

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

February 08, 2018

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 February, 2018

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:

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

SIGNATURES

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

Date: February 8, 2018 By: /s/ Dr. Gao Yonggang

Name: Dr. Gao Yonggang

Title: Executive Director, Chief Financial Officer and Joint Company Secretary

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SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

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(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 0981)

SMIC REPORTS UNAUDITED RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Revenue was \$787.2 million in 4Q17, an increase of 2.3% QoQ from \$769.7 million in 3Q17 and a decrease of 3.4% YoY from \$814.8 million in 4Q16.

Gross profit was \$148.5 million in 4Q17, compared to \$177.3 million in 3Q17 and \$246.0 million in 4Q16.

Gross margin was 18.9% in 4Q17, compared to 23.0% in 3Q17 and 30.2% in 4Q16.

Set out below is a copy of the full text of the press release by the Company and its subsidiaries (the “Group”) on February 8, 2018, in relation to its unaudited results for the three months ended December 31, 2017.

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

The consolidated financial information is prepared in accordance with International Financial Reporting Standards (“IFRS”) and is presented in accordance with IFRS unless otherwise stated below.

Shanghai, China – February 8, 2018. Semiconductor Manufacturing International Corporation (NYSE: SMI; SEHK: 981) (“SMIC”, the “Company” or “our”), one of the leading semiconductor foundries in the world, today announced its consolidated results of operations for the three months ended December 31, 2017.

First Quarter 2018 Guidance:

The following statements are forward looking statements based on current expectations and involved risks and uncertainties, some of which are set forth under “Safe Harbor Statements” below. The Company expects:

Revenue to increase by 7% to 9% QoQ, including the forecast to recognize the technology licensing revenue estimated at \$150 million.

Gross margin to range from 25% to 27%.

Non-GAAP operating expenses, excluding the effect of employee bonus accrual, government funding, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters, to range from \$212 million to \$218 million.

Non-controlling interests of our majority-owned subsidiaries to range from positive \$15 million to positive \$17 million (losses to be borne by non-controlling interests).

Dr. Zhao HaiJun and Dr. Liang Mong Song, SMIC's Co-Chief Executive Officers commented, "Looking back at 2017, we increased annual revenue 6.4% YoY, in line with the foundry industry growth rate. We also successfully ramped up our 28nm technology portfolio and have seen more than 10% revenue contribution in the fourth quarter of 2017. Meanwhile, we have continued to enrich our technology offerings to diversify our revenue streams; for example, our auto and industrial revenue doubled in 2017 compared to 2016.

SMIC is in transition to align to customers' fast technology migration in today's dynamic foundry environment, and we have great opportunities in front of us as the largest and most advanced foundry in China. At the same time, the overall industry dynamic has become more volatile with increased competition and pricing pressure. However, we are confident in our team's capability to utilize this time to prepare, develop and recalibrate our technology, to create greater value for the future."

Conference Call / Webcast Announcement

Date: February 9, 2018

Time: 8:30 a.m. Beijing time

Dial-in numbers and pass code:

China	+86 400-620-8038 (Pass code: SMIC)
Hong Kong	+852 3018-6771 (Pass code: SMIC)
Taiwan	+886 2-2650-7825 (Pass code: SMIC)
United States, New York	+1 845-675-0437 (Pass code: SMIC)

The call will be webcast live with audio at http://www.smics.com/eng/investors/ir_presentations.php or <https://edge.media-server.com/m6/p/hnx3rwog>.

An archived version of the webcast, along with an electronic copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.

About SMIC

Semiconductor Manufacturing International Corporation ("SMIC"; NYSE: SMI; SEHK: 981) is one of the leading semiconductor foundries in the world and the largest and most advanced foundry in mainland China. SMIC provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 28 nanometer. Headquartered in Shanghai, China, SMIC has an international manufacturing and service base. In China, SMIC has a 300mm wafer fabrication facility (fab) and a 200mm fab in Shanghai; a 300mm fab and a 200mm fab in Shenzhen; a 300mm fab and a majority-owned 300mm fab for advanced nodes in Beijing; a 200mm fab in Tianjin and a majority-owned joint-venture 300mm bumping facility in Jiangyin; additionally, in Italy SMIC has a majority-owned 200mm fab. SMIC also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, and a representative office in Hong Kong.

For more information, please visit www.smics.com.

Safe Harbor Statements

(Under the Private Securities Litigation Reform Act of 1995)

This press release 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, including statements under "First Quarter 2018 Guidance", "CapEx Summary" and the statements contained in the quotes of our Co-Chief Executive Officers are based on SMIC's current assumptions, expectations and projections about future events. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project," "target" 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 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 in the semiconductor industry, SMIC's reliance on a small number of customers, 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, financial stability in end markets, orders or judgments from pending litigation, intensive intellectual property litigation in semiconductor industry, general economic conditions and fluctuations in currency exchange rates.

In addition to the information contained in this press release, you should also consider the information contained in our other filings with the SEC, including our annual report on Form 20-F filed with the SEC on April 27, 2017, especially in the "Risk Factors" section and such other documents that we may file with the SEC or The Hong Kong Stock Exchange Limited ("SEHK") from time to time, including current reports on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on our 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 may be 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.

About Non-Generally Accepted Accounting Principles (“non-GAAP”) Financial Measures

To supplement SMIC’s consolidated financial results presented in accordance with IFRS, SMIC uses in this press release non-GAAP measures of operating results that are adjusted to exclude finance cost, depreciation and amortization, income tax benefits and expenses, the effect of employee bonus accrual, government funding, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters. This earnings release also includes first quarter 2018 guidance for non-GAAP operating expenses. The presentation of non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. This earnings release includes EBITDA, EBITDA margin and non-GAAP operating expenses which consist of total operating expenses as adjusted to exclude the effect of employee bonus accrual, government funding, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters. These non-GAAP financial measures are not calculated or presented in accordance with, and are not alternatives or substitutes for financial measures prepared in accordance with IFRS, and should be read only in conjunction with the Group’s financial measures prepared in accordance with IFRS. The Group’s non-GAAP financial measures may be different from similarly-titled non-GAAP financial measures used by other companies.

SMIC believes that use of these non-GAAP financial measures facilitates investors’ and management’s comparisons to SMIC’s historical performance. The Group’s management regularly uses these non-GAAP financial measures to understand, manage and evaluate the Group’s business and make financial and operational decisions.

The accompanying table has more information and reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis because the effect of these adjustment items excluded for the purpose of non-GAAP operating expenses guidance are subject to some unpredictable conditions that cannot be estimated with reasonable certainty.

Summary of Fourth Quarter 2017 Operating Results

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

	4Q17	3Q17	QoQ	4Q16	YoY
Revenue	787,174	769,723	2.3%	814,802	-3.4%
Cost of sales	(638,678)	(592,426)	7.8%	(568,790)	12.3%
Gross profit	148,496	177,297	-16.2%	246,012	-39.6%
Operating expenses	(145,323)	(154,592)	-6.0%	(196,994)	-26.2%
Profit from operations	3,173	22,705	-86.0%	49,018	-93.5%
Other income (expense), net	(6,086)	7,290	-	473	-
(Loss) profit before tax	(2,913)	29,995	-	49,491	-
Income tax benefit	1,217	595	104.5%	8,547	-85.8%
(Loss) profit for the period	(1,696)	30,590	-	58,038	-
Other comprehensive income (loss):					
Exchange differences on translating foreign operations	8,458	5,686	48.8%	(11,250)	-
Change in value of available-for-sale financial assets	(67)	(455)	-85.3%	617	-
Cash flow hedges	(595)	5,620	-	(34,912)	-98.3%
Actuarial gains and losses on defined benefit plans	(556)	32	-	1,438	-
Share of other comprehensive income of joint ventures accounted for using equity method ⁽⁴⁾	11,755	5,891	99.5%	-	-
Total comprehensive income for the period	17,299	47,364	-63.5%	13,931	24.2%
Profit (loss) for the period attributable to:					
SMIC	47,718	25,899	84.2%	104,008	-54.1%
Non-controlling interests	(49,414)	4,691	-	(45,970)	7.5%
(Loss) profit for the period	(1,696)	30,590	-	58,038	-
Gross margin	18.9%	23.0%		30.2%	
Earnings per ordinary share ⁽¹⁾ Basic	\$0.01	\$0.01		\$0.02	
Diluted	\$0.01	\$0.01		\$0.02	
Earnings per ADS ⁽²⁾					
Basic	\$0.05	\$0.03		\$0.12	
Diluted	\$0.05	\$0.03		\$0.11	
Wafers shipped (in 8" equivalent wafers)	1,124,821	1,076,039		1,096,011	
Capacity utilization ⁽³⁾	85.8%	83.9%		96.5%	

Note:

(1) Based on weighted average ordinary shares of 4,729 million (basic) and 5,159 million (diluted) in 4Q17, 4,651 million (basic) and 4,690 million (diluted) in 3Q17, and 4,239 million (basic) and 5,055 million (diluted) in 4Q16. The basic and diluted earnings per share for 4Q16 have been adjusted to reflect the impact of the share

consolidation, on the basis that every ten ordinary shares of par value of \$0.0004 each consolidated into one consolidated share of par value of \$0.004 each, which was accounted for as a reverse stock split effective on December 7, 2016 ("Share Consolidation")

- (2) Each ADS represents 5 ordinary shares.
- (3) Based on total equivalent wafers out divided by estimated total quarterly capacity.
- (4) The comparative figure of 3Q17 has been revised to conform the current period's presentation. Such revision reflected the increase of US\$5.9 million in the "share of other comprehensive income of joint ventures accounted for using equity method" in the 3Q17 Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income, and both the "reserves" and "investment in joint ventures" in the Condensed Consolidated Statements of Financial Position as of September 30, 2017.

Revenue increased by 2.3% QoQ from \$769.7 million in 3Q17 to \$787.2 million in 4Q17 mainly due to an increase of wafer shipment in 4Q17.

Cost of sales was \$638.7 million in 4Q17, an increase of 7.8% QoQ from \$592.4 million in 3Q17.

Gross profit was \$148.5 million in 4Q17, a decrease of 16.2% QoQ from \$177.3 million in 3Q17.

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Gross margin was 18.9% in 4Q17, as compared to 23.0% in 3Q17, primarily due to a product-mix change in 4Q17. Operating expenses were \$145.3 million in 4Q17, a decrease of 6.0% QoQ from \$154.6 million in 3Q17, mainly due to the reasons stated in Operating Expenses (Income) Analysis below.

Other income (expense), net was \$6.1 million loss in 4Q17, as compared to \$7.3 million gain in 3Q17. The change was mainly due to the reasons stated in Other Income (Expense), Net below.

Share of other comprehensive income of joint ventures accounted for using equity method was \$11.8 million in 4Q17, compared to \$5.9 million in 3Q17. The amount was recognized as the Group's share of the change in value of available-for-sale financial assets of the joint ventures, which are all unlisted companies invested indirectly through China IC Capital Co., Ltd (a wholly-owned investment fund company of the Company).