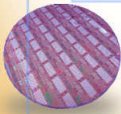


Human Resource: Driving Force Behind Success

Dr. Richard Chang

Dec 1, 2007



Semiconductor Manufacturing International Corporation

Brief on China HR status & future prospect



Brief on China HR Status

Historically, the traditional education and exam system trained students to focus on general knowledge and the pursuit of official positions. However, through the defeat by Western countries in the past few centuries, leaders in China started to realize the importance of educating talents with practical expertise and skills, which has become the guiding principle of human policy. Since the reform of the past decades, the government has been promoting the concept of “respect knowledge, respect talents.” The strategy led to not only the rapid progress of the quality of human power but also the fundamental change of human structure.

3



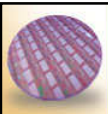
Brief on China HR Status

- *The quantitative and qualitative progress of China HR development can be illustrated from the following aspects:*

1. Increase in HR-related investments

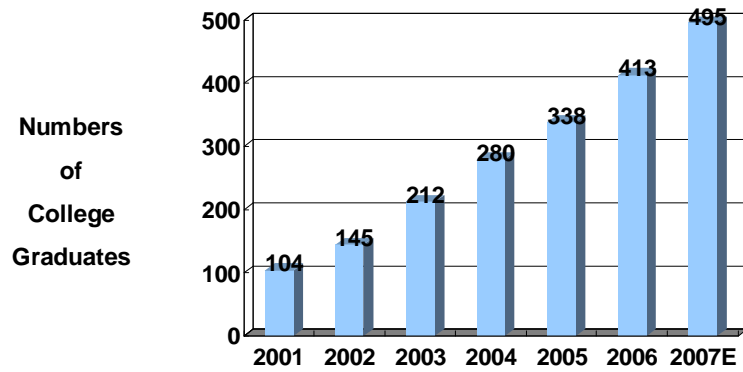
- a. The expenditure on scientific, cultural and hygienic projects has increased in both total amount (from 15.6 billion RMB in 1980 to 450.6 billion RMB in 2003) and its percentage in financial expenditure (from 12.72% in 1980 to 18.28% in 2003)
- b. Educational expense has increased in both total amount (from 14.6 billion RMB in 1980 to 548 billion in 2002) and its percentage in GDP (from 3.22% in 1980 to 5.21% in 2002)
- c. The National expenditure on scientific research has leaped to 97.554 billion RMB in 2003 from the 5.289 billion RMB in 1978.
- d. Increase in family spending on education

4



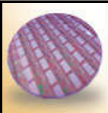
Brief on China human resources

2. Increase in educational level



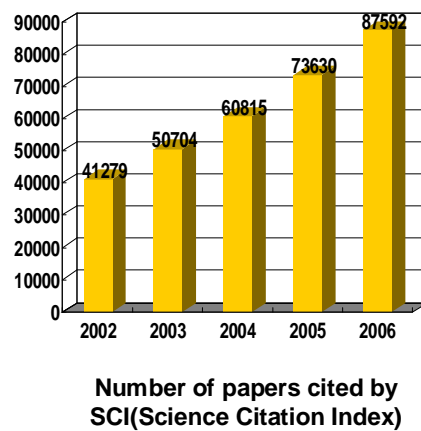
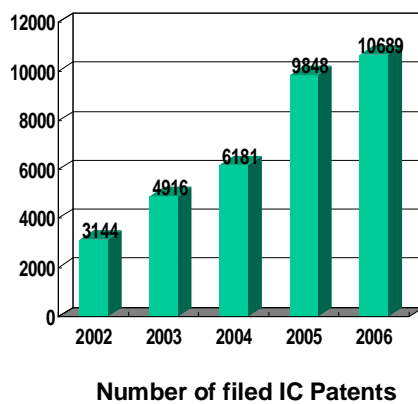
Unit: 10,000 persons

5

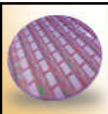


Brief on China human resources

3. Increase in innovative power



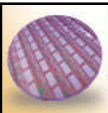
6



Brief on China Human Resources

- *The human resources in China have advanced significantly in recent years. Further analysis shows that China's advantage comes from the potential of its people. Nevertheless, compared to other countries, China is faced with the following challenges:*
1. Still insufficient investment in R&D & public education
 2. Relatively weaker infrastructure(educational facilities, etc.)
 3. Lower percentage of High-level talents compared with developed countries
 4. In general, high tech areas lack innovative training

7

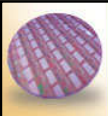


Brief on China human resources

- According to the **2006 Global Competitiveness Report** published by **World Economic Forum**, there is still a large room for China's future growth.

	Global Competitiveness Index	Higher Education & Training Index	Innovation Factors Index
USA	5.61(6)	5.66(1)	5.75(4)
Japan	5.60(7)	5.33(16)	6.02(1)
Germany	5.58(8)	5.22(17)	5.89(3)
Taiwan Area	5.41(13)	5.36(14)	3.02(103)
China	4.24(54)	3.66(71)	3.75(57)

8



Future HR Development Strategy

➤ *To transform the global factory into a hub of talents:*

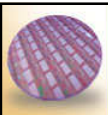
1. From “natural resource oriented” to “human resource oriented”

The economic growth should be moved forward by the command of human resources instead of the exploitation of natural resources. The shift in business structure can be put into action through the investment in public education and R&D.

2. From “theory-based” to “application-based”

The higher education in China highlights theoretical approach, which causes students' inability to solve problems practically. The future education should be able to stress this weakness and train more talents with hands-on abilities and problem-shooting skills.

9



Introduction to SMIC & SMIC's human resource policy

10



Introduction to SMIC

SMIC is a leading foundry in the world, offering 0.35 μ m to 65 nanometer process technologies for products in logic, mixed signal/RF, high-voltage circuits, memory, CMOS image sensor, LCoS, and more.



Wuhan Xinxin Fab Managed and Operated by SMIC



SMIC Tianjin





Chengdu Cension Fab Managed and Operated by SMIC

SMIC-Chengdu AT2

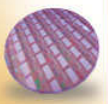


SMIC Beijing



SMIC Shanghai

11



SMIC's Rapid Growth

2004

- Acquired Fab 7
- Fab 4 commenced pilot production
- Publicly listed on NYSE & SEHK

2005

- JV with UTAC for Chengdu packaging and testing facilities
- JV with Toppan to manufacturer on-chip color filters and micro lenses

2006

- SMIC (Chengdu) AT-2 commenced production
- TSES commenced production
- Wuhan Xinxin (managed by SMIC) groundbreaking

2007

- Cension (managed by SMIC) commences production
- Shanghai 300mm fab commences production

2003

- Fab 2, 3B (Cu-inter) commenced commercial production
- Top Fab of Year Award

2002

- Fab 2 completed
- Fab 1, 3B (Al-inter) commenced commercial production

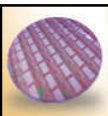
2001

- Fabs 1, 3B completed

2000

- SMIC established
- Ground-breaking

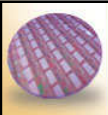
12



SMIC: A Leading Foundry in the world

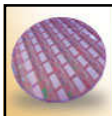
Rank	Company Name	2006 Revenue (US\$M)
1	SMIC (Shanghai, Beijing, Tianjin, Chengdu, Wuhan)	1,465
2	HH-NEC (Shanghai)	365
3	ST-Hynix (Wuxi)	308
4	HeJian Technology (Suzhou)	304
5	Shougang NEC Electronics (Beijing)	239
6	ASMC (Shanghai)	175
7	TSMC (Shanghai)	166
8	GSMC (Shanghai)	158
9	CSMC (Wuxi)	114
10	Sino-Microelectronics(Jilin)	89

Source: CSIA 2007 13



Some of SMIC's Strengths/Advantages

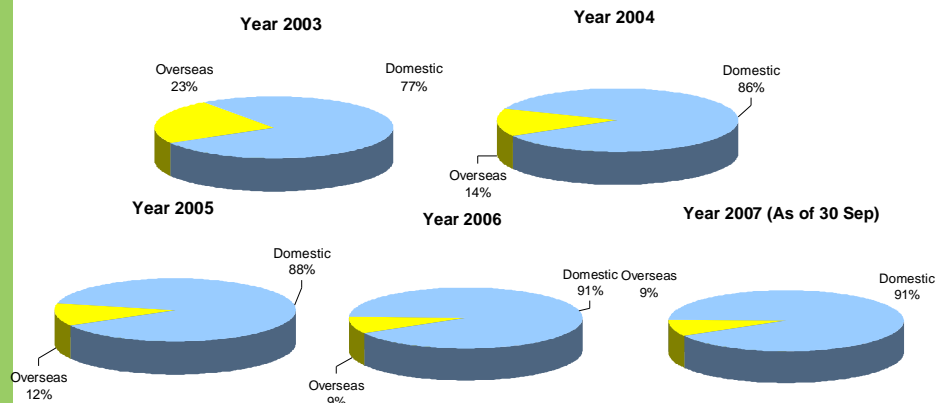
1. Vicinity to China market
2. Early entry into China
3. Vast resources
4. Strong government support
5. World-class team



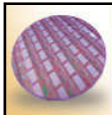
SMIC's HR Localization Policy

➤ Recruit—the localization of talents

1. Increased percentage of local talents

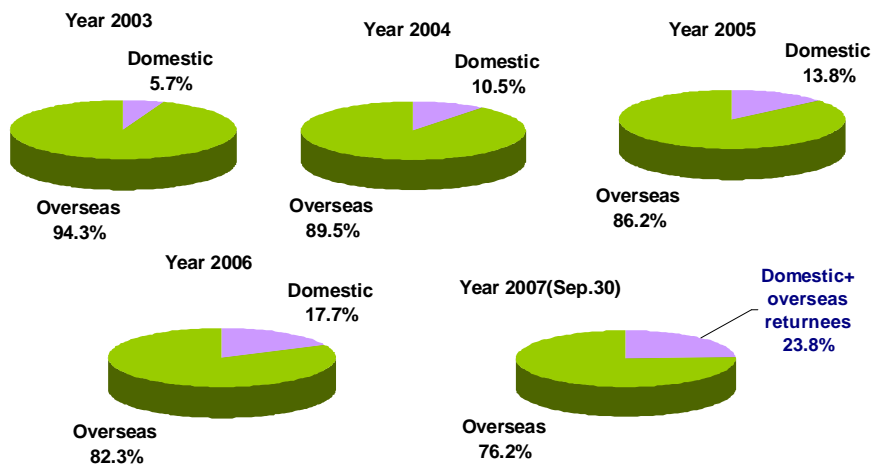


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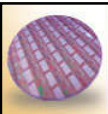


SMIC's HR Management Training Policy

2. Local talents' growing presence in management team



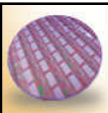
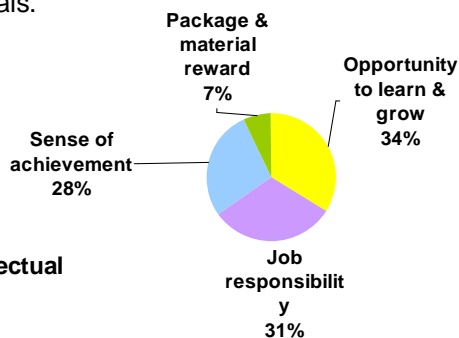
16



HR Satisfaction Survey

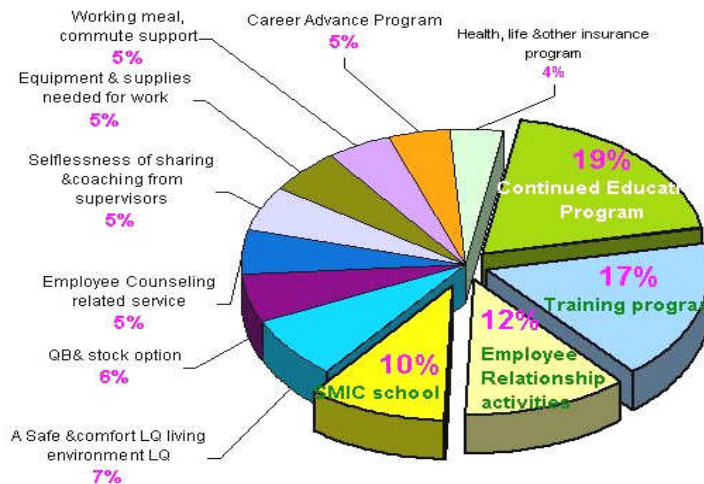
In an era dominated by the power of knowledge, the competitive advantage of a corporate depends on whether it can attract and keep the “Intellectual Employees” with professional expertise and loyalty. According to recent research, the “Intellectual Employees” value not merely the package; more importantly, they expect their skills and talents to be brought into full play. Also, they the opportunity to grow and a ground to realize their goals.

What matters to “Intellectual Employees?”



SMIC’s HR Satisfaction Survey

What our employees think SMIC is doing a good job?



SMIC's HR Development Programs

➤ **Development & Training-**
 SMIC Nurtures our talents through Well-established training system, conducting >500 classes annually on technology, business operations, management and personal development.

Management Training

Functional Training

ESH FAC IT QSM Q & R TD Process Equipment Product

General Training: Character, Language, General Skill...

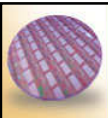
Orientation Training / OPT

19

SMIC's HR Training Programs

Program Employee group	OFF-JT Off-Job Training				OJT On Job Training	
Executives/ Managers	Orientation	OPT FAB Learning	Education Programs	General Training	Top Manager Management Training	Programs... Demonstration and instruction- Mentorship Task assignment Job rotation Deputy appointment Work Report Document study Self-study
Engineers/ Administrators					On-Board Management training	
Manufacturing Assistants(MA)					MA Training & Development	
Functional Training						

20



SMIC's HR Retention Programs

➤ **Retain-**

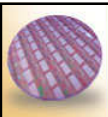
1. Opportunity for advancement--Talent Pool Program

Selected outstanding inland employees from different divisions to join the talent pool and the potential pool and offer them the following:

- ✓ Systematic training
- ✓ Promotion plan
- ✓ Housing plan
- ✓ All-round & in time care

Results: Increased the employees' self-confidence and motivation, successfully reduced the attrition rate

21

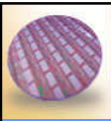


SMIC's HR Retention Programs(Shanghai)

➤ **Retain-**

2. Benefits & Employee Care-- Living Quarter (Shanghai)





SMIC's HR Retention Programs(Shanghai)

2. Benefits & Employee Care-- SMIC Community Center (Shanghai)



Recreation Center



Local Shops



Health Center



Basketball Courts

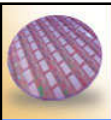


Swimming Pool



Dancing Room

23

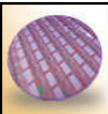


SMIC's HR Retention Programs(Beijing)

2. Benefits & Employee Care—Living Quarter(Beijing)



24

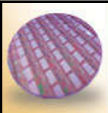


SMIC's HR Retention Programs(Chengdu)

2. Benefits & Employee Care--Living Quarter(Chengdu)



25



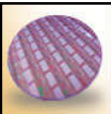
SMIC's HR Retention Programs(Schools)

2. Benefits & Employee Care-- SMIC School

High quality bilingual education(Kindergarten to Grade 12) for employees' children with teachers from the US, Canada, Europe, Africa, Singapore, Malaysia and China

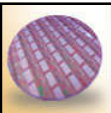


26



SMIC's HR Retention Programs(Schools)

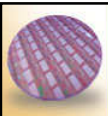
2. Benefits & Employee Care-- SMIC School



SMIC's HR Retention Programs(Employee care)

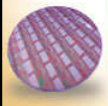
2. Benefits & Employee Care-- Company events/activities





SMIC's HR Retention Programs(Employee care)

2. Benefits & Employee Care-- Company events/activities



SMIC's HR Retention Programs (Counseling & special services)

2. Benefits & Employee Care--Counseling & special services

care for the emotional wellness of employees and their family members

Counseling

Stress management
EQ management
Interpersonal relations
Communication skills
Marital counseling
Leadership training
Life education



**SMIC's HR Retention Programs
(Caring of the parents of employees)**

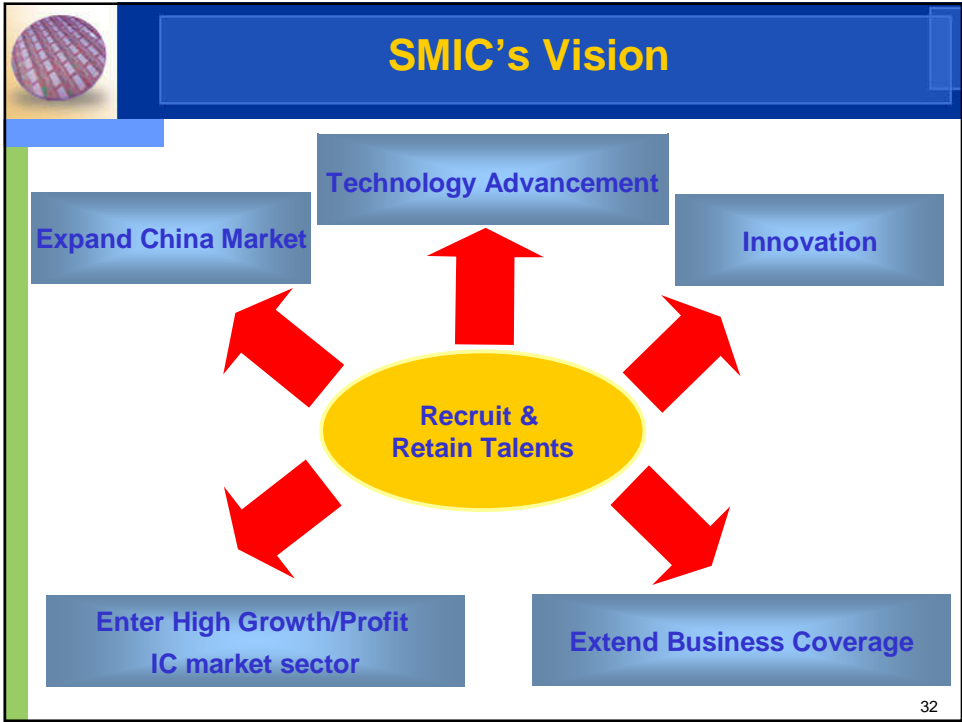
2. Benefits & Employee Care--Counseling & special services

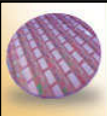
Special Services

- Pre-marital Counseling
- Home visit project/care for non-Chinese speaking employees /families
- Senior Activity Center
- Working Mother Support Group



31

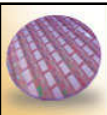




Conclusion

- With increasing attention on human resource and raising investment in education and training, China has been displaying exceptional growth in the level of education and the innovative abilities.
- China is still facing many challenges compared with other developed countries in terms of human resources development.
- For the intellectual employees nowadays, salary is no longer their major concern; instead, they seek the opportunity to learn and grow.
- The growing percentage of domestic employees among total employees demonstrates SMIC's effort of recruiting and training local talents.
- With unique HR policies and programs, SMIC takes care of all the needs of employees and successfully inspires the employees' sense of belonging to the SMIC community.

33



Thank you

Q&A

