

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP
Form 20-F
April 27, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
Commission file number 1-31994**

**Semiconductor Manufacturing International
Corporation**

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

18 Zhangjiang Road, Pudong New Area, Shanghai, China 201203

(Address of principal executive offices)

Mr. Gary Tseng, Chief Financial Officer

Telephone: (8621) 3861-0000

Facsimile: (8621) 3895-3568

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

Ordinary Shares, par value US\$0.0004
American Depositary Shares

The Stock Exchange of Hong Kong Limited*
The New York Stock Exchange, Inc.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or ordinary shares as of the close of the period covered by the annual report.

As of December 31, 2011, there were 27,487,676,065 ordinary shares, par value US\$0.0004 per share, outstanding, of which 1,940,075,200 ordinary shares were held in the form of 38,801,504 ADSs. Each ADS represents 50 ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934 (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other
by the International Accounting Standards Board

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

* Not for trading, but only in connection with the listing of American Depositary Shares on the New York Stock Exchange, Inc.

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FORWARD-LOOKING STATEMENTS

This annual report contains, 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 our current assumptions, expectations and projections about future events. We use words like believe, anticipate, intend, estimate, expect, project and similar expressions to identify looking - statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve significant risks, both known and unknown, uncertainties and other factors that may cause our 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 our customers;
- timely introduction of new technologies;
- our ability to ramp new products into volume, supply and demand for semiconductor foundry services;
- our anticipated capital expenditures for 2012;
- our anticipated investments in research and development, anticipated changes to our liability for unrecognized tax benefits;
- industry overcapacity;
- shortages in equipment, components and raw materials;
- availability of manufacturing capacity; and
- financial stability in end markets.

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

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ADDITIONAL INFORMATION

References in this annual report to:

- ADSs are to American Depositary Shares;
- Average selling price of wafers or ASP are to simplified average selling price which is calculated as total revenue divided by total shipments;
- China or the PRC are to the People's Republic of China, excluding for the purpose of this annual report, Hong Kong, Macau and Taiwan;
- Company, SMIC, we, our and us are to Semiconductor Manufacturing International Corporation, a Cayman Islands company;
- Directors are to the members of our board of directors;
- EUR are to Euros;
- Global Offering are to the initial public offering of our ADSs and our ordinary shares, which offering was completed on March 18, 2004;
- Group are to SMIC and all of its subsidiaries.
- HK\$ are to Hong Kong dollars;
- NYSE or New York Stock Exchange are to the New York Stock Exchange, Inc.;
- Rmb or RMB are to Renminbi;
- SEC are to the U.S. Securities and Exchange Commission;
- SEHK, HKSE or Hong Kong Stock Exchange are to The Stock Exchange of Hong Kong Limited;
- U.S. GAAP are to generally accepted accounting principles in the United States; and
- US\$ or USD are to U.S. dollars.

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All references in this annual report to silicon wafer quantities are to 8-inch wafer equivalents, unless otherwise specified. Conversion of quantities of 12-inch wafers to 8-inch wafer equivalents is achieved by multiplying the number of 12-inch wafers by 2.25. When we refer to the capacity of wafer fabrication facilities, we are referring to the installed capacity based on specifications established by the manufacturers of the equipment used in those facilities. References to key process technology nodes, such as 0.35 micron, 0.25 micron, 0.18 micron, 0.15 micron, 0.13 micron, 90 nanometer, 65 nanometer and 45 nanometer include the stated resolution of the process technology, as well as intermediate resolutions down to but not including the next key process technology node of finer resolution. For example, when we state 0.25 micron process technology, that also includes 0.22 micron, 0.21 micron, 0.20 micron and 0.19 micron technologies and 0.18 micron process technology also includes 0.17 micron and 0.16 micron technologies.

Unless otherwise indicated, our financial information presented in this annual report has been prepared in accordance with U.S. GAAP.

All references to our ordinary shares in this annual report gives effect to the 10-for-1 share split we effected in the form of a share dividend immediately prior to the completion of the Global Offering. All references to price per ordinary share and price per preference share reflect the share split referenced above.

The Glossary of Technical Terms contained in Annex A of this annual report sets forth the description of certain technical terms and definitions used in this annual report.

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PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Consolidated Financial Data

The selected consolidated financial data presented below as of and for the years ended December 31, 2009, 2010 and 2011 are derived from, and should be read in conjunction with our audited consolidated financial statements, including the related notes, included elsewhere in this annual report. The selected consolidated financial data presented below as of and for the years ended December 31, 2007 and 2008 are derived from our audited consolidated financial statements not included in this annual report.

On March 1, 2011, we sold our majority ownership interest in Semiconductor Manufacturing International (AT) Corporation (AT) and deconsolidated the entity. We reported the results of AT as a discontinued operation in the condensed consolidated statements of comprehensive income. Accordingly, the discontinued operations were retrospectively reflected for all the years presented in our consolidated statements of comprehensive income included in this annual report.

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	For the year ended December 31,				
	2007	2008	2009	2010	2011
	(in US\$ thousands, except for share, ADS, percentages, and operating data)				
Statement of Comprehensive Income:					
Sales	\$ 1,523,502	\$ 1,322,092	\$ 1,037,665	\$ 1,532,449	\$ 1,319,466
Cost of sales ⁽¹⁾	1,390,187	1,393,788	1,158,148	1,229,266	1,217,525
Gross profit (loss)	133,315	(71,696)	(120,483)	303,183	101,941
Operating expenses (income):					
Research and development	96,686	105,577	176,420	191,046	191,473
General and administrative	68,775	62,466	215,845	41,387	57,435
Selling and marketing	18,489	20,434	26,209	29,087	32,558
Impairment loss of long-lived assets		106,741	126,635	5,138	17,691
Loss (gain) from sale of plant and equipment and other fixed assets	(28,651)	(2,890)	3,891	97	509
Litigation settlement			269,637		
Other operating income				(16,493)	(7,009)
Total operating expenses, net	155,299	292,328	818,637	250,262	292,657
Income (loss) from operations	(21,984)	(364,024)	(939,120)	52,921	(190,716)
Other income (expenses):					
Interest income	11,506	11,289	2,547	4,086	4,724
Interest expense	(37,936)	(50,733)	(24,587)	(22,563)	(20,583)
Change in the fair value of commitment to issue shares and warrants			(30,101)	(29,815)	
Foreign currency exchange gain	8,039	11,261	7,291	5,101	17,589
Other, net	2,099	6,371	(4,549)	6,534	6,709
Total other income (expense), net	(16,292)	(21,812)	(49,399)	(36,657)	8,439
Income (loss) from continuing operations before income tax and equity investment	(38,276)	(385,836)	(988,519)	16,264	(182,277)
Income tax benefit (expense)	29,720	(26,433)	46,624	4,818	(82,503)
Gain (loss) from equity investment	(4,013)	(444)	(1,782)	285	4,479
Income (loss) from continuing operations	(12,569)	(412,713)	(943,677)	21,367	(260,301)
Income (loss) from discontinued operations net of tax effect	(9,755)	(19,667)	(18,800)	(7,356)	14,741
Net income (loss)	(22,324)	(432,380)	(962,477)	14,011	(245,560)

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	For the year ended December 31,					
	2007	2008	2009	2010	2011	
	(in US\$ thousands, except for share, ADS, percentages, and operating data)					
Accretion of interest to noncontrolling interest		2,856	(7,851)	(1,060)	(1,050)	(1,319)
Loss attributed to noncontrolling interest					140	63
Net income (loss) attributable to Semiconductor Manufacturing International Corporation	(19,468)	(440,231)	(963,537)	13,100	(246,816)	
Deemed dividends on convertible preferred shares						(64,970)
Net income (loss) attributable to holders of ordinary shares	(19,468)	(440,231)	(963,537)	13,100	(311,786)	
Net Income (loss)	(22,324)	(432,380)	(962,477)	14,011	(245,560)	
Other comprehensive income (loss):						
Foreign currency translation adjustment	(94)	(437)	53	(706)	4,938	
Comprehensive income (loss)	(22,418)	(432,817)	(962,424)	13,305	(240,622)	
Comprehensive income (loss) attribute to noncontrolling interest		2,856	(7,851)	(1,060)	(910)	(1,256)
Comprehensive income (loss) attribute to Semiconductor Manufacturing International Corporation	(19,562)	(440,668)	(963,484)	12,395	(241,878)	
Earnings (loss) per ordinary share, basic	\$ (0.00)	\$ (0.02)	\$ (0.04)	\$ 0.00	\$ (0.01)	
Earnings (loss) per ordinary share, diluted	\$ (0.00)	\$ (0.02)	\$ (0.04)	\$ 0.00	\$ (0.01)	
Weighted average shares used in computing basic earnings (loss) per ordinary share ⁽²⁾⁽³⁾	18,501,940,488	8,682,544,866	22,359,237,084	24,258,437,559	27,435,853,922	
Weighted average shares used in						