

SMIC to Add Assembly & Test

By Ed Sperling -- 4/14/2005

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Semiconductor Manufacturing International Corp. will begin offering its own assembly and test services to customers later this year as the foundry moves into volume production at the 130 nanometer process node.

SMIC, which is China's largest foundry, currently offers assembly and test services through third parties, including UTAC (Shanghai), GAPT Amkor, KLT, Nantong Fujitsu and STATChipPac (Shanghai). What will become of those relationships remains to be seen.

"We do see them as valuable partners going forward," said Calvin Chin, manager of strategic ventures at SMIC in Shanghai. "Packaging and design are a central part of the operation. It pays to have seamless, total solutions."

SMIC's goal, by offering its own assembly and test services rather than the turnkey solutions of third parties, is to begin offering more customized solutions to its customers. Rival TSMC, for example, views its service offerings as a competitive differentiator for customers.

"This is necessary as they move to 90 nanometers and beyond," says Joanne Itow, an analyst at Semico Research. "It's critical to get testing intertwined with the whole process."

Itow says that SMIC's ability to meet its aggressive goals have surprised virtually everyone. "But with the market being slow, it's something of a setback for them. It will put them at a bit of a disadvantage. It's no longer a question of taking business from TSMC and Chartered. Now they have to compete with other Chinese foundries like Grace and [Shanghai Hua Hong NEC Electronic Co.]"

SMIC's forthcoming services are part of a joint venture with the Chengdu government in Sichuan Province. The area, which has been an industrial stronghold, now appears to be gaining traction as a center for test and assembly. Intel Corp. is building its own assembly and test facility there, with operations expected to begin this summer.

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