

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

April 13, 2015

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of April, 2015

Commission File Number: 001-31994

**Semiconductor Manufacturing International  
Corporation**

(Translation of registrant's name into English)

18 Zhangjiang Road

Pudong New Area, Shanghai 201203

People's Republic of China

(Address of principal executive office)

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

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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):

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):

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): n/a

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**SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION**

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

**(STOCK CODE: 0981)**

**ANNOUNCEMENT OF 2014 ANNUAL RESULTS**

**FINANCIAL HIGHLIGHTS**

The Board announces the audited consolidated results of the Company for the year ended December 31, 2014.

Highlights include:

- Revenue was US\$1,970.0 million in 2014, a 4.8% decrease from US\$2,069.0 million in 2013, primarily because wafer shipments relating to Wuhan Xinxin Semiconductor Manufacturing Corporation ( Wuhan Xinxin ) ceased since the first quarter of 2014. Revenue excluding shipments from Wuhan Xinxin was a historical high in 2014.
- Gross margin increased to 24.5% in 2014 from 21.2% in 2013, SMIC's highest gross margin in nine years, as a result of 1) the cessation of wafer shipments from Wuhan Xinxin and 2) improved fab efficiency in 2014.

- Profit for the year attributable to owners of the Company was US\$153.0 million in 2014 compared to US\$173.2 million in 2013. The decrease was mainly due to lower gains recorded in relation to the disposal of properties.
- Cash and cash equivalents ended at US\$603.0 million at the end of 2014, compared to US\$462.5 million at the end of 2013.
- Revenue contribution from China-based customers increased to 43.3% of total revenue in 2014, compared to 40.4% in 2013.

The board of directors (the Director(s) ) (the Board ) of Semiconductor Manufacturing International Corporation ( SMIC or the Company ) announces the audited consolidated results of the Company and its subsidiaries (collectively, the Group ) for the year ended December 31, 2014 as follows:

**CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

*This annual results announcement 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 and similar expressions to identify forward- looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting 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 cyclicalities and market conditions in the semiconductor industry, intense competition, timely wafer acceptance by SMIC's customers, bad debt risk, 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.*

*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.*

Letter to Shareholders

**Dear Shareholders,**

We are pleased to announce that in 2014 SMIC continued to achieve full year profitability; annual net profit was around US\$150 million. In the fourth quarter of 2014, we have already achieved our eleventh consecutive profitable quarter. Sustainable profitability continues to be our primary target.

2014 was full of changes and opportunities. We made ample progress in the development of technology and capacity in preparation for growth 2015 and beyond; including 28nm process development, differentiated technology expansion, and the formation of new partnerships. These preparations have built the foundation for our future development and growth. We successfully introduced China's first 55nm smart card chip to the market, in addition to successfully launching 55nm low-leakage embedded-flash into mass production and received recognition. SMIC's back-side illumination CMOS Image Sensor ( CIS BSI ) products also successfully entered production, and we anticipate its ramp up in 2015. In 2014, we also announced that our 38nm NAND flash memory process was ready so as to meet the growing demand for high quality low- density specialty NAND flash memory. In terms of capacity, to quickly meet our customers' urgent demands for 28nm, we have already prepared 28nm capacity in Shanghai and Beijing, and at the same time, we have begun to expand 8-inch capacity in Shenzhen to address the demand from domestic and international customers for differentiated technology capacity.

Furthermore, in December 2014, we announced, together with Qualcomm Incorporated, the successful fabrication of Qualcomm® Snapdragon 410 processors in our 28nm technology. This milestone further signifies SMIC's capability and commitment to meet customers' requirements and provide advanced nodes according to our customers' roadmaps. The Company had great results in securing mutually beneficial collaboration within the IC industry chain. The Company established a joint venture with Jiangsu Changjiang Electronics Technology Company Limited ( JCET ) for 12-inch bumping and wafer-level testing, in order to provide the Chinese market's domestic and international fabless companies with high-quality, efficient and convenient one-stop manufacturing service. This project is on schedule, with equipment move-in scheduled in the first half of 2015 and production targeted to begin in the second half of 2015. In December 2014, we announced that we had entered into a co-investment agreement to participate in the acquisition of Stats ChipPAC, together with JCET, and the China Integrated Circuit Industry Investment Fund Co., Ltd (the China IC Fund ). Under the agreement terms, SMIC will invest around US\$100 million and take an equity stake of about 19%. We see this as a way to not only advance the level and competitiveness of China's IC manufacturing ecosystem and coincide with accelerating the development of China's world class domestic semiconductor industry, but should we wish to exit the arrangement, we can also use the investment to attain satisfactory financial returns.

In 2014, the Company successfully raised funds in the capital markets, raising approximately US\$900 million. In these rounds of financing, the market response was enthusiastic and investors were eager to participate, which reflects the market's recognition and confidence in the management, the Company's performance, future growth and direction. In order to promote the development of the IC industry, in 2014 the Chinese central government published the National Semiconductor Development Promotion Outline and established the China IC Fund. In February 2015 the China IC Fund signed an agreement with the Company to purchase SMIC shares to become one of the Company's substantial shareholders. The industry investment fund's collaboration will further strengthen our key role in China and the worldwide semiconductor industry.

Our Board composition underwent some changes; the former Chairman Mr. Wenyi Zhang has decided not to serve as Board member and Chairman due to his advancing age, and has been succeeded by Dr. Zixue Zhou. Mr. Wenyi Zhang will become Honorary Chairman and Advisor, and will continue to advise the Company in its future development. On behalf of all the Board members and employees, we want to express our sincere appreciation to Mr. Zhang for all his hard work and contribution over the past few years. He has successfully brought SMIC to a new stage of development and furthered the enhancement of China's semiconductor industry. We, as the Chairman and CEO of the Company, recognize the challenges ahead. We will work together with all members of the Board, management team and staff to promote the Company's development and growth, to build value for our shareholders, employees and other stakeholders. In addition, Professor Lawrence Juen-Yee Lau resigned his post as non-executive Director due to him no longer holding a post within China Investment Corporation, our substantial shareholder. Alternative Director to Professor Lau, Dr. Datong Chen, correspondingly resigned. The Board would like to acknowledge Professor Lau and Dr. Chen for their selfless devotion and whole-hearted dedication during their directorships in SMIC, and welcome Ms. Carmen I-Hua Chang to our Board as an independent non-executive Director.

2014 was a year of preparation for the future, and because of the many preparations made in technology and production capacity, we look forward to our prospects in 2015. We continue to have confidence in the opportunities stemming from the China market, mobile products, smart consumer products, and internet of things ( IoT ). We are committed to diligently and carefully execute our business plan for the best interests of our shareholders. We would like to again express our sincere gratitude to all of our shareholders, customers, suppliers, and employees for their continued care and support of SMIC's development.

**Zhou Zixue**  
*Chairman of the Board and Executive Director*

**Tzu-Yin Chiu**  
*Chief Executive Officer and Executive Director*

Shanghai, China  
March 30, 2015

## BUSINESS REVIEW

In 2014, the Group continued to execute its long-term strategy and vision with sustained profitability. The Group continued to advance its technology capabilities on leading edge and value-added differentiated processes. The Group's portfolio, coupled with the global experience of the management team in operations, technology development, customer service and our market share in China, positioned the Group for long term growth. In addition, 2014 was a milestone year for SMIC in many aspects, including achieving significant business engagement on 28nm technology with leading mobile baseband companies, and the expansions of the Group's 300mm fab operation in Beijing and 200mm fab operation in Shenzhen, China. The Group became the first pure-play foundry in China to offer 28nm wafer process technology for mobile computing applications, the first pure-play foundry worldwide to offer 55nm embedded Flash ( eFlash ) wafer solutions for SIM Card applications, and the first pure-play foundry worldwide to offer 38nm NAND Flash memory wafer process technology. The Group also continued to drive its value-added wafer manufacturing process technologies for specialty products, such as Power Management IC, CMOS Image Sensors ( CIS ), EEPROM, EFlash, embedded Microprocessor ( MCU ), radio frequencies IC ( RF ) and wireless connectivity, Touch Controller IC ( TCIC ), fingerprint sensors and MEMS sensors. These products are the essential building blocks for both mobile computing market and the growing Internet-of-Things ( IoT ) market in the near future. Furthermore, the Group also expanded its value-added services, such as 300mm bumping, through a joint-venture with Jiangsu Changjiang Electronics Technology Co., Ltd ( JCET ), China's largest outsourced semiconductor assembly and test ( OSAT ) company. The Group is well positioned in China to serve both domestic and worldwide customers.

## Financial Overview

Despite a challenging environment in 2014, the Group's sales totaled US\$1,970.0 million, compared to US\$2,069.0 million in 2013. Revenue excluding wafer shipments from Wuhan Xinxin Semiconductor Manufacturing Corporation ( Wuhan Xinxin ) was US\$1,970.0 million in 2014, compared to US\$1,961.6 million in 2013. The Group recorded a profit of US\$126.3 million in 2014, compared to US\$174.5 million in 2013. During the year, we generated US\$608.1 million in cash from operating activities, compared to US\$738.0 million in 2013. Capital expenditures in 2014 totaled US\$1,014.4 million, compared to US\$770.1 million in 2013. Looking ahead, our objective is to achieve sustained profitability over the long term. To achieve this, we will continue to focus on precision execution, efficiency improvement, customer service excellence while fostering innovation.

## Customers and Markets

The Group continues to serve a broad global customer base comprised leading IDMs, fabless semiconductor companies and system companies. Geographically, customers from the United States of America contributed 43.4% of the overall revenue in 2014, compared to 48.5% in 2013. Leveraging on the Group's strategic position in China, our China revenue contributed 43.3% of the overall revenue in 2014, compared to 40.4% in 2013. In particular, 50.6% of the Group's advanced nodes (90nm and below) wafer revenue in 2014 was contributed by customers in China. Eurasia contributed 13.3% of the overall revenue in 2014, compared to 11.1% in 2013.

In terms of applications, revenue contribution from communication applications decreased from 44.3% in 2013 to 42.1% in 2014. Consumer applications contributed 46.0% to the Group's overall revenue in 2014 as compared to 45.0% in 2013. The Group has minimal exposure to the relatively weak PC market.

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In terms of the revenue by technology, wafer revenue attributable to advanced technology at 90nm and below decreased from 44.9% in 2013 to 39.2% in 2014 and the revenue contribution percentage from 40/45nm technology decreased slightly from 12.1% in 2013 to 11.1% in 2014. On the other hand, revenue contribution percentage from 0.15/0.18um technology increased from 39.9% in 2013 to 44.5% in 2014.



In 2014, the Group attracted more than 100 new customers, of which approximately 50% entered production cycles and the majority were Chinese fabless companies. According to IHS iSuppli, China's IC design market will experience a compounded revenue growth rate of over 18.2% per year from 2012 to 2018, which will bring the worth of the China IC design market to US\$21.7 billion by 2018. Notably, our business objective in China is not just revenue growth, but also growth in the number of new designs using advanced technology, in particular on 55/65nm, 40/45nm and 28nm process technologies. The Group has, in each of its sales regions, customers utilizing its most advanced nodes of technology. China is rapidly closing the gap with the rest of the world in terms of its innovation and design capabilities. To fully leverage the market growth potential in China, the Group plans to continue to deepen its collaboration with Chinese customers while broadening relationships with its global customers.

#### Long-Term Business Model and Strategy for Generating and Preserving Value

SMIC's long-term goal is to focus on generating value for the benefit of all stakeholders. SMIC's strategy to generate sustainable profitability is three-fold. First, we aim for optimal efficiency by fully utilizing existing assets through enhanced customer relationships, quality, and service. Second, through taking advantage of our position in China, we plan to differentiate our technology offering by providing customers with added value and innovation that not only allow us to seize China market opportunities, but also give global customers a foothold in the fast-growing market. Third, with profitability as our priority, we plan to carefully invest capital in advanced technology and capacity to address suitable market growth opportunities into the future. We constantly evaluate the potential value addition of all opportunities in our decision making processes. Our management team is committed to continuing to build value in the long-term for the benefit of our employees and shareholders.

#### Research and Development

In 2014, the research and development (R&D) expenses were US\$189.7 million, which is equivalent to 9.6% of our sales.

The R&D efforts were focused primarily on advanced logic and value-added specialty technologies. SMIC achieved many significant milestones in 2014. In the area of advanced logic technologies, the PolySiON R&D programs on the 28nm node had successfully demonstrated several customer products as planned. In addition, SMIC had achieved a major milestone in fabrication of 28nm PolySiON Qualcomm Snapdragon 410 processors. Early R&D work on 14nm FinFET process technologies had begun and established process baselines.

In the area of non-volatile memory technologies, the first Chinese domestic dual-interface financial IC card based on SMIC's eEEPROM platform gained CC EAL4+ security certification. Being world's 1st 55nm eflash in production, two smart cards products ramped up smoothly. More New Tape Outs (NTOs) include NFC, JAVA and USB IC are scheduled for production in 2015. 38nm NAND entered mass production in the third quarter as planned. Recent R&D progress was also achieved in the area of silicon sensor technology. SMIC's 1.4um pixel BSI platforms had entered mass production enabling customers' small form factor 5M and 8M pixel CIS products. SMIC also rolled out its leading-edge CMOS integrated MEMS device fabrication and TSV-based wafer level packaging technologies, which enabled the industry's smallest packaged commercial 3-axis accelerometer chip designed by a customer.

The building and strengthening of SMIC's technology R&D organization continued in 2014 through further optimizations on organization structure and resource distribution to improve operational efficiency and to address the growing demands on advanced technologies as well as specialty technology enhancements. During 2014, SMIC achieved over 1,900 patent filings as a

result of its technology R&D activities.

Outlook for 2015

We look forward to our prospects in 2015. In the first half of 2015, 8-inch demand continues to be high and new 65nm and 40nm designs are going into production. In the second half of 2015 we target to ramp up new 28nm production as well as our new fabs in Shenzhen and Beijing. To address the 8-inch demand we had installed 10,000 wafers per month capacity in our new Shenzhen fab at the end of 2014. By the end of 2015 we plan to install an additional 10,000 wafers per month capacity. Our 12-inch fab in Shanghai has 14,000 wafers per month capacity, of which 6,000 wafers are now capable of 28nm production. By the end of 2015, we target to install 10,000 wafers per month capacity for 28nm production at our 12-inch fab of majority-owned subsidiary in Beijing. Annual capacity in 2015 is targeted to grow around 7%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

## Consolidated Financial Data

The summary consolidated financial data presented below as of and for the years ended December 31, 2011, 2012, 2013 and 2014 are derived from, and should be read in conjunction with, the audited consolidated financial statements, including the related notes, included elsewhere in this annual results announcement. The summary consolidated financial data presented below as of and for the years ended December 31, 2011, 2012, 2013 and 2014 have been prepared in accordance with IFRS.

	Year Ended 12/31/14	Year Ended 12/31/13	Year Ended 12/31/12	Year Ended 12/31/11
(in US\$ thousands, except for earnings (loss) per share)				
<b>Continuing operations</b>				
Revenue	1,969,966	2,068,964	1,701,598	1,319,466
Cost of sales	(1,486,514)	(1,630,528)	(1,352,835)	(1,217,525)
Gross profit	483,452	438,436	348,763	101,941
Research and development expenses, net	(189,733)	(145,314)	(193,569)	(191,473)
Sales and marketing expenses	(38,252)	(35,738)	(31,485)	(32,559)
General and administration expenses	(139,428)	(138,167)	(107,313)	(57,435)
Other operating income (expense)	14,206	67,870	19,117	(11,190)
Profit (loss) from operations	130,245	187,087	35,513	(190,716)
Interest income	14,230	5,888	5,390	4,724
Finance costs	(20,715)	(34,392)	(39,460)	(21,903)
Foreign exchange gains or losses	(5,993)	13,726	3,895	17,589
Other gains or losses	18,210	4,010	6,398	6,709
Share of profits of associates	2,073	2,278	1,703	4,479
Profit (loss) before tax	138,050	178,597	13,439	(179,118)
Income tax (expense) benefit	(11,789)	(4,130)	9,102	(82,503)
Profit (loss) for the year from continuing operations	126,261	174,467	22,541	(261,621)
<b>Discontinued operations</b>				
Profit for the year from discontinued operations				14,741
<b>Profit (loss) for the year</b>	<b>126,261</b>	<b>174,467</b>	<b>22,541</b>	<b>(246,880)</b>
<b>Other comprehensive income</b>				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translating foreign operations	(324)	731	70	4,938
	125,937	175,198	22,611	(241,942)
Profit (loss) for the year attributable to:				
Owners of the Company	152,969	173,177	22,771	(246,817)
Non-controlling interest	(26,708)	1,290	(230)	(63)
	126,261	174,467		