing International Corporation (SMIC) (NYSE: SMI; SEHK: 0981) today announced that it has entered into joint venture arrangements with United Test and Assembly Center Ltd (UTAC) relating to the provision of assembly and testing services in Chengdu China.

This announcement is made pursuant to the disclosure obligations under Rule 13.09(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the Company and UTAC made the joint press release, reproduced below, on May 3, 2005.

Set out below is a copy of the joint press release made by SMIC and UTAC on May 3, 2005.

SMIC and UTAC to Establish Semiconductor Assembly and Testing Facility in China Shanghai, China and Singapore, May 3, 2005 - Semiconductor Manufacturing International Corporation (SMIC) (NYSE: SMI; SEHK: 0981) and United Test and Assembly Center Ltd (UTAC - SGX: UTAC) today announced that they have entered into joint venture arrangements relating to the provision of assembly and testing services in Chengdu China, and will focus on memory and logic.

SMIC will invest US\$51 million through cash and own 51% of the joint venture company (JV) and UTAC will invest US\$30 million through a combination of cash and other considerations including intellectual properties for a 30%-stake. Financial investors and employees will hold the remaining 19% of the JV. Furthermore, UTAC and other investors (except SMIC and employees) will be given a right to require the JV to buyback its shares under certain restricted circumstances from the beginning of 2009 subject to any applicable laws and regulations. None of UTAC, the financial investors and employees are connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of SMIC.

The assembly and testing facility (Chengdu Facility) is located in an approximately 40,668 square meter plot of land in Chengdu s Special Export Manufacturing Zone. Construction is now underway and when completed, the Chengdu Facility will have a total built-up area of approximately 11,000 square meter. Mass production is expected to commence in the fourth quarter of 2005. The total investment for the Chengdu Facility will be US\$175 million for the first phase of this project.

As the top semiconductor company in China and one of the leading semiconductor foundries in the world, SMIC will leverage on its market position, experience and excellent connections to accelerate the development of the JV. As one of the leading semiconductor assembly and test companies worldwide, UTAC will contribute its expertise to maximize the growth of the JV.

The Chengdu Facility will serve as an additional assembly and testing service provider to SMIC. The establishment of the Chengdu Facility will allow UTAC, which has an existing facility in Shanghai focusing on mixed signal and advanced memory chips, and the JV to offer a comprehensive suite of test and assembly services catering to the broad spectrum of semiconductor activities in China, which is emerging as a major world leader in the chip sector.

The JV will initially focus on SMIC s existing customers, thus enhancing a ready flow of business immediately upon the completion of the facility.

Dr. Richard R. Chang, Chairman of SMIC, said, We are pleased to find a solid partner in UTAC which has been a strategic supplier to SMIC shortly after they first set-up their Shanghai facility. UTAC established their technical and services credentials very quickly and is an ideal partner for us.

Mr Lee Joon Chung, President and CEO of UTAC, said: We are excited with this development. Having been working with SMIC for over a year, we have seen first hand the strength and the determination of the company to make a success of its endeavours. SMIC has been a key customer to UTAC and this JV takes the relationship to another level.

As at the date of this announcement, the directors of the Company are Richard R. Chang as Chairman and executive director of the Company; Lai Xing Cai and Fang Yao (alternate director to Lai Xing Cai) as non-executive directors of the Company; and Ta-Lin Hsu, Yen-Pong Jou, Tsuyoshi Kawanishi, Henry Shaw, Lip-Bu Tan and Yang Yuan Wang as independent non-executive directors of the Company.

By order of the Board

Semiconductor Manufacturing International Corporation

Richard R. Chang

President

Shanghai, PRC

May 3, 2005