INTERIM REPORT 2010

Foxconn International Holdings Limited
富士康國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2038)

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHIN Wai Leung, Samuel
(Chairman and Chief Executive Officer)
CHIH Yu Yang
LEE Jer Sheng

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GOU Hsiao Ling
LEE Jin Ming

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Daniel Joseph MEHAN
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LEGAL ADVISOR

Norton Rose Hong Kong

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Agricultural Bank of China
Bank of China
China Construction Bank
China Merchant Bank
Chinatrust Commercial Bank
Citibank N.A.
Industrial and Commercial Bank of China
ING Bank N.V.
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank
Taipei Fubon Bank
Taishin International Bank
The Hongkong and Shanghai Banking Corporation Limited

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STOCK CODE

2038

Deloitte.
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 25, 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 2010 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") issued by the International Accounting Standards Board. 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
30 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended	
		30.6.2010	30.6.2009
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**3,229,381**	3,161,747
Cost of sales		**(3,139,189)**	(2,952,101)
Gross profit		**90,192**	209,646
Other income, gains and losses		**74,662**	53,264
Selling expenses		**(14,127)**	(7,939)
General and administrative expenses		**(111,622)**	(123,776)
Research and development expenses		**(109,948)**	(86,877)
Impairment loss recognised for property, plant and equipment	*8*	**(23,538)**	(10,172)
Impairment loss recognised for goodwill	*9*	**(34,445)**	(28,630)
Interest expense on bank borrowings		**(2,292)**	(3,720)
Share of profits of associates		**348**	1,117
(Loss) profit before taxation		**(130,770)**	2,913
Taxation	*4*	**(13,686)**	(20,792)
Loss for the period	*5*	**(144,456)**	(17,879)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**1,069**	31,890
Fair value changes of available-for-sale investments		**–**	(1,836)
Reclassification adjustment upon impairment of available-for-sale investments		**–**	2,910
Share of translation reserve of associates		**1,128**	1,048
Other comprehensive income for the period		**2,197**	34,012
Total comprehensive (expense) income for the period		**(142,259)**	16,133

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended	
		30.6.2010	30.6.2009
		US$'000	*US$'000*
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(142,636)**	(18,700)
Non-controlling interests		**(1,820)**	821
		(144,456)	(17,879)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(140,606)**	15,195
Non-controlling interests		**(1,653)**	938
		(142,259)	16,133
Loss per share	*7*		
Basic		**(US2.00 cents)**	(US0.26 cents)
Diluted		**(US2.00 cents)**	(US0.26 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	30.6.2010 US$'000 (unaudited)	31.12.2009 US$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**1,681,191**	1,823,185
Investment properties	8	**45,495**	38,330
Prepaid lease payments	8	**132,891**	161,421
Available-for-sale investments		**86**	1,619
Interests in associates		**45,455**	46,235
Goodwill	9	**–**	34,445
Deferred tax assets	10	**29,062**	33,016
Deposits for acquisition of property, plant and equipment		**11,435**	6,346
		1,945,615	2,144,597
Current assets			
Inventories		**727,319**	716,160
Trade and other receivables	11	**1,673,101**	1,412,821
Bank deposits		**286,183**	160,805
Bank balances and cash		**1,111,352**	1,200,725
		3,797,955	3,490,511
Current liabilities			
Trade and other payables	12	**1,456,421**	1,522,749
Bank borrowings	13	**634,504**	362,639
Provision	14	**25,884**	23,533
Tax payable		**57,098**	57,956
		2,173,907	1,966,877

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 JUNE 2010

	NOTES	**30.6.2010** ***US$'000*** **(unaudited)**	31.12.2009 *US$'000* (audited)
Net current assets		**1,624,048**	1,523,634
Total assets less current liabilities		**3,569,663**	3,668,231
Capital and reserves			
Share capital	*15*	**285,728**	283,995
Reserves		**3,183,381**	3,287,796
Equity attributable to owners of the Company		**3,469,109**	3,571,791
Non-controlling interests		**43,303**	35,676
Total equity		**3,512,412**	3,607,467
Non-current liabilities			
Deferred tax liabilities	*10*	**2,603**	3,421
Deferred income	*16*	**54,648**	57,343
		57,251	60,764
		3,569,663	3,668,231

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company										
	Share capital *US$'000*	Share premium *US$'000*	Special reserve *US$'000*	Legal reserve *US$'000*	Revaluation 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 2009	282,458	686,913	15,514	145,844	(1,074)	189,634	63,386	2,038,658	3,421,333	34,178	3,455,511
Exchange differences arising on translation of foreign operations	–	–	–	–	–	31,773	–	–	31,773	117	31,890
Share of translation reserve of associates	–	–	–	–	–	1,048	–	–	1,048	–	1,048
Fair value changes of available-for-sale investments	–	–	–	–	(1,836)	–	–	–	(1,836)	–	(1,836)
Reclassification adjustment upon impairment of available-for-sales investments	–	–	–	–	2,910	–	–	–	2,910	–	2,910
Other comprehensive income for the period	–	–	–	–	1,074	32,821	–	–	33,895	117	34,012
Loss for the period	–	–	–	–	–	–	–	(18,700)	(18,700)	821	(17,879)
Total comprehensive income (expense) for the period	–	–	–	–	1,074	32,821	–	(18,700)	15,195	938	16,133
Issue of ordinary shares under Option Scheme and Share Scheme	1	15	–	–	–	–	(4)	–	12	–	12
Recognition of equity-settled share based payment	–	–	–	–	–	–	5,041	–	5,041	–	5,041
Transfer	–	–	–	–	–	–	(2,075)	2,075	–	–	–
Balance at 30 June 2009 (unaudited)	282,459	686,928	15,514	145,844	–	222,455	66,348	2,022,033	3,441,581	35,116	3,476,697
Balance at 1 January 2010	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 CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended	
	30.6.2010	30.6.2009
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(225,341)**	285,217
Investing activities		
Purchase of property, plant and equipment	**(164,226)**	(78,321)
Increase in bank deposits	**(124,274)**	(35,763)
Prepaid lease payments made	**–**	(1,085)
Proceeds from disposal of property, plant and equipment	**124,411**	18,762
Increase in deposits for acquisition of property, plant and equipment	**(9,709)**	–
Net cash used in investing activities	**(173,798)**	(96,407)
Financing activities		
Bank borrowings raised	**2,316,766**	1,055,761
Bank borrowings repaid	**(2,044,963)**	(1,301,001)
Proceeds from issue of new shares	**26,468**	12
Capital contribution from a non-controlling interest of a subsidiary	**9,280**	–
Net cash from (used in) financing activities	**307,551**	(245,228)
Net decrease in cash and cash equivalents	**(91,588)**	(56,418)
Cash and cash equivalents at 1 January	**1,200,725**	705,037
Effect of foreign exchange rate changes	**2,215**	(4,106)
Cash and cash equivalents at 30 June	**1,111,352**	644,513

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 ("Listing Rules") and with 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

IFRS 3 (Revised 2008) "Business Combinations" and IAS 27 (Revised) "Consolidated and Separate Financial Statements"

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

Amendment to IAS 17 "Leases"

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The adoption of Amendment to IAS 17 "Leases" had no material impact on the condensed consolidated financial statements.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments are equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, the Chief Executive Officer, are organised into three operating segments based on the location of customers – Asia, Europe and America.

Segment information is presented below:

	Six months ended	
	30.6.2010	30.6.2009
	US$'000	*US$'000*
	(unaudited)	(unaudited)
EXTERNAL SALES		
Asia	**1,526,495**	1,433,452
Europe	**945,537**	621,999
America	**757,349**	1,106,296
Total	**3,229,381**	3,161,747
RESULTS		
Asia	**77,047**	114,093
Europe	**31,904**	41,744
America	**14,083**	62,317
	123,034	218,154
Other income, gains and losses	**27,693**	26,645
General and administrative and research and development expenses	**(221,570)**	(210,653)
Impairment loss recognised for goodwill	**(34,445)**	(28,630)
Impairment loss recognised for property, plant and equipment	**(23,538)**	–
Interest expense on bank borrowings	**(2,292)**	(3,720)
Share of profits of associates	**348**	1,117
(Loss) profit before taxation	**(130,770)**	2,913

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	
	30.6.2010	30.6.2009
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax	**8,937**	11,833
Underprovision in prior periods	**1,743**	14,024
	10,680	25,857
Deferred tax *(note 10)*		
– Current period	**4,223**	(4,146)
– Change in tax rate	**(1,217)**	(919)
	13,686	20,792

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

During the six months ended 30 June 2009, the Company's subsidiary, Foxconn Precision Component (Beijing) Co., Ltd. ("Foxconn Beijing"), has previously applied the concessionary tax rate of 18% according to the circular on the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No. 39. Foxconn Beijing received a tax notification (開國稅所通[2009] 271號) on 18 May 2009 from the State Administration of Taxation Union which required Foxconn Beijing to cease applying the concessionary tax rate and apply the standard tax rate of 25% with effect from 1 January 2008. Foxconn Beijing was requested to pay the tax undercharged in 2008 according to Guo Shui Han [2009] No. 203 announced on 22 April 2009. The tax expense undercharged for 2008 of approximately US$18,353,000 (RMB125,367,000) was charged to profit or loss in the period ended 30 June 2009.

During the current period, Foxconn Beijing was awarded the Advanced-Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% with effective from 1 January 2009.

The change in tax rate in current period was mainly arising from the change in tax rate of Foxconn Beijing as mentioned above; and Shenzhen Futaihong Precision Industrial Co., Ltd. and Honxun Electrical Industry (Hangzhou) Co., Ltd. from 20% and 15% respectively to 25%.

5. LOSS FOR THE PERIOD

	Six months ended 30.6.2010 US$'000 (unaudited)	30.6.2009 US$'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):		
Allowance for doubtful debts	**632**	572
Write down of inventories	**6,778**	11,620
Amortisation of prepaid lease payments (included in general and administrative expenses)	**1,486**	1,552
Cost of inventories recognised as expense	**3,129,476**	2,944,566
Provision for warranty	**9,713**	7,535
Depreciation of property, plant and equipment	**142,785**	122,737
Depreciation of investment properties	**979**	–
Impairment loss recognised for available-for-sale investments	**1,519**	2,910
Interest income from bank	**(8,754)**	(6,654)

6. DIVIDEND

No dividend was paid during the six months ended 30 June 2010 (six months ended 30 June 2009: 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 30.6.2010 US$'000 (unaudited)	30.6.2009 US$'000 (unaudited)
Loss		
Loss for the purposes of calculating basic and diluted loss per share	**(142,636)**	(18,700)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**7,130,775,584**	7,061,459,409

The computation of diluted loss per share for six months ended 30 June 2010 and 2009 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 AND INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS

During the period, the Group acquired property, plant and equipment of approximately US$168,820,000 (2009: US$80,932,000).

During the period, the Group disposed of an amount of US$27,660,000 prepaid lease payments at its carrying amount (2009: nil).

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of US$123,076,000 (2009: US$20,463,000) for proceeds of US$124,411,000 (2009: US$18,762,000), resulting in a gain on disposal of US$1,335,000 (2009: a loss of US$1,701,000).

During the period, certain buildings with aggregate carrying amount of US$7,902,000 (2009: US$39,223,000) were transferred from property, plant and equipment to investment properties at net book value.

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. At the end of the reporting period, 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 is determined as its value in use and estimated by reference to the projected discounted cash flows that are expected to generate from property, plant and equipment. Impairment loss of US$23,538,000 (2009: US$10,172,000) has been recognised during the period.

9. GOODWILL

	US$'000
At 1 January 2009	63,075
Impairment loss recognised during the year	(28,630)
At 31 December 2009	34,445
Impairment loss recognised during the period	(34,445)
At 30 June 2010	–

The amount represents goodwill resulted from acquisition of 76.3% (2009: 76.3%) interest in Chi Mei Communication Systems, Inc. ("CMCS") in 2005.

9. GOODWILL *(Continued)*

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 (2009: US$28,630,000). 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.

The basis of calculating the recoverable amount and the principal underlying assumptions are summarised as below:

That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 13.17% (2009: 14.92%). Cash flows beyond the 5-year period has been extrapolated using a steady 2% growth rate (2009: 1%) for further 15 years. The growth rate and the budgeted gross margin are determined based on the unit's past performance and management's expectations for the market development.

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 2009	(5,844)	(3,355)	103	(374)	(5,272)	3,338	(11,404)
Charge (credit) to profit or loss for the period	(1,804)	(430)	(22)	363	602	(2,855)	(4,146)
Effect of change in tax rate	(243)	(327)	–	6	285	(640)	(919)
Exchange adjustments	(5)	(3)	(1)	5	(6)	40	30
At 30 June 2009	(7,896)	(4,115)	80	–	(4,391)	(117)	(16,439)
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)

10. DEFERRED TAXATION *(Continued)*

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:

	30.6.2010 *US$'000* (unaudited)	31.12.2009 *US$'000* (audited)
Deferred tax assets	**(29,062)**	(33,016)
Deferred tax liabilities	**2,603**	3,421
	(26,459)	(29,595)

At 30 June 2010, the Group has unused tax losses of US$560,467,000 (31.12.2009: US$430,873,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$65,806,000 (31.12.2009: US$ 11,411,000) of such losses. No deferred tax asset has been recognised during current period in respect of the unused tax losses of US$494,661,000 (31.12.2009: US$419,462,000) 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 2014.

Under the Law of the People's Republic of China ("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$686,282,000 (31.12.2009: US$ 733,288,000) 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

	30.6.2010 *US$'000* (unaudited)	31.12.2009 *US$'000* (audited)
Trade receivables	**1,262,564**	1,068,898
Other receivables, deposits and prepayments	**410,537**	343,923
	1,673,101	1,412,821

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

The following is an aged analysis of trade receivables at the end of the reporting period:

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**1,245,366**	1,057,062
91-180 days	**7,639**	6,767
181-360 days	**6,037**	3,727
Over 360 days	**3,522**	1,342
	1,262,564	1,068,898

12. TRADE AND OTHER PAYABLES

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**1,128,459**	1,162,781
Accruals and other payables	**327,962**	359,968
	1,456,421	1,522,749

The following is an aged analysis of trade payables at the end of the reporting period:

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**1,101,816**	1,152,835
91-180 days	**17,562**	2,888
181-360 days	**2,367**	1,854
Over 360 days	**6,714**	5,204
	1,128,459	1,162,781

13. BANK BORROWINGS

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Proceeds from bills receivables discounted with recourse	**–**	40,348
Bank loans	**634,504**	322,291
	634,504	362,639
Analysis of bank borrowings by currency:		
USD	**632,657**	322,291
Renminbi	**–**	40,348
Euro	**1,847**	–
	634,504	362,639

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 rate ranging from 0.66% to 1.88% (2009: 0.35% to 1.58%) per annum.

14. PROVISION

	Warranty provision
	US$'000
At 1 January 2009	43,290
Exchange adjustments	(13)
Provision for the year	19,364
Utilisation of provision	(38,701)
Eliminated on disposal of a subsidiary	(407)
At 31 December 2009	23,533
Exchange adjustments	118
Provision for the period	9,713
Utilisation of provision	(7,480)
At 30 June 2010	25,884

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.

15. SHARE CAPITAL

	Number of shares	Amount *US$'000*
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2009, 31 December 2009 and 30 June 2010	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2009	7,061,457,995	282,458
Exercise of share options	12,268,150	491
Issue pursuant to the Share Scheme	26,161,489	1,046
Balance at 31 December 2009	7,099,887,634	283,995
Exercise of share options *(note 18 (a))*	33,901,600	1,356
Issue pursuant to the Share Scheme *(note 18 (c))*	9,435,264	377
Balance at 30 June 2010	7,143,224,498	285,728

16. DEFERRED INCOME

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Government subsidies	**51,246**	52,285
Sale and leaseback transaction	**3,402**	5,058
	54,648	57,343

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

17. COMMITMENTS

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**54,246**	76,526

18. 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 1.1.2010	Granted during period	Exercised during period	Lapsed during period	Expired during period	Outstanding at 30.6.2010
2005	262,431,013	–	(33,901,600)	(2,034,880)	–	226,494,533
2007 A	2,400,000	–	–	–	–	2,400,000
	264,831,013	–	(33,901,600)	(2,034,880)	–	228,894,533

116,379,653 share options are exercisable as at 30 June 2010 (31.12.2009: 150,281,253).

In respect of the share options exercised during the current period, the weighted average share price at the dates of exercise is approximately US$1.23 (equivalent to approximately HK$9.59). The exercise price of the share option was HK$6.06.

The Group recognised total expense of US$2,563,000 (2009: US$1,973,000) for the six months ended 30 June 2010 in relation to the share options granted by the Company.

(b) Cash-settled share-based payments

The Group issued to certain employees share appreciation rights ("SAR") at exercise prices ranging from HK$17.86 to HK$25.65 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. At 30 June 2010, the Group has recorded liabilities of US$182,000 (31.12.2009: US$313,000). The fair value of the SARs is determined using the Black-Scholes pricing model. The Group recorded total expenses of US$9,000 (2009: US$264,000) during the six months ended 30 June 2010 in respect of SARs.

(c) Other share-based payment plan

Pursuant to the approval of the board of directors of the Company ("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 periods. No consideration is payable on the grant of the shares and the shares were subsequently issued on 6 May 2010. No ordinary shares were granted for the period ended 30 June 2009.

The Group has recognised total expense of US$8,893,000 for the current period in relation to free shares granted (2009: US$3,068,000) under the Share Scheme.

19. RELATED PARTY DISCLOSURES

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

	Six months ended	
	30.6.2010	30.6.2009
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Hon Hai:		
Sales of goods	**1,058**	236
Purchase of goods	**9,238**	11,388
Sales of property, plant and equipment	**690**	1,739
Purchase of property, plant and equipment	**309**	144
Subcontracting income	**405**	855
Consolidated services and subcontracting expense	**–**	886
General services income	**1,482**	4,300
General services expense	**917**	–
Subsidiaries of Hon Hai:		
Sales of goods	**28,339**	15,949
Purchase of goods	**120,803**	51,099
Sales of property, plant and equipment	**17,602**	11,572
Purchase of property, plant and equipment	**2,319**	724
Lease income	**27**	31
Lease expense	**1,858**	2,624
Subcontracting income	**7,110**	3,784
Consolidated services and sub-contracting expense	**12,411**	13,739
General services income	**2**	352
General services expense	**18,448**	16,032
Associates of Hon Hai:		
Sales of goods	**1,156**	18,535
Purchase of goods	**67,559**	72,327
Sales of property, plant and equipment	**4,374**	1,603
Purchase of property, plant and equipment	**1,793**	1,555
Lease income	**1,528**	1,356
Lease expense	**716**	543
Subcontracting income	**1,984**	1,424
Consolidated services and subcontracting expense	**158**	3,353
General services income	**1,916**	1,436
General services expense	**6,225**	1,508

19. 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:

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables:		
Hon Hai	**534**	1,788
Subsidiaries of Hon Hai	**38,316**	27,765
Associates of Hon Hai	**11,269**	21,262
	50,119	50,815
Other receivables:		
Hon Hai	**15**	18
Subsidiaries of Hon Hai	**339**	1,407
Associates of Hon Hai	**1,564**	2,134
	1,918	3,559
	52,037	54,374
Trade payables:		
Hon Hai	**5,346**	7,127
Subsidiaries of Hon Hai	**67,835**	56,582
Associates of Hon Hai	**55,499**	61,965
	128,680	125,674
Other payables:		
Hon Hai	**275**	150
Subsidiaries of Hon Hai	**557**	1,910
Associates of Hon Hai	**226**	1,199
	1,058	3,259
	129,738	128,933

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

19. 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	
	30.6.2010	30.6.2009
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Short-term benefits	**1,466**	1,060
Share-based payments	**249**	706
	1,715	1,766

20. APPROVAL

The condensed consolidated financial statements on pages 4 to 25 were approved and authorised for issue by the board of directors of the Company on 30 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

For the six-month period ended 30 June 2010, the Group recorded a 2.12% year-on-year increase in consolidated turnover of US$3,229 million (2009: US$3,162 million). Loss for the period attributable to owners of the Company was US$143 million compare to a loss of US$19 million for the same period last year. Basic earnings per share for the period was a loss of US2 cents.

Global handset environment continues to be difficult during the first six months of 2010. With intensifying market share shifts among global OEM brands, as well as gray market players, the industry remains volatile and challenging for players in the handset supply chain. As the result, the confluence of lower pricing for the Group's products, changes in product mix, higher depreciation expenses and impairment losses affect the operating results of the Group.

With European economic condition remains uncertain, the Group remains cautious over the future handset market growth and global consumer market conditions for 2010. Management team will continue to monitor the resources allocation and cost control for our operation worldwide.

Liquidity and Financial Resources

As at 30 June 2010, the Group had a cash balance of US$1,111 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$635 million over total assets of US$5,744 million, was 11.06%.

Net cash used in operating activities for the six-month period ended 30 June 2010 was US$225 million. Net cash used in investing activities for the six-month period ended 30 June 2010 was US$174 million of which US$164 million was the expenditures on property, plant and equipment related to the facilities in our major sites in PRC, US$124 million increased in bank deposit, US$124 million represented proceeds from disposal of property, plant and equipment and US$10 million was increased in deposits for acquisition of property, plant and equipment.

Net cash from financing activities for the six-month period ended 30 June 2010 was US$308 million, primarily due to net increase in bank loans of US$272 million, proceeds from issue of new shares of US$27 million and capital contribution from a non-controlling interest of a subsidiary of US$9 million.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Exposures to Currency Risk and Related Hedges *(Continued)*

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 2010, the capital commitment of the Group was US$54.2 million (2009: US$76.5 million). Usually, the capital commitment will be funded by cash generated from operations.

Pledge of Assets

A subsidiary of the Company has pledged its corporate assets of approximately US$2.8 million (2009: US$5.8 million) to secure general banking facilities granted to the Group.

Outlook

Looking forward, the macro economic uncertainty continues to cloud transparency. Development of new customers and excelling in the smart phone market remain top priority in our business expansion. With industry consolidation continues, we believe the ability to broaden value-added offerings will be the key to industry players' competitiveness. Our main focus areas will be on cost control, resources consolidation and new customer business development.

Employees

As at 30 June 2010, the Group had a total of 112,549 (2009: 118,702) employees. Total staff costs incurred during the period of six months ended 30 June 2010 amounted to US$243 million (2009: US$234 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. Lu Fang Ming retired as a non-executive director of the Company with effect from 8 June 2010. Mr. Lee Jer Sheng was appointed as an executive director of the Company with effect from 8 June 2010.

Mr. Lau Siu Ki resigned as an independent non-executive director of Greenfield Chemical Holdings Limited and Proview International Holdings Limited with effect from 11 June 2010 and 24 August 2010 respectively.

The director's fee payable to the independent non-executive directors of the Company was changed to HK$210,000 per annum with effect from 1 May 2010.

OTHER INFORMATION *(Continued)*

Disclosure of Interests

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

As at 30 June 2010, 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 ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("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 ("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	13,749,475	0.1925%
	Hon Hai	Personal Interest	642,493	0.0075%
CHIH Yu Yang	Company	Personal Interest	2,659,610	0.0372%
	Hon Hai	Personal Interest	531	0.000006%
LEE Jer Sheng *(note 1)*	Company	Personal Interest	3,173,120	0.0444%
		Jointly held Interest	100,000	0.0014%
CHANG Ban Ja, Jimmy	Hon Hai	Personal Interest	2,549,743	0.0297%
LEE Jin Ming *(note 2)*	Hon Hai	Personal Interest	849,711	0.0099%
		Through a trust	1,396,000	0.0163%

Notes:

1. 3,173,120 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. 1,396,000 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 1,396,000 shares which are held by the trust for the purposes of the SFO.

OTHER INFORMATION *(Continued)*

Disclosure of Interests *(Continued)*

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

Save as disclosed above, none of the directors or the chief executives of the Company had, as at 30 June 2010, 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.

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 2010, 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	71.13%
Hon Hai *(note)*	Interest of a controlled corporation	5,081,034,525	71.13%

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.

OTHER INFORMATION *(Continued)*

Disclosure of Interests *(Continued)*

Substantial Shareholder's Interests and Short Positions in Shares and Underlying Shares (Continued)

Save as disclosed above, as at 30 June 2010, 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 2010 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	259,406,279	–	–	each year on 25 July from 2006 to 2011	HK$6.06	33,901,600	2,034,880	–	–	223,469,799
Employees	2,400,000	–	–	each year on 16 July from 2008 to 2013	HK$20.63	–	–	–	–	2,400,000
	264,831,013		–			33,901,600	2,034,880	–	–	228,894,533

SHARE OPTION SCHEME *(Continued)*

Apart from the share option scheme above and the share scheme, at no time during the period of six months ended 30 June 2010 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 2010.

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 2010.

RESERVES

Movements in reserves of the Group during the period of six months ended 30 June 2010 are set out on page 8.

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 ("CCGP"). Its primary duties are to review and supervise 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 2010.

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 standard set out in the Model Code throughout the period of six months ended 30 June 2010.

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 2010 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 world economic outlook and handset industry's fundamental changes, the Board considers that experienced leadership is a must. 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 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, 30 August 2010