

## TrendForce Says Latest Fab Plans in China Will Need Government Subsidies to Minimize Risks of Losses in Short/Medium Term

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- Under TrendForce's analysis model, a newly formed semiconductor manufacturer would have the depreciation cost of its fab account for 49% of its annual revenue, whereas the fab depreciation costs of the existing first- and second-tier foundries are 23.6% and 25%, respectively.
- The cost of indirect personnel for a new semiconductor manufacturer would make up 34% of its annual revenue, whereas the shares of indirect personnel cost in annual revenue for the first- and second-tier foundries are 10.2% and 17.5%, respectively.
- Chinese semiconductor manufacturers are reported to have offered prices for bulk silicon wafers that are 20% higher than prices offered by the existing first- and second-tier foundries.

TrendForce's latest research on semiconductor fab plans in China after 2016 finds that a total 17 new fabs are slated for construction so far. Five of these plants will be for processing 8-inch wafers and the remaining 12 plants will be for processing 12-inch wafers. New fab projects will carry high depreciation costs, and the aggressive recruitment efforts by semiconductor manufacturers will raise the cost of personnel needed for fab operation. Furthermore, prices of bulk silicon wafers have gone up as the strong demand for them worldwide has outpaced the overall supply. Within the short/medium term, the construction and operation of these new fabs poses enormous financial risks for their owners.

### About TrendForce

TrendForce is a global provider of the latest development, insight, and analysis of the technology industry. Having served businesses for over a decade, the company has built up a strong base membership base of 435,000 subscribers. TrendForce has established a reputation as an organization that offers insightful and accurate analysis of the technology industry through five major research divisions: DRAMXchange, WitsView, LEDinside, EnergyTrend and Topology. Founded in Taipei, Taiwan in 2000, TrendForce has extended its presence in China since 2004 with offices in Shenzhen and Beijing. For more details about TrendForce, please visit [www.trendforce.com](http://www.trendforce.com)

#### Major research divisions:

**DRAMeXchange** focuses on memory, storage and the consumer electronics industry including PC DRAM, Mobile DRAM, Server DRAM, NAND Flash, SSD and smartphone.

**WitsView** offers comprehensive coverage of the display industry from upstream components, midstream panels/touch modules to downstream system integrators, brands and channels.

**LEDinside** covers all aspects of the LED supply chain from upstream equipment/materials, midstream chip/packaging to the downstream backlight and lighting market.

**EnergyTrend** specializes in green energy research, such as solar energy, lithium battery, energy storage systems and xEVs.

**Topology** studies structural trends of technology industries in the Greater China Region and beyond, focusing on semiconductors, photovoltaic technology, telecommunications, and IA.

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