

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

September 05, 2013

**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 September, 2013

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:

Edgar Filing: SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP - Form 6-K

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

HIGHLIGHTS

Financial

- Revenue hit a record high of US\$1,042.9 million for the six months ended June 30, 2013, an increase of 38.2% compared to US\$754.5 million for the six months ended June 30, 2012.
- Gross profit was a record high of US\$233.5 million for the six months ended June 30, 2013 an increase of 65.0% compared to US\$141.6 million for the six months ended June 30, 2012.
- Gross margin improved to 22.4% for the six months ended June 30, 2013 from 18.8% for the six months ended June 30, 2012.

- Profit from operations was a historical high of US\$130.5 million for the six months ended June 30, 2013 compared to a loss from operations of US\$36.5 million in the six months ended June 30, 2012.
- The Company achieved a record-high profit attributable to owners of the Company of US\$116.0 million for the six months ended June 30, 2013 compared to a loss of US\$35.8 million for the six months ended June 30, 2012.

RESULTS

The Board of Directors (the Board) of Semiconductor Manufacturing International Corporation (the Company) would like to announce the unaudited interim results of operations of the Company and its subsidiaries for the six months ended June 30, 2013, and would like to express its gratitude to the shareholders and its staff for the support of the Company.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2013 and 2012

(In USD 000, except share and per share data)

	Notes	Six months ended	
		06/30/13 (unaudited)	06/30/12 (unaudited)
Revenue	3	1,042,911	754,536
Cost of sales		(809,396)	(612,977)
Gross profit		233,515	141,559
Research and development expenses		(61,494)	(110,332)
Sales and marketing expenses		(18,029)	(14,678)
General and administration expenses		(76,839)	(53,017)
Other operating income (expense)	4	53,300	(73)
Profit (loss) from operations		130,453	(36,541)
Interest income		2,288	3,026
Finance costs		(19,930)	(17,861)
Foreign exchange gains or losses		5,094	(1,944)
Other gains or losses		(240)	3,817
Share of profits of associates		1,223	814
Profit (loss) before tax	5	118,888	(48,689)
Income tax (expense) benefit	6	(3,046)	12,879
Profit (loss) for the period		115,842	(35,810)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of financial statements of foreign operations		321	(186)
Total comprehensive income (expense) for the period		116,163	(35,996)
Profit (loss) for the period attributable to:			
Owners of the Company		116,005	(35,765)
Non-controlling interests		(163)	(45)
		115,842	(35,810)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		116,326	(35,951)
Non-controlling interests		(163)	(45)
		116,163	(35,996)
Earnings (loss) per share	8		
Basic		0.00	(0.00)
Diluted		0.00	(0.00)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2013 and December 31, 2012

(In USD 000, except share and per share data)

	Notes	06/30/13 (unaudited)	12/31/12 (audited)
Non-current assets			
Property, plant and equipment		2,523,893	2,385,435
Prepaid land use right		124,818	73,962
Intangible assets		228,898	235,378
Investments in associates		23,189	21,636
Deferred tax assets		43,802	43,380
Other assets		37,926	43,382
Total non-current assets		2,982,526	2,803,173
Current assets			
Inventories		308,328	295,728
Prepaid operating expenses		57,231	46,986
Trade and other receivables	9	472,426	328,211
Other financial assets		2,881	18,730
Restricted cash		214,430	217,603
Cash and bank balances		262,955	358,490
		1,318,251	1,265,748
Assets classified as held-for-sale		922	4,239
Total assets		4,301,699	4,073,160
Capital and reserves			
Ordinary shares		12,830	12,800
Share premium		4,088,071	4,083,588
Reserves		53,079	46,148
Accumulated deficit		(1,751,031)	(1,867,036)
Equity attributable to owners of the Company		2,402,949	2,275,500
Non-controlling interests		789	952
Total equity		2,403,738	2,276,452
Non-current liabilities			
Borrowings		474,692	528,612
Deferred tax liabilities		257	440
Deferred government grant		174,876	150,347
Long-term financial liabilities		4,989	4,223
Other liabilities			5,000
Total non-current liabilities		654,814	688,622
Current liabilities			
Trade and other payables	10	537,003	423,952
Borrowings		586,425	567,803
Accrued liabilities		104,678	84,611
Promissory notes		14,791	29,374
Other financial liabilities		107	25
Current tax liabilities		143	2,321
Total current liabilities		1,243,147	1,108,086
Total liabilities		1,897,961	1,796,708
Total equity and liabilities		4,301,699	4,073,160
Net current assets		76,026	161,901
Total assets less current liabilities		3,058,552	2,965,074

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the six months ended June 30, 2013

(unaudited, in US\$ thousands, except share data and those specified)

1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board (the IASB) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules).

The Company started to prepare consolidated financial statements and related disclosures in accordance with International Financial Reporting Standards (IFRS) in 2012's Annual Report. This is the first Interim Report under IFRS and all prior period information was represented to conform to IFRS presentation and disclosures.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except for the application of new or revised accounting standards as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements as of and for the six months ended June 30, 2013 are the same as those followed in the preparation of the Company's annual financial statements as of and for the year ended December 31, 2012.

In the current interim period, the Company has applied, for the first time, the following standards and amendments that are relevant for the preparation of the Company's condensed consolidated financial statements:

Amendments to IFRSs Annual Improvements to IFRSs 2009-2011 Cycle

Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Edgar Filing: SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP - Form 6-K

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 (Revised 2011) Employee Benefits

IAS 28 (Revised 2011) Investments in Associates and Joint Ventures

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements except for the standards disclosed below:

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities in the current period. The amendments require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

2. Principal Accounting Policies *(Continued)*

IFRS 13 Fair Value Measurement

The Company has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement and disclosure requirements prospectively.

3. Segment information

The Company is engaged principally in the computer-aided design, manufacturing and trading of integrated circuits. The Company's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company. The Company operates in one segment. The Company's operating revenue from external customers by location is detailed below.

	Revenue from external customers Six months ended	
	06/30/13 USD 000	06/30/12 USD 000
United States	519,422	421,176
Mainland China and Hong Kong	415,309	245,862
Eurasia*	108,180	87,498
	1,042,911	754,536

* Not including Mainland China and Hong Kong

Edgar Filing: SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP - Form 6-K

The following table summarizes property, plant and equipment of the Company by location.

	Property, plant and equipment	
	06/30/13 USD 000	12/31/12 USD 000
United States	46	55
Taiwan	16	19
Hong Kong	3,539	3,640
Mainland China	2,520,292	2,381,721
	2,523,893	2,385,435

Substantially all other non-current assets excluding deferred tax and financial instruments of the Company are located in Mainland China.

4. OTHER Operating income (expense)

	Six months ended	
	06/30/13 USD 000	06/30/12 USD 000
Gain on disposal of property, plant and equipment and assets classified as held-for-sale	24,996	374
Gain on disposal of subsidiaries	28,304	
Others		(447)
	53,300	(73)

The gain on disposal of property, plant and equipment and assets classified as held-for-sale for the six months ended June 30, 2013 arose primarily from the sales of the staff living quarters in Shanghai to employees.

The gain on disposal of subsidiaries for the six months ended June 30, 2013 arose from disposal of the Company's total ownership interest in SMIC (Wuhan) Development Corporation (WHDM). During the current interim period, the Company entered into a sale agreement to dispose of its 100% equity interest in WHDM. The disposal was completed on May 23, 2013, on which date the Company lost control of WHDM. The amount of the consideration was US\$60.4 million which included US\$31.2 million receivable for the settlement of the amount due from WHDM. On May 23, 2013, the Company received US\$30.2 million and recorded a gain of US\$28.3 million. The consideration was fully settled by the buyer on July 26, 2013. WHDM was mainly engaged in the construction, operation and management of the Company's living quarters and schools in Wuhan, which is not the major line of business of the Company and therefore, the disposal of WHDM is not classified as a discontinued operation.

	Period ended 06/30/13 USD 000
<i>Analysis of asset and liabilities over which control was lost</i>	
Total assets	39,039
Total liabilities	(38,853)
Net assets disposed of	186
<i>Gain on disposal of subsidiaries</i>	
Amount of the total consideration	60,408
Due from WHDM	(31,196)
Business tax incurred in relation to the disposal	(722)
Net assets disposed of	(186)
Gain on disposal	28,304
<i>Proceeds from disposal of subsidiaries</i>	
Amount of the total consideration	60,408
Cash consideration included in trade and other receivables	(30,204)
Bank balances and cash disposed of	(1,565)
Net cash inflow arising on disposal	28,639
<i>Cash flows from WHDM</i>	
Net cash outflows from operating activities	(268)
Net cash flows from investing activities	25,580
Net cash outflows from financing activities	(26,162)
Net cash outflows	(850)

5. **Profit (loss) before tax**