INTERIM REPORT **2011**

FOXCONN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2038

CONTENTS

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LEE Jer Sheng

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德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF FOXCONN INTERNATIONAL HOLDINGS LIMITED

Introduction

We have reviewed the interim financial information set out on pages 4 to 29 which comprises the condensed consolidated statement of financial position of Foxconn International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTES	Six months ended **30.6.2011** ***US$'000*** **(unaudited)**	30.6.2010 *US$'000* (unaudited)
Turnover	3	**2,993,673**	3,229,381
Cost of sales		**(2,849,309)**	(3,139,189)
Gross profit		**144,364**	90,192
Other income, gains and losses		**98,738**	74,662
Selling expenses		**(13,066)**	(14,127)
General and administrative expenses		**(128,276)**	(111,622)
Research and development expenses		**(96,081)**	(109,948)
Impairment loss recognised for property, plant and equipment	8	**–**	(23,538)
Impairment loss recognised for goodwill	9	**–**	(34,445)
Interest expense on bank borrowings		**(4,443)**	(2,292)
Share of profits of associates		**1,997**	348
Profit (loss) before taxation		**3,233**	(130,770)
Taxation	4	**(20,344)**	(13,686)
Loss for the period	5	**(17,111)**	(144,456)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**97,817**	1,069
Share of translation reserve of associates		**227**	1,128
Other comprehensive income for the period		**98,044**	2,197
Total comprehensive income (expense) for the period		**80,933**	(142,259)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended	
		30.6.2011	30.6.2010
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		**(17,648)**	(142,636)
Non-controlling interests		**537**	(1,820)
		(17,111)	(144,456)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**79,578**	(140,606)
Non-controlling interests		**1,355**	(1,653)
		80,933	(142,259)
Loss per share	*7*		
Basic		**(US0.25 cents)**	(US2.00 cents)
Diluted		**(US0.25 cents)**	(US2.00 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTES	**30.6.2011** **US$'000** **(unaudited)**	31.12.2010 US$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**1,507,125**	1,722,832
Investment properties	*8*	**–**	30,450
Prepaid lease payments	*8*	**116,571**	135,213
Available-for-sale investments		**100**	91
Interests in associates		**48,214**	46,814
Deferred tax assets	*10*	**28,706**	28,732
Deposits for acquisition of prepaid lease payments		**29,463**	28,795
Deposits for acquisition of property, plant and equipment		**1,722**	4,141
		1,731,901	1,997,068
Current assets			
Inventories		**660,637**	748,189
Trade and other receivables	*11*	**1,291,105**	1,647,775
Bank deposits		**291,477**	268,063
Bank balances and cash		**1,434,852**	1,356,254
		3,678,071	4,020,281
Assets classified as held for sale	*12*	**451,890**	–
		4,129,961	4,020,281
Current liabilities			
Trade and other payables	*13*	**1,188,278**	1,401,150
Bank borrowings	*14*	**821,950**	862,213
Provision	*15*	**25,842**	28,340
Tax payable		**67,430**	75,385
		2,103,500	2,367,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 JUNE 2011

	NOTES	**30.6.2011** **US$'000** **(unaudited)**	31.12.2010 US$'000 (audited)
Liabilities associated with assets classified as held for sale	12	**38,494**	–
		2,141,994	2,367,088
Net current assets		**1,987,967**	1,653,193
Total assets less current liabilities		**3,719,868**	3,650,261
Capital and reserves			
Share capital	16	**287,977**	286,563
Reserves		**3,339,319**	3,260,464
Equity attributable to owners of the Company		**3,627,296**	3,547,027
Non-controlling interests		**47,355**	46,000
Total equity		**3,674,651**	3,593,027
Non-current liabilities			
Deferred tax liabilities	10	**8,267**	3,423
Deferred income	17	**36,950**	53,811
		45,217	57,234
		3,719,868	3,650,261

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Special reserve US$'000	Legal reserve US$'000	Translation reserve US$'000	Share compensation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2010 (audited)	283,995	721,157	15,514	154,085	258,642	63,693	2,074,705	3,571,791	35,676	3,607,467
Exchange differences arising on translation of foreign operations	–	–	–	–	902	–	–	902	167	1,069
Share of translation reserve of associates	–	–	–	–	1,128	–	–	1,128	–	1,128
Other comprehensive income for the period	–	–	–	–	2,030	–	–	2,030	167	2,197
Loss for the period	–	–	–	–	–	–	(142,636)	(142,636)	(1,820)	(144,456)
Total comprehensive income (expense) for the period	–	–	–	–	2,030	–	(142,636)	(140,606)	(1,653)	(142,259)
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	9,280	9,280
Issue of ordinary shares under Option Scheme and Share Scheme	1,733	41,035	–	–	–	(16,300)	–	26,468	–	26,468
Recognition of equity-settled share based payment	–	–	–	–	–	11,456	–	11,456	–	11,456
Balance at 30 June 2010 (unaudited)	285,728	762,192	15,514	154,085	260,672	58,849	1,932,069	3,469,109	43,303	3,512,412

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company									
	Share capital *US$'000*	**Share premium** *US$'000*	**Special reserve** *US$'000*	**Legal reserve** *US$'000*	**Translation reserve** *US$'000*	**Share compensation reserve** *US$'000*	**Retained profits** *US$'000*	**Total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
Balance at 1 January 2011 (audited)	286,563	776,191	15,514	158,037	373,126	84,704	1,852,892	3,547,027	46,000	3,593,027
Exchange differences arising on translation of foreign operations	–	–	–	–	96,999	–	–	96,999	818	97,817
Share of translation reserve of associates	–	–	–	–	227	–	–	227	–	227
Other comprehensive income for the period	–	–	–	–	97,226	–	–	97,226	818	98,044
Loss for the period	–	–	–	–	–	–	(17,648)	(17,648)	537	(17,111)
Total comprehensive income (expense) for the period	–	–	–	–	97,226	–	(17,648)	79,578	1,355	80,933
Issue of ordinary shares under Option Scheme and Share Scheme	1,414	23,202	–	–	–	(24,616)	–	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	–	2,744	–	2,744	–	2,744
Payment made for equity-settled share based payment	–	–	–	–	–	(2,053)	–	(2,053)	–	(2,053)
Transfer to legal reserve	–	–	–	3,589	–	–	(3,589)	–	–	–
Transfer *(note)*	–	–	–	–	–	(1,387)	1,387	–	–	–
Balance at 30 June 2011 (unaudited)	287,977	799,393	15,514	161,626	470,352	59,392	1,833,042	3,627,296	47,355	3,674,651

Note: The amount represents aggregate of the amount recognised in share compensation reserve in respect of those share options forfeited after vesting date, and the amount previously recognised in share compensation reserve in respect of those difference between the market prices of immediately vested share awards at grant date and market prices of ordinary shares subsequent purchased by trustee from the stock market.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTE	Six months ended **30.6.2011** ***US$'000*** **(unaudited)**	30.6.2010 *US$'000* (unaudited)
Net cash from (used in) operating activities		**357,187**	(225,341)
Investing activities			
Purchase of property, plant and equipment		**(90,138)**	(164,226)
Increase in bank deposits		**(17,066)**	(124,274)
Proceeds from disposal of property, plant and equipment		**18,133**	124,411
Increase in deposits for acquisition of property, plant and equipment		**(6,843)**	(9,709)
Net cash used in investing activities		**(95,914)**	(173,798)
Financing activities			
Bank borrowings raised		**2,329,429**	2,316,766
Bank borrowings repaid		**(2,375,920)**	(2,044,963)
Proceeds from issue of new shares		**–**	26,468
Capital contribution from a non-controlling interest of a subsidiary		**–**	9,280
Net cash (used in) from financing activities		**(46,491)**	307,551
Net increase (decrease) in cash and cash equivalents		**214,782**	(91,588)
Cash and cash equivalents at 1 January		**1,356,254**	1,200,725
Effect of foreign exchange rate changes		**32,545**	2,215
Cash and cash equivalents as at 30 June		**1,603,581**	1,111,352
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		**1,434,852**	1,111,352
Bank balances and cash included in a disposal group classified as held for sale	*12*	**168,729**	–
		1,603,581	1,111,352

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group has applied the following accounting policy for non-current assets held for sale during the current interim period:

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised IFRSs").

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale *(Continued)*

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised 2009)	Related party disclosures
IAS 32 (Amendments)	Classification of rights issues
IFRIC* 14 (Amendments)	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments
IFRS 1 (Amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters

* IFRIC represents the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee).

The application of the above new and revised IFRSs had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
IFRS 9	Financial instruments[4]
IFRS 10	Consolidated financial statements[4]
IFRS 11	Joint arrangements[4]
IFRS 12	Disclosure of interests in other entities[4]
IFRS 13	Fair value measurement[4]
IAS 1 (Amendments)	Presentation of items of other comprehensive income[3]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
IAS 19 (Revised 2011)	Employee benefits[4]
IAS 27 (Revised 2011)	Separate financial statements[4]
IAS 28 (Revised 2011)	Investments in associates and joint ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2012.

3 Effective for annual periods beginning on or after 1 July 2012.

4 Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chief Executive Officer, for the purpose of allocating resources to the segment and to assess its performance.

The Group's operations are organised into three operating segments based on the location of customers – Asia, Europe and America.

The Group's revenue is mainly arising from the manufacturing services to its customers in connection with the production of handsets.

The following is an analysis of the Group's revenue and results by operating and reportable segments.

	Six months ended	
	30.6.2011	30.6.2010
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Segment revenue (external sales)		
Asia	**1,609,423**	1,526,495
Europe	**593,758**	945,537
America	**790,492**	757,349
Total	**2,993,673**	3,229,381
Segment profit		
Asia	**101,283**	77,047
Europe	**23,417**	31,904
America	**36,648**	14,083
	161,348	123,034
Other income, gains and losses	**68,688**	27,693
General and administrative and research and development expenses	**(224,357)**	(221,570)
Impairment loss recognised for goodwill	**–**	(34,445)
Impairment loss recognised for property, plant and equipment	**–**	(23,538)
Interest expense on bank borrowings	**(4,443)**	(2,292)
Share of profits of associates	**1,997**	348
Profit (loss) before taxation	**3,233**	(130,770)

3. **SEGMENT INFORMATION** *(Continued)*

Majority of the Group's sales to Asian customers is attributed to the People's Republic of China ("PRC").

Segment profits represent the gross profits earned by each segment including the service income included in other income, gains and losses. This is the measure reported to the Chief Executive Officer for the purposes of resources allocation and performance assessment.

4. **TAXATION**

	Six months ended	
	30.6.2011	30.6.2010
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax	**11,446**	8,937
Underprovision in prior periods	**3,503**	1,743
	14,949	10,680
Deferred tax *(note 10)*		
– Current period	**5,210**	4,223
– Change in tax rate	**185**	(1,217)
	20,344	13,686

No provision for Hong Kong Profit Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries increase from 18% to 25% progressively over 5 years from 1 January 2008 onwards. The applicable tax rate for current year was 24% (2010: 22%). Other PRC subsidiaries are subject to EIT at 25% (2010: 25%).

5. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2011	30.6.2010
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
(Reversals of) write down of inventories	**(4,734)**	6,778
Amortisation of prepaid lease payments (included in general and administrative expenses)	**1,158**	1,486
Cost of inventories recognised as expense	**2,840,020**	3,129,476
Provision for warranty	**9,289**	9,713
Depreciation of property, plant and equipment	**127,643**	142,785
Depreciation of investment properties	**798**	979
Impairment loss recognised in respect of trade receivables	**3,462**	632
Impairment loss recognised in respect of available-for-sale investments	**–**	1,519
Interest income from bank	**(12,973)**	(8,754)

6. DIVIDEND

No dividend was paid, declared and proposed for the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil). The directors do not recommend the payment of an interim dividend.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2011	30.6.2010
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of calculating basic and diluted loss per share	**(17,648)**	(142,636)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**7,198,833,690**	7,130,775,584

The computation of diluted loss per share for the six months ended 30 June 2011 and 2010 does not assume the exercise of the Company's share options as the exercise of the outstanding options would result in a decrease in the loss per share for both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS

During the period, the Group acquired property, plant and equipment of approximately US$99,416,000 (2010: US$168,820,000) of which US$29,539,000 was reclassified as held for sale as at 30 June 2011.

During the period, no prepaid lease payment was disposed of by the Group whereas an amount of US$27,660,000 prepaid lease payment was disposed its carrying amount during the period ended 30 June 2010.

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of US$19,406,000 (2010: US$123,076,000) for proceeds of US$18,133,000 (2010: US$124,411,000), resulting in a loss on disposal of US$1,273,000 (2010: a gain of US$1,335,000).

During the period, certain buildings with aggregate carrying amount of US$289,000 (2010: US$7,902,000) were transferred from property, plant and equipment to investment properties at net book value. The whole investment properties were reclassified as held for sale as at 30 June 2011 (see note 12 for details).

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As at 30 June 2010, the management assessed the recoverable amounts of the property, plant and equipment which were affected by the Group's re-location plans and changing economic environment. Impairment of property, plant and equipment is measured by comparing its carrying amount to its recoverable amounts which was determined as its value in use and estimated by reference to the projected discounted cash flows that were expected to generate from property, plant and equipment. Impairment loss of US$23,538,000 (2011: Nil) had been recognised during the period ended 30 June 2010.

9. IMPAIRMENT LOSS RECOGNISED FOR GOODWILL

The amount represented impairment loss recognised for the six months ended 30 June 2010 for goodwill resulted from acquisition of 76.3% interest in Chi Mei Communication Systems, Inc., ("CMCS") in 2005.

At 30 June 2010, the management of the Group assessed the recoverable amount of CMCS with reference to the value-in-use and determined that the related goodwill was fully impaired. The main factor contributing to the impairment of the cash generating unit was due to the change in the business conditions and strategy of its customers in the competitive market.

10. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon for the period:

	Allowances for inventories, trade and other receivables	Warranty provision	Accelerated tax depreciation	Tax losses	Deferred income	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2010	(9,497)	(2,762)	(17)	(2,812)	(9,315)	(5,192)	(29,595)
Charge (credit) to profit or loss for the period	8,395	1,526	(36)	(8,043)	819	1,562	4,223
Effect of change in tax rate	(1,770)	(300)	4	898	(460)	411	(1,217)
Exchange adjustments	(35)	(21)	3	(42)	130	95	130
At 30 June 2010	(2,907)	(1,557)	(46)	(9,999)	(8,826)	(3,124)	(26,459)
At 1 January 2011	(5,126)	(2,261)	3,916	(4,376)	(8,634)	(8,828)	(25,309)
Charge (credit) to profit or loss for the period	100	601	(277)	2,690	(93)	2,189	5,210
Effect of change in tax rate	17	16	87	(65)	–	130	185
Exchange adjustments	(93)	(69)	6	(36)	(250)	(83)	(525)
At 30 June 2011	(5,102)	(1,713)	3,732	(1,787)	(8,977)	(6,592)	(20,439)

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Deferred tax assets	**(28,706)**	(28,732)
Deferred tax liabilities	**8,267**	3,423
	(20,439)	(25,309)

10. DEFERRED TAXATION *(Continued)*

At 30 June 2011, the Group has unused tax losses of US$780,887,000 (31.12.2010: US$787,296,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$11,499,000 (31.12.2010: US$19,022,000) of such losses. No deferred tax asset has been recognised during current period in respect of the unused tax losses of US$769,388,000 (31.12.2010: US$768,274,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. The unrecognised tax losses will expire before 2016.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiary from 1 January 2008 onwards of approximately US$809,759,000 (31.12.2010: US$741,745,000) as at the end of reporting period because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

11. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	1,076,454	1,315,083
Other receivables, deposits and prepayments	214,651	332,692
	1,291,105	1,647,775

The Group normally allows an average credit period of 30 to 90 days to its trade customers.

11. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables, presented based on the invoice date, at the end of the reporting period:

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**1,054,567**	1,288,809
91-180 days	**7,734**	18,810
181-360 days	**9,565**	3,666
Over 360 days	**4,588**	3,798
	1,076,454	1,315,083

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 18 March 2011, Grand Champion Trading Limited ("Grand Champion"), a wholly-owned subsidiary of the Company, and Prime Rich Holdings Limited ("Prime Rich"), a wholly-owned subsidiary of Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), the ultimate holding of the Company, entered into a conditional equity transfer agreement, pursuant to which Grand Champion has agreed to sell and Prime Rich has agreed to purchase the entire equity interest of 富士康精密電子(太原)有限公司 (Foxconn Precision Electronics (Taiyuan) Co., Ltd.) ("Foxconn Taiyuan") at a cash consideration of RMB463,274,000 (equivalent to approximately US$71,576,000) which is determined by reference to the net asset value of Foxconn Taiyuan as at 31 December 2010 of RMB409,352,000 (equivalent to approximately US$63,245,000) and adjusted for the valuation surplus, supported by an independent valuation report dated 20 February 2011, of RMB53,922,000 (equivalent to approximately US$8,331,000) in respect of land and buildings held by Foxconn Taiyuan. On completion date, Foxconn Taiyuan shall have fully repaid the intercompany payables of approximately RMB2,444,000,000 (equivalent to approximately US$378,000,000) by using funds provided by the subsidiaries of Hon Hai. Foxconn Taiyuan is principally engaged in the business of handset manufacturing in the PRC. Further details of the transaction were set out in the announcement of the Company dated 18 March 2011 and the circular of the Company dated 28 April 2011.

The disposal agreement was duly approved at the Company's extraordinary general meeting held on 18 May 2011. The transaction was subsequently completed on 15 August 2011. Therefore, the assets of the disposal group and the directly associated liabilities were reclassified as held for sale and are separately presented in the condensed consolidated statement of financial position as at 30 June 2011.

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

Major classes of assets and liabilities of Foxconn Taiyuan as at 30 June 2011 are as follows:

	30.6.2011
	US$'000
Property, plant and equipment	206,160
Investment properties	30,708
Prepaid lease payments	20,503
Inventories	15,557
Trade and other receivables	10,233
Bank balances and cash	168,729
Total assets classified as held for sale	451,890
Trade and other payables	(22,638)
Provision	(29)
Deferred income	(15,827)
Total liabilities associated with assets classified as held for sale	(38,494)
Intercompany payables	(378,000)
Net assets of Foxconn Taiyuan at 30 June 2011	35,396

13. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**854,350**	1,066,162
Accruals and other payables	**333,928**	334,988
	1,188,278	1,401,150

13. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**835,538**	1,048,599
91-180 days	**12,738**	9,213
181-360 days	**1,923**	3,521
Over 360 days	**4,151**	4,829
	854,350	1,066,162

14. BANK BORROWINGS

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Bank loans	**821,950**	862,213
Analysis of bank borrowings by currency:		
USD	**821,950**	816,470
Euro	**–**	45,743
	821,950	862,213

The bank borrowings as at the end of the reporting period are unsecured, obtained with original maturity of less than one year and carry interest at fixed interest rates ranging from 0.65% to 2.68% (31.12.2010: 0.66% to 1.88%) per annum.

15. PROVISION

	Warranty provision *US$'000*
At 1 January 2010	23,533
Exchange adjustments	1,114
Provision for the year	12,279
Utilisation of provision	(8,586)
At 31 December 2010	28,340
Exchange adjustments	471
Provision for the period	9,289
Provision associated with assets classified as held for sale *(note 12)*	(29)
Utilisation of provision	(12,229)
At 30 June 2011	25,842

The warranty provision represents management's best estimate of the Group's liability under twelve to twenty-four months' warranty granted on handset products, based on prior experience and industry averages for defective products.

16. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2010, 31 December 2010 and 30 June 2011	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2010	7,099,887,634	283,995
Exercise of share options	33,901,600	1,356
Issue pursuant to the Share Scheme	30,275,995	1,212
Balance at 31 December 2010	7,164,065,229	286,563
Issue pursuant to the Share Scheme *(note 19(c))*	35,354,446	1,414
Balance at 30 June 2011	7,199,419,675	287,977

17. DEFERRED INCOME

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Government subsidies	**35,145**	51,175
Sale and leaseback transaction	**1,805**	2,636
	36,950	53,811

Government subsidies granted to the Company's subsidiaries in the PRC are released to income over the useful lives of the related depreciable assets.

18. COMMITMENTS

	30.6.2011 ***US$'000*** **(unaudited)**	31.12.2010 *US$'000* (audited)
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**71,209**	102,242

19. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

Option type	Outstanding at 1.1.2011	Granted during period	Exercised during period	Lapsed during period	Expired during period	Outstanding at 30.6.2011
2005	225,059,105	–	–	(7,566,698)	–	217,492,407
2007 A	2,400,000	–	–	–	–	2,400,000
	227,459,105	–	–	(7,566,698)	–	219,892,407

166,758,167 share options are exercisable as at 30 June 2011 (31.12.2010: 171,517,825).

The Group recognised total expense of US$789,000 (for the six months ended 30 June 2010: US$2,563,000) for the six months ended 30 June 2011 in relation to the share options granted by the Company.

(b) Cash-settled share-based payments

During the year ended 31 December 2010, the Group issued to certain employees share appreciation rights ("SAR") at exercise prices ranging from HK$3.96 to HK$26.05 with vesting period ranging from one to three years from the grant date. The SARs require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The fair value of the SARs is determined using the Black-Scholes pricing model. The Group recorded total expenses of US$9,000 during the six months ended 30 June 2010 in respect of SARs. All of the SARs had expired in prior year and no liabilities have been recorded by the Group at both 30 June 2011 and 31 December 2010.

19. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) Other share-based payment plan

Pursuant to the approval of the board of directors of the Company (the "Board") on 27 April 2010, the Company offered 9,435,264 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration is payable on the grant of the shares and the shares were subsequently issued on 6 May 2010.

Pursuant to the approval of the Board on 19 November 2010, the Company offered 25,616,428 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration is payable on the grant of the shares. 20,840,731 ordinary shares were subsequently issued on 25 November 2010 and 4,775,697 ordinary shares were purchased by the trustee of the Share Scheme from the stock market in November 2010.

Pursuant to the approval of the Board on 29 December 2010, the Company offered 35,573,029 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration is payable on the grant of the shares and 35,354,446 ordinary shares were subsequently issued on 4 January 2011 and 218,583 ordinary shares were purchased by the trustee of the Share Scheme from the stock market in January 2011.

Pursuant to the approval of the Board on 29 April 2011, the Company offered 3,302,725 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up periods. No consideration is payable on the grant of the shares and the shares were purchased by the trustee of the Share Scheme from the stock market in May 2011.

The Group has recognised total expense of US$1,955,000 (for the six months ended 30 June 2010: US$8,893,000) for the current period in relation to free shares granted under the Share Scheme.

20. RELATED PARTY DISCLOSURES

(a) During the period, the Group entered into the following transactions with related parties, including Hon Hai, the ultimate holding company, subsidiaries and associates of Hon Hai other than members of the Group:

	Six months ended	
	30.6.2011	30.6.2010
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Hon Hai:		
Sales of goods	**625**	1,058
Purchase of goods	**10,599**	9,238
Sales of property, plant and equipment	**429**	690
Purchase of property, plant and equipment	**821**	309
Subcontracting income	**2,185**	405
Consolidated services and subcontracting expense	**141**	–
General services income	**32**	1,482
General services expense	**326**	917
Subsidiaries of Hon Hai:		
Sales of goods	**42,537**	28,339
Purchase of goods	**100,679**	120,803
Sales of property, plant and equipment	**7,728**	17,602
Purchase of property, plant and equipment	**5,744**	2,319
Lease income	**80**	27
Lease expense	**1,803**	1,858
Subcontracting income	**25,802**	7,110
Consolidated services and sub-contracting expense	**8,378**	12,411
General services income	**1**	2
General services expense	**13,379**	18,448
Associates of Hon Hai:		
Sales of goods	**29,097**	1,156
Purchase of goods	**78,504**	67,559
Sales of property, plant and equipment	**3,909**	4,374
Purchase of property, plant and equipment	**1,491**	1,793
Lease income	**1,085**	1,528
Lease expense	**293**	716
Subcontracting income	**1,920**	1,984
Consolidated services and subcontracting expense	**458**	158
General services income	**3,913**	1,916
General services expense	**3,007**	6,225

20. **RELATED PARTY DISCLOSURES** *(Continued)*

(b) At the end of the reporting period, the Group had the following balances due from/to related parties included in:

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables:		
Hon Hai	**2,388**	1,432
Subsidiaries of Hon Hai	**36,264**	37,307
Associates of Hon Hai	**13,166**	16,359
	51,818	55,098
Other receivables:		
Hon Hai	**1,699**	1,728
Subsidiaries of Hon Hai	**2,069**	1,786
Associates of Hon Hai	**142**	269
	3,910	3,783
	55,728	58,881
Trade payables:		
Hon Hai	**4,721**	8,042
Subsidiaries of Hon Hai	**49,008**	77,973
Associates of Hon Hai	**40,864**	83,582
	94,593	169,597
Other payables:		
Hon Hai	**1,555**	1,591
Subsidiaries of Hon Hai	**2,156**	550
Associates of Hon Hai	**2,524**	3,841
	6,235	5,982
	100,828	175,579

The amounts are unsecured, interest free and are repayable within one year.

20. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management for the period was as follows:

	Six months ended	
	30.6.2011	30.6.2010
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Short-term benefits	**492**	1,466
Share-based payments	**2,000**	249
	2,492	1,715

(d) On 18 March 2011, Grand Champion, a wholly-owned subsidiary of the Company, and Prime Rich, a wholly-owned subsidiary of Hon Hai, entered into a conditional equity transfer agreement, pursuant to which Grand Champion has agreed to sell and Prime Rich has agreed to purchase the entire equity interest of Foxconn Taiyuan at a cash consideration of RMB463,274,000 (equivalent to approximately US$71,576,000) (see note 12 for details).

21. EVENTS AFTER THE END OF THE INTERIM PERIOD

Subsequent to the end of reporting period, the following events took place:

(a) The disposal of Foxconn Taiyuan was completed on 15 August 2011. Details of the transactions were set out in note 12.

21. EVENTS AFTER THE END OF THE INTERIM PERIOD *(Continued)*

(b) On 8 July 2011, Shenzhen Futaihong Precision Industrial Co., Ltd. ("FTH Precision"), a wholly-owned subsidiary of the Company, and Hong Fu Jin Precision Industry (Shen Zhen) Co. Ltd. ("HFJ Precision"), a wholly-owned subsidiary of Hon Hai, entered into a conditional equity transfer agreement with an independent third party (the "Purchaser"), pursuant to which the Group and HFJ Precision have agreed to sell and the Purchaser has agreed to purchase the entire equity interest of 深圳市富泰宏光明房地產有限公司 (Shenzhen Futaihong Guang Ming Property Co., Ltd.) ("Guang Ming") at a cash consideration of RMB878.75 million.

FTH Precision and HFJ Precision hold approximately 70.12% and 29.88% in the equity interests in Guang Ming, respectively, before the equity transfer agreement. In respect of the total consideration, RMB616.18 million and RMB262.57 million are payable to FTH Precision and HFJ Precision according to their equity interests in Guang Ming, respectively.

As at the date of this report, the Company is assessing the initial accounting for the above events and the relevant financial effects and expect to complete them in year-end reporting.

22. APPROVAL

The condensed consolidated financial statements on pages 4 to 29 were approved and authorised for issue by the Board on 29 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

For the six-month period ended 30 June 2011, the Group recorded a 7.28% year-on-year decrease in consolidated turnover of US$2,994 million (2010: US$3,229 million). Loss for the period attributable to owners of the Company was US$18 million compare to a loss of US$143 million for the same period last year. Basic earnings per share for the period was a loss of US0.25 cents.

Despite the confluence of industry and market changes, ever-intensifying competitions and global economy uncertainties, the Group successfully narrowed its loss in the first six months of 2011.

Global handset eco-system remained extremely volatile and challenging during the first half of 2011. We continued to see market share shifts among global OEM brands and other market players. The rising trend of smart phones that we spotted several years ago continued as the dominant theme and created further impact in the market place. Our investments in this area started to bear more fruits when we saw our relevant products and services being taken up by our customers. Our design capabilities were especially appreciated by our customers as we helped shorten the product development cycles for them. Joint-design, joint-development and ODM activities remained as key areas of cooperation with customers due to complicated hardware and software requirements for 3G smart phones.

Meanwhile, we continued to push for organization consolidations and resources re-alignment. Such efforts transformed us into a leaner organization and helped us to cope with the competitive pricing pressure. Capacity relocation to the northern sites in China enabled us to better deploy our teams and eliminate certain resources redundancies. This was particular important for us in securing a better cost structure to meet challenging demands in the environment we operated in. We shall carry on these works into the remaining of the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

As at 30 June 2011, the Group had a cash balance of US$1,435 million. The cash balance is expected to be able to finance our operations. Our gearing ratio, expressed as a percentage of interest bearing external borrowings of US$822 million over total assets of US$5,862 million, was 14.02%.

Net cash from operating activities for the six-month period ended 30 June 2011 was US$357 million. Net cash used in investing activities for the six-month period ended 30 June 2011 was US$96 million of which US$90 million was the expenditures on property, plant and equipment related to the facilities in our major sites in the PRC, US$17 million was increase in bank deposits, US$18 million represented proceeds from disposal of property, plant and equipment and US$7 million was increase in deposits for acquisition of property, plant and equipment.

Net cash used in financing activities for the six-month period ended 30 June 2011 was US$46 million, primarily due to net decrease in bank loans.

Exposures to Currency Risk and Related Hedges

In order to mitigate foreign currency risks, the Group actively utilized natural hedge technique to manage its foreign currency exposures by non-financial methods, such as managing the transaction currency, leading and lagging payments, receivable management etc.

Besides, the Group sometimes entered into short-term foreign currency forward contracts (usually with tenor less than 6 months) to hedge the currency risk resulting from its short-term bank loans (usually with tenor less than 6 months) denominated in the foreign currencies. Also, the Group, from time to time, utilized a variety of foreign currency forward contracts to hedge its exposure to foreign currencies.

Capital Commitments

As at 30 June 2011, the capital commitment of the Group was US$71.2 million (2010: US$102.2 million). Usually, the capital commitment will be funded by cash generated from operations.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Pledge of Assets

A subsidiary of the Company has pledged its corporate assets of approximately US$3.3 million (2010: US$3 million) to secure general banking facilities granted to the Group.

Outlook

Looking forward, with all the industry game-changing movements on the go, and the lingering macro economic concerns, development of new customers and excelling in the smart phone market remain top priority in our business expansion efforts. We believe the ability to broaden value-added offerings with research and development capabilities will be the key to industry players' success. With a series of persistent actions on cost control, resources consolidation and smart phone business development, we are confident that our competitiveness will be much enhanced and our unique industry leading position retained.

Employees

As at 30 June 2011, the Group had a total of 94,490 (2010: 112,549) employees. Total staff costs incurred during the period of six months ended 30 June 2011 amounted to US$272 million (2010: US$243 million). The Group offers a comprehensive remuneration policy which is reviewed by the management on a regular basis.

The Company has adopted a share scheme and a share option scheme respectively. The share option scheme complies with the requirements of Chapter 17 of the Listing Rules.

OTHER INFORMATION

DIRECTORS

Mr. Lau Siu Ki, the independent non-executive director of the Company, resigned as an independent non-executive director of Carry Wealth Holdings Limited with effect from 13 July 2011.

Yearly basic salary of Messrs. Chin Wai Leung, Samuel and Chih Yu Yang, the executive directors of the Company, were changed to US$300,000 and NT$3,600,000 (approximately US$125,000) respectively per the approval of the Board on 29 April 2011.

Pursuant to the approval of the Board on 29 April 2011, the Company granted 3,302,725 ordinary shares (being performance based emolument) to Mr. Chin Wai Leung, Samuel, the executive director of the Company.

Pursuant to the approval of the Board on 8 July 2011, the Company granted 1,701,553 share options (being performance based emolument) to Mr. Lee Jer Sheng, the executive director of the Company.

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions, if any, of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
CHIN Wai Leung, Samuel	Company	Personal Interest	20,052,200	0.2785%
	Hon Hai	Personal Interest	719,592	0.0074%
CHIH Yu Yang	Company	Personal Interest	2,659,610	0.0369%
	Hon Hai	Personal Interest	138,594	0.0014%
LEE Jer Sheng *(note 1)*	Company	Personal Interest	3,292,932	0.0457%
		Jointly held Interest	100,000	0.0014%
CHANG Ban Ja, Jimmy	Hon Hai	Personal Interest	2,004,712	0.0208%
LEE Jin Ming *(note 2)*	Hon Hai	Personal Interest	444,276	0.0046%
		Through a trust	1,018,520	0.0105%

OTHER INFORMATION *(Continued)*
DISCLOSURE OF INTERESTS *(Continued)*
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Notes:

1. 3,292,932 shares in which includes 3,024,734 shares which are issuable upon exercise of share options granted under the share option scheme of the Company. 100,000 shares are beneficially and jointly owned by Mr. Lee Jer Sheng and Ms. Ting Kuei Feng, the spouse of Mr. Lee Jer Sheng. Accordingly, Mr. Lee Jer Sheng is deemed to be interested in 100,000 shares which are jointly held by him and his spouse for the purposes of the SFO.

2. 1,018,520 shares are held by a trust of which Mr. Lee Jin Ming is the beneficiary. Accordingly, Mr. Lee Jin Ming is deemed to be interested in 1,018,520 shares which are held by the trust for the purposes of the SFO.

Save as disclosed above, none of the directors or the chief executives of the Company had, as at 30 June 2011, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholder's Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 30 June 2011, shareholder (other than the directors or the chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	70.58%
Hon Hai *(note)*	Interest of a controlled corporation	5,081,034,525	70.58%

Note: Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai and, therefore, Hon Hai is deemed or taken to be interested in the 5,081,034,525 shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.

Save as disclosed above, as at 30 June 2011, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Movements of the share options granted under the share option scheme during the period of six months ended 30 June 2011 are as follows:

Category of grantee	Outstanding at the beginning of the period	Date of grant during the period	Granted during the period	Vesting period	Exercise price	Exercised during the period	Lapsed during the period	Cancelled during the period	Expired during the period	Outstanding at the end of the period
Director										
LEE Jer Sheng	3,024,734	–	–	each year on 25 July from 2006 to 2011	HK$6.06	–	–	–	–	3,024,734
Employees	222,034,371	–	–	each year on 25 July from 2006 to 2011	HK$6.06	–	7,566,698	–	–	214,467,673
Employees	2,400,000	–	–	each year on 16 July from 2008 to 2013	HK$20.63	–	–	–	–	2,400,000
	227,459,105		–			–	7,566,698	–	–	219,892,407

Apart from the share option scheme above and the share scheme, at no time during the period of six months ended 30 June 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debenture of, the Company or any other body corporate.

DIVIDEND

The directors did not recommend the payment of an interim dividend for the period of six months ended 30 June 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period of six months ended 30 June 2011.

RESERVES

Movements in reserves of the Group during the period of six months ended 30 June 2011 are set out on page 9.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CCGP"). Its primary duties are to review the Group's financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board. The audit committee is comprised of three non-executive directors, two of whom are independent non-executive directors (among whom one of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules).

The audit committee has reviewed the unaudited interim results and the interim report of the Group for the period of six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period of six months ended 30 June 2011.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the CCGP throughout the period of six months ended 30 June 2011 except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Under code provision A.2.1 of the CCGP, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chin Wai Leung, Samuel currently holds both positions in the Company. In light of the great uncertainties with the European economic outlook and handset industry's fundamental paradigm changes that greatly impacted all leading brands, the Board considers that experienced leadership is a most essential. The present arrangement for Mr. Chin, the chairman, to hold the office of chief executive officer of the Company is not only crucial to the continuation in implementation of business plan and formulation of business strategies, but also important to avoid unnecessary confusion or instability to customers and suppliers worldwide. This is beneficial to the interests of the Company and its shareholders. However, in the spirit of corporate governance, the Board will continue to review in the current year the roles of chairman and chief executive officer and, if considered appropriate, separate the two roles in compliance with code provision A.2.1 of the CCGP.

On behalf of the Board
Chin Wai Leung, Samuel
Chairman and Chief Executive Officer

Hong Kong, 29 August 2011