



THE BUSINESS OF TECHNOLOGY

<http://www.redherring.com/Article.aspx?a=19067&hed=China%E2%80%99s+AMEC+Raisis+%2435M&sector=Industries&subsector=Computing>

## China's AMEC Raises \$35M

*Chip equipment developer may fill a gap in China's plan to develop homegrown semi industry.*

*October 9, 2006*

Advanced Micro-Fabrication Equipment, a Shanghai-based chip equipment maker, said Monday it has raised \$35 million to commercialize its technologies in the world's chip-manufacturing hub.

The company, AMEC, is only two years old, but it's attracting backing from major venture capitalists in the United States, including Walden International, Lightspeed Venture Partners, and Interwest Partners.

The deal also reflects efforts by China to develop a homegrown semiconductor industry that offers everything from chip designs to manufacturing.

China already is home to a mix of indigenous chip design houses and contract chip makers (known as "fabs"), but it has yet to develop the chip equipment sector.

The multimillion dollar machines used to etch circuitry and cut chips out of silicon wafers have come from large companies in the U.S. and Japan, such as **Applied Materials** in Santa Clara, California, and Tokyo Electron.

'To have a Chinese equipment manufacturer fits into the overall strategy of the Chinese government.'

-Dave Cavanaugh,  
Semico Research

China is the world's largest chip market—through its large consumer market and booming electronics exports. Yet its chip factories can only meet 15 percent of the demand, said Dave Cavanaugh, an analyst for Semico Research. The Chinese government wants the bar raised to 85 percent.

### **Growing Chinese Market**

About \$1.33 billion worth of chip equipment, or 4 percent of the world's equipment sales, is expected to be sold to China this year, according to Semiconductor Equipment and

Materials International, a trade group.

The equipment sales are expected to grow 78 percent in 2006, however, reaching \$2.37 billion.

"To have a Chinese equipment manufacturer fits into the overall strategy of the Chinese government," Mr. Cavanaugh said. In the past, the government has supported the local chip design houses and manufacturers through loans and other incentives.

AMEC is developing manufacturing technologies and equipment for 65-nanometer and 45-nanometer, the most advanced processes currently available or under development by its competitors. There is scant information on AMEC's products. The company, headed by CEO Gerald Yin, has no web site.

The company is counting on its location as an advantage. Shanghai already has several fabs, including Semiconductor Manufacturing International (SMIC), which competes fiercely with the world's No. 1 and No. 2 fabs—Taiwan Semiconductor Manufacturing (TSMC) and **United Microelectronics** (UMC), also in Taiwan.

"Its unique Asia-based R&D, manufacturing, and service operations bring AMEC very close to its dominant customer base, thereby enhancing the company's value proposition and providing a competitive edge," said Chris Schaepe, a general partner at Lightspeed in Menlo Park.

But location is going to be less important than whether AMEC can offer better and cheaper equipment than its established rivals, Mr. Cavanaugh said.

**Contact the writer:** [UWang@RedHerring.com](mailto:UWang@RedHerring.com)