

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