Interim Report 2008

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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)
DAI Feng Shuh
(Chief Operating Officer)

NON-EXECUTIVE DIRECTORS
CHANG Ban Ja, Jimmy
GOU Hsiao Ling
LEE Jin Ming
LU Fang Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS
LAU Siu Ki
MAO Yu Lang
Daniel Joseph MEHAN

COMPANY SECRETARY
TANG Wan Mui

REGISTERED OFFICE
Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman, Cayman Islands

HEAD OFFICE
2, 2nd Donghuan Road
10th Yousong Industrial District
Longhua, Baoan
Shenzhen City, Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
8/F., Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

AUDITORS
Deloitte Touche Tohmatsu

LEGAL ADVISOR
Norton Rose Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of America, N.A.
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.
Standard Chartered Bank
Taipei Fubon Bank
Taishin International Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE
2038

Deloitte.
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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 balance sheet of Foxconn International Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors 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 enquiries, 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, 27 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended	
		30.6.2008	30.6.2007
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**4,789,940**	4,590,582
Cost of sales		**(4,469,820)**	(4,153,145)
Gross profit		**320,120**	437,437
Other income		**130,878**	47,909
Selling expenses		**(9,772)**	(7,675)
General and administrative expenses		**(161,646)**	(98,748)
Research and development expenses		**(82,977)**	(32,788)
Interest expense on bank loans		**(18,661)**	(10,493)
Share of profits of associates		**801**	–
Profit before tax	*4*	**178,743**	335,642
Income tax expense	*5*	**(35,940)**	(11,096)
Profit for the period		**142,803**	324,546
Attributable to:			
Equity holders of the Company		**142,192**	323,988
Minority interests		**611**	558
		142,803	324,546
Earnings per share	*7*		
Basic		**US2.02 cents**	US4.62 cents
Diluted		**US1.98 cents**	US4.45 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30.6.2008 US$'000 (unaudited)	31.12.2007 US$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**1,991,045**	1,712,759
Prepaid lease payments		**157,479**	121,873
Available-for-sale investments		**14,077**	28,027
Interests in associates	9	**47,431**	–
Goodwill		**63,075**	63,075
Deferred tax assets	10	**18,976**	22,095
Deposits for acquisition of property, plant and equipment		**49,553**	19,107
Deposits for prepaid lease payments		**22,411**	27,552
		2,364,047	1,994,488
Current assets			
Inventories		**929,466**	856,388
Investments held for trading		**28,825**	2,229
Trade and other receivables	11	**1,758,582**	2,311,446
Restricted bank balances	12	**210,561**	–
Bank deposits		**389,209**	286,548
Bank balances and cash		**1,064,559**	1,255,117
		4,381,202	4,711,728
Current liabilities			
Trade and other payables	13	**1,888,139**	2,215,755
Bank loans	14	**1,026,088**	978,027
Provision	15	**67,719**	77,961
Tax payable		**66,884**	66,555
		3,048,830	3,338,298

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AT 30 JUNE 2008

	NOTES	30.6.2008 US$'000 (unaudited)	31.12.2007 US$'000 (audited)
Net current assets		**1,332,372**	1,373,430
Total assets less current liabilities		**3,696,419**	3,367,918
Capital and reserves			
Share capital	16	**282,400**	282,098
Reserves		**3,334,200**	3,026,894
Equity attributable to equity holders of the Company		**3,616,600**	3,308,992
Minority interests		**35,276**	16,177
Total equity		**3,651,876**	3,325,169
Non-current liabilities			
Deferred tax liabilities	10	**633**	208
Deferred income	17	**43,910**	42,541
		44,543	42,749
		3,696,419	3,367,918

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company										
	Share capital *US$'000* (unaudited)	**Share premium** *US$'000* (unaudited)	**Special reserve** *US$'000* (unaudited)	**Legal reserve** *US$'000* (unaudited) *(Note)*	**Revaluation reserve** *US$'000* (unaudited)	**Translation reserve** *US$'000* (unaudited)	**Share compensation reserve** *US$'000* (unaudited)	**Retained profits** *US$'000* (unaudited)	**Total** *US$'000* (unaudited)	**Minority interests** *US$'000* (unaudited)	**Total equity** *US$'000* (unaudited)
Balance at 1 January 2007	279,598	606,509	15,514	104,722	-	75,548	64,030	1,223,061	2,368,982	12,020	2,381,002
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	53,230	-	-	53,230	(42)	53,188
Profit for the period	-	-	-	-	-	-	-	323,988	323,988	558	324,546
Total recognised income for the period	-	-	-	-	-	53,230	-	323,988	377,218	516	377,734
Shares issued at premium	1,086	38,000	-	-	-	-	(22,472)	-	16,614	-	16,614
Profit appropriations	-	-	-	27,788	-	-	-	(27,788)	-	-	-
Recognition of equity-settled share based payment	-	-	-	-	-	-	12,260	-	12,260	-	12,260
Balance at 30 June 2007	280,684	644,509	15,514	132,510	-	128,778	53,818	1,519,261	2,775,074	12,536	2,787,610
Balance at 1 January 2008	282,098	678,482	15,514	145,534	22,632	205,840	55,219	1,903,673	3,308,992	16,177	3,325,169
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	163,311	-	-	163,311	1,148	164,459
Loss on fair value changes of available-for-sale investments	-	-	-	-	(13,988)	-	-	-	(13,988)	-	(13,988)
Net income (expenses) recognised directly in equity	-	-	-	-	(13,988)	163,311	-	-	149,323	1,148	150,471
Profit for the period	-	-	-	-	-	-	-	142,192	142,192	611	142,803
Total recognised income for the period	-	-	-	-	(13,988)	163,311	-	142,192	291,515	1,759	293,274
Shares issued at premium	302	7,031	-	-	-	-	(1,467)	-	5,866	-	5,866
Profit appropriations	-	-	-	336	-	-	-	(336)	-	-	-
Recognition of equity-settled share based payment	-	-	-	-	-	-	41,810	-	41,810	-	41,810
Payment made for equity-settled share based payment (note 19(c))	-	-	-	-	-	-	(31,583)	-	(31,583)	-	(31,583)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(1,168)	(1,168)
Investment from minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	18,508	18,508
Balance at 30 June 2008	282,400	685,513	15,514	145,870	8,644	369,151	63,979	2,045,529	3,616,000	35,276	3,651,876

Note: The Group's legal reserve represents statutory reserve attributable to the Company's subsidiaries in the People's Republic of China ("PRC") and Taiwan. As required by the laws in the PRC and Taiwan, appropriations are made from the profit of these subsidiaries to the legal reserve until the balance reaches 50% of the registered capital of the subsidiaries. This reserve can only be used to make up losses incurred or to increase capital.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**391,589**	410,670
Net cash used in investing activities		
Purchase of property, plant and equipment	**(294,441)**	(326,683)
Increase in bank deposits and restricted bank balances	**(288,320)**	(332,209)
Investments in associates	**(47,463)**	–
(Increase) decrease in deposits for acquisition of property, plant and equipment	**(29,188)**	9,914
Increase in deposits for prepaid lease payments	**(21,456)**	–
Prepaid lease payments made	**(366)**	(8,398)
Proceeds from disposal of property, plant and equipment	**2,851**	31,340
Proceeds from government subsidies	**241**	–
	(678,142)	(626,036)
Net cash from financing activities		
Proceeds from issue of new shares	**5,866**	16,614
Bank loans raised	**2,370,285**	723,022
Bank loans repaid	**(2,361,894)**	(147,875)
Investment form minority shareholder of a subsidiary	**18,508**	–
	32,765	591,761
Net (decrease) increase in cash and cash equivalents	**(253,788)**	376,395
Cash and cash equivalents at 1 January	**1,255,117**	633,090
Effect of foreign exchange rate changes	**63,230**	15,107
Cash and cash equivalents at 30 June	**1,064,559**	1,024,592

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's parent is Foxconn (Far East) Limited (incorporated in the Cayman Islands) and its ultimate holding company is Hon Hai Precision Industry Company Limited ("Hon Hai"), a company incorporated in Taiwan and its shares are listed on the Taiwan Stock Exchange.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the provision of vertically integrated manufacturing services for handset industry worldwide. The Group provides a full range of manufacturing services to its customers in connection with the production of handsets.

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 and with International Accounting Standard 34 *Interim Financial Reporting.*

The condensed consolidated financial statements are presented in United States Dollars ("US$") which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2007 except as described below.

In the current interim period, the Group has applied, for the first time, new interpretations ("New Interpretations") issued by the International Accounting Standards Board (the "IASB"), which are effective for the Group's financial year beginning on 1 January 2008. The adoption of these New Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

In addition, the Group acquired two associates during the period for which the details are disclosed in note 9 to the condensed consolidated financial statements. The accounting policy for the investments in associates are summarised as below:

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SEGMENT INFORMATION

The Group's turnover and results are entirely derived from the manufacture and trading of handsets. The directors consider that these activities constitute one business segment since these activities are related and are subject to common risks and returns.

Segment information regarding the Group's sales and results by geographical market, irrespective of the origin of the goods/services, is presented below.

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
EXTERNAL SALES		
Asia	**2,152,308**	2,832,963
Europe	**1,261,557**	765,387
America	**1,376,075**	992,232
Total	**4,789,940**	4,590,582
RESULTS		
Asia	**161,362**	268,567
Europe	**91,662**	69,905
America	**80,046**	91,290
	333,070	429,762
Unallocated income	**108,156**	47,909
Unallocated expenses	**(244,623)**	(131,536)
Unallocated interest expense on bank loans	**(18,661)**	(10,493)
Unallocated share of profits of associates	**801**	–
Profit before tax	**178,743**	335,642
Income tax expense	**(35,940)**	(11,096)
Profit for the period	**142,803**	324,546

4. PROFIT BEFORE TAX

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Allowance (write back) for doubtful debts	**2,111**	(655)
(Write back) write down of inventories	**(5,994)**	9,106
Amortisation of prepaid lease payments (included in general and administrative expenses)	**1,338**	847
Cost of inventories recognised as expense	**4,456,496**	4,111,891
Provision for warranty	**13,324**	32,148
Depreciation of property, plant and equipment	**111,318**	77,430
Decrease in fair value of investments held for trading	**2**	484
Interest income from bank	**(17,390)**	(9,383)

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax	**31,970**	18,957
Overprovision in prior periods	**(901)**	(299)
	31,069	18,658
Deferred tax *(note 10)*	**4,871**	(7,562)
	35,940	11,096

5. INCOME TAX EXPENSE *(Continued)*

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. The New Law imposes a single income tax rate of 25% for both domestic and foreign invested enterprises from 1 January 2008. On 28 December 2007, the State Council issued the circular on the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No.39 which became effective from 1 January 2008. According to the circular, from 1 January 2008, the enterprises that originally enjoy the preferential treatment of regular tax reduction and exemption such as "exemption from income tax in the first two profit-making years and a fifty percent reduction in the ensuing three years" may, after the enforcement of the New Law, enjoy the original preferential treatment in accordance with the preferential measures and term stipulated by the original tax law, administrative regulations and relevant documents until after the expiration of the entitlement period. The Company's subsidiaries in PRC applied tax rates under the existing tax laws to provide for current tax. The deferred tax balances as at the balance sheet dates has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

5. INCOME TAX EXPENSE *(Continued)*

The taxation for the period can be reconciled to the profit before tax per the income statement as follows:

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit before tax	**178,743**	335,642
Tax at the PRC income tax rate of 18% (2007:15%) for the period	**32,174**	50,346
Tax effect of share of profit of associates	**(144)**	–
Effect of different tax rates of subsidiaries	**459**	363
Effect of income taxed at concessionary rate	**(12,138)**	(33,863)
Tax effect of expenses not deductible for tax purpose	**11,796**	6,836
Tax effect of income not taxable for tax purpose	**(838)**	(1,796)
Tax effect of tax losses not recognised	**24,344**	1,830
Tax refund for reinvestment in PRC subsidiaries	**(11,409)**	(3,113)
Tax effect of income tax credits granted to PRC subsidiaries on acquisition of certain qualified equipment *(note)*	**(7,403)**	(9,208)
Overprovision in prior periods	**(901)**	(299)
Tax expense for the period	**35,940**	11,096

Note: Pursuant to the relevant tax rules and regulations, PRC subsidiaries of the Company can claim PRC income tax credits amounting to 40% of the acquisition cost of certain qualified equipment manufactured in the PRC. Such PRC income tax credits are allowed as deduction from current income tax expenses when relevant conditions are fulfilled and tax approval is obtained from the tax bureau.

6. DIVIDEND

No dividend was paid during the six months ended 30 June 2008. The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity holders of the Company for the period of US$142,192,000 (2007: US$323,988,000) and the weighted average number of 7,056,186,749 (2007: 7,006,958,845) shares in issue during the period.

The calculation of the diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to equity holders of the Company)	**142,192**	323,988
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**7,056,186,749**	7,006,958,845
Effect of dilutive potential ordinary shares:		
Share options	**143,151,305**	273,075,255
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**7,199,338,054**	7,280,034,100

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately US$294,441,000 (2007: US$326,683,000).

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of US$4,355,000 (2007: US$20,105,000) for proceeds of US$2,851,000 (2007: US$31,340,000), resulting in a loss on disposal of US$1,504,000 (2007: profit on disposal of US$11,235,000 of which US$9,801,000 was carried as deferred income as explained below).

In May 2007, the Group entered into a sale and leaseback agreement for its building for the proceeds of US$24,202,000. The leaseback is classified as an operating lease with a term of 5 years. An amount of US$9,801,000, representing the excess of the sale price over fair value of the building, is deferred and amortised over the period for which the building is expected to be used (note 17).

9. INTERESTS IN ASSOCIATES

On 27 February 2008, the Group subscribed for 74,999 new ordinary shares in Diabell Co., Ltd. ("Diabell"), a limited company established in the Republic of Korea, at a cash consideration equivalent to approximately US$12,849,000 in aggregrate. The Group held 19.998% equity interest in Diabell as at 30 June 2008 pursuant to the subscription.

On 5 March 2008, the Group also entered into an agreement to subscribe for 14,893,000 new ordinary shares in Ways Technical Corp., Ltd., a limited company established in Taiwan and its shares are traded on the Taiwan OTC Market, at a total consideration of approximately US$34,614,000. The Group held 24% equity in Ways Technical Corp., Ltd. as at 30 June 2008 pursuant to the subscription.

10. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets 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 2007	(4,516)	(7,512)	1,909	(2,529)	–	(1,249)	(13,897)
Charge (credit) to income for the period	(1,534)	(1,258)	(1,051)	(1,595)	(2,516)	392	(7,562)
Exchange differences	(10)	(17)	3	(88)	(32)	2	(142)
At 30 June 2007	(6,060)	(8,787)	861	(4,212)	(2,548)	(855)	(21,601)
At 1 January 2008	(4,856)	(6,520)	121	(2,556)	(5,517)	(2,559)	(21,887)
Charge (credit) to income for the period	619	3,019	5	(250)	536	942	4,871
Exchange differences	(296)	(347)	11	(183)	(379)	(133)	(1,327)
At 30 June 2008	(4,533)	(3,848)	137	(2,989)	(5,360)	(1,750)	(18,343)

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Deferred tax assets	**(18,976)**	(22,095)
Deferred tax liabilities	**633**	208
	(18,343)	(21,887)

10. DEFERRED TAXATION *(Continued)*

At 30 June 2008, the Group has unused tax losses of US$173,189,000 (31.12.2007: US$36,194,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$11,956,000 (31.12.2007: US$10,208,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$161,233,000 (31.12.2007: US$25,986,000) 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 2013.

By reference to financial budgets, management believes that there will be sufficient future profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. TRADE AND OTHER RECEIVABLES

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**1,465,446**	2,062,805
Other receivables, deposits and prepayments	**293,136**	248,641
	1,758,582	2,311,446

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 balance sheet date:

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**1,445,830**	2,038,851
91-180 days	**13,507**	21,066
181-360 days	**4,988**	2,138
Over 360 days	**1,121**	750
	1,465,446	2,062,805

12. RESTRICTED BANK BALANCES

As at 30 June 2008, an aggregate amount of restricted bank balances of approximately US$210,561,000 has been placed in designated banks as part of the customs requirements for certain subsidiaries in the PRC.

13. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**1,498,300**	1,823,510
Accruals and other payables	**389,839**	392,245
	1,888,139	2,215,755

The following is an aged analysis of trade payables at the balance sheet date:

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**1,473,091**	1,796,333
91-180 days	**11,154**	19,244
181-360 days	**6,885**	3,542
Over 360 days	**7,170**	4,391
	1,498,300	1,823,510

14. BANK LOANS

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Analysis of borrowings by currency		
US$	**868,125**	801,305
RMB	**119,502**	176,722
HK$	**38,461**	–
	1,026,088	978,027

The loans as at the balance sheet dates are unsecured, obtained with original maturity of one year or less than one year and carry interest rate ranging from 1.82% to 6.72% (2007: 5.27% to 5.6%) per annum.

15. PROVISION

	Warranty provision
	US$'000
At 1 January 2007	58,212
Exchange adjustments	4,049
Provision in the year	82,344
Utilisation of provision	(66,644)
At 31 December 2007	77,961
Exchange adjustments	4,805
Provision in the period	13,324
Utilisation of provision	(28,371)
At 30 June 2008	67,719

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 31 December 2007 and 30 June 2008	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2007	6,989,955,545	279,598
Exercise of share options	56,253,470	2,250
Issued pursuant to a share scheme	6,250,235	250
Balance at 31 December 2007	7,052,459,250	282,098
Exercise of share options	7,542,745	302
Balance at 30 June 2008	7,060,001,995	282,400

17. DEFERRED INCOME

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Government subsidies	**34,783**	32,985
Sale and leaseback transaction *(note 8)*	**9,127**	9,556
	43,910	42,541

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

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**248,569**	207,993

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 1/1/2008	Granted during period	Exercised during period	Lapsed during period	Expired during period	Outstanding at 30/6/2008
2005	332,375,767	–	(7,542,745)	(2,016,530)	–	332,816,492
2007 A	2,400,000	–	–	–	–	2,400,000
2007 B	300,000	–	–	(300,000)	–	–
	335,075,767	–	(7,542,745)	(2,316,530)	–	325,216,492

51,793,432 share options are exercisable as at 30 June 2008 (31.12.2007: 59,349,607).

In respect of the share options exercised during the current period, the weighted average share price at the dates of exercise is approximately US$1.53 (approximately equivalent to HK$11.93).

The Group recognised total expense of US$9,172,000 (2007: US$10,760,000) for the six months ended 30 June 2008 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$10.56 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. At 30 June 2008, the Group has recorded liabilities of US$1,532,000 (31.12.2007: US$2,641,000). The fair value of the SARs is determined using the Black-Scholes pricing model. The Group recorded total expenses of US$160,000 (2007: US$1,555,000) during the six months ended 30 June 2008 in respect of SARs.

(c) Other share-based payment plan

The Group has recognised total expense of US$32,638,000 for the current period in relation to free shares granted (2007: US$1,500,000).

Pursuant to the approval of the board of directors of the Company ("Board") on 28 December 2007, the Company offered 20,459,322 ordinary shares to certain employees pursuant to a share scheme, of which 97,244 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods ranging from one to three years from the grant date. During the six months period ended 30 June 2008, the Group incurred approximately US$31,583,000 for satisfying the offer through purchasing ordinary shares from stock market. These shares are held by an independent trustee on behalf of the employees.

20. RELATED PARTY DISCLOSURES

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

	Six months ended	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Hon Hai:		
Sales of goods	**1,474**	5,174
Purchase of goods	**24,214**	114,487
Purchase of property, plant and equipment	**2,728**	64
Sub-contracting income	**787**	193
Sub-contracting expense	**158**	240
General services income	**2,364**	–
General services expense	**7**	183
Subsidiaries and associates of Hon Hai:		
Sales of goods	**12,193**	116,937
Purchase of goods	**261,980**	265,570
Purchase of property, plant and equipment	**4,111**	1,344
Sales of property, plant and equipment	**1,491**	2,820
Lease expense	**3,855**	3,958
Sub-contracting income	**5,278**	3,839
Sub-contracting expense	**20,666**	15,299
General services income	**901**	–
General services expense	**19,756**	28,072

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

In addition to the above, Shenzhen Futaihong Precision Industrial Co., Ltd. ("FTH", a wholly-owned subsidiary of the Company), Hong Fu Jin Precision Industry (Shen Zhen) Co., Ltd. ("HFJ", a wholly-owned subsidiary of Hon Hai) and Shenzhen Futaihong Guang Ming Property Co., Ltd. ("GM Property", a wholly-owned subsidiary of FTH) entered into an agreement on 23 April 2008, pursuant to which (i) FTH has agreed to subscribe for newly-issued equity interests in GM Property by vesting in GM Property land use right valued at approximately RMB444,852,000 (approximately US$63,366,000) as of 26 March 2008, and (ii) HFJ has agreed to subscribe for newly-issued equity interests in GM Property by cash of RMB190,000,000 (approximately US$27,689,000). Upon completion of the transaction, GM Property shall be owned as to 70.12% by FTH and 29.88% by HFJ. As at 30 June 2008, the land use right has yet to be contributed by FTH, and HFJ has paid RMB127,000,000 (approximately US$18,508,000) and the remaining RMB63,000,000 (approximately US$9,181,000) shall be subscribed for on or before 12 May 2010 pursuant to the agreement.

(b) At the balance sheet date, the Group had the following balances due from/to related parties included in:

	30.6.2008 US$'000 (unaudited)	31.12.2007 US$'000 (audited)
Trade receivables:		
Hon Hai	**4,611**	2,374
Subsidiaries and associates of Hon Hai	**9,850**	46,118
	14,461	48,492
Other receivables:		
Hon Hai	**6**	2,500
Subsidiaries and associates of Hon Hai	**385**	604
	391	3,104
	14,852	51,596

20. RELATED PARTY DISCLOSURES *(Continued)*

(b) *(Continued)*

	30.6.2008	31.12.2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables:		
Hon Hai	**13,551**	24,093
Subsidiaries and associates of Hon Hai	**165,513**	289,613
	179,064	313,706
Other payables:		
Hon Hai	**80**	98
Subsidiaries and associates of Hon Hai	**4,855**	9,254
	4,935	9,352
	183,999	323,058

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

(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	
	30.6.2008	30.6.2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Short-term benefits	**1,787**	1,787
Share-based payments	**1,556**	2,021
	3,343	3,808

21. APPROVAL

The condensed consolidated financial statements on pages 4 to 25 were approved and authorised for issue by the Board on 27 August 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

For the six-month period ended 30 June 2008, the Group recorded a 4.34% year-on-year increase in consolidated turnover of US$4,790 million (2007: US$4,591 million). Profit for the period attributable to equity holder of the Company was US$142 million representing a 56% decrease over the US$324 million profit for the same period last year. Basic earnings per share for the period was US2.02 cents.

Global handset industry has endured challenging environment during the first six months of 2008. On top of the continual market share shifts among global OEM brands witnessed since 2007, the industry also faced raw material inflation, environmental regulation tightening, China labor cost changes and global markets uncertainties resulting from Sub-prime crisis. The volatile market conditions and changing operating environment has created challenges for all players in the handset supply chain. Thanks to our ability to further diversify our customer base and enhance the value-added services to our customers, we managed to maintain sales revenue intact despite market volatility.

Amid all external difficulties, our on-going research and development capability expansion continued in order to address customers' increasing needs for ODM and JDVM and JDSM partnership for technology-converging products such as smart phones. We continued to expand aggressively our design centers in Taipei, Beijing, Nanjing and Seoul, aiming at significantly increase in their capacity to support customers. We also dramatically increased engineering resources in software, testing and smart phone design. All such investments will enhance our competitiveness and total solutions to customers over the longer-term, despite short-term increase in related research and development expenses. Our customers have also shown their consistent interest in working with us on the joint design and ODM projects, which we also saw good business momentum.

Our vertically integrated capabilities and global footprint remained key for our customers to move to more outsourcing and allowing us to take an integral part in their supply chain and assembly operations. We continue to believe that we would see more system assembly businesses in the future, changing our product and service mix. This has been the trend in recent years since we transformed ourselves from a pure component supplier to a total solution provider.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Results and Operations *(Continued)*

In 2008, the global handset market and global economy could remain volatile. To further extend our cost advantage in Mainland China, we continue to spear ahead of our transition to lower-cost inland provinces which will allow us to operate with lower labor cost and effective tax rate due to the tax incentives there. We believe that given our unique value proposition to our customers and our scale and strengths, we are still the partner of choice for our customers with regard to wireless terminal manufacturing services.

Liquidity and Financial Resources

As at 30 June 2008, we had a cash balance of US$1,065 million. The cash balance is expected to finance our working capital and capital expenditure plans in light of our continuous sales growth. Our gearing ratio, expressed as a percentage of interest bearing external borrowings of US$1,026 million over total assets of US$6,745 million, was 15.21%.

Net cash generated from operating activities for the six-month period ended 30 June 2008 was US$392 million.

Net cash used in investing activities for the six-month period ended 30 June 2008 was US$678 million of which US$294 million was the expenditures on property, plant and equipment related to the facilities in our major sites in China, India etc., US$288 million increased in bank deposit and US$47 million represented investments in two associates.

Net cash from financing activities for the six-month period ended 30 June 2008 was US$33 million, primarily due to net increase in bank loans of US$8 million, proceeds of US$6 million from the issue of shares upon the exercise of share options, US$19 million from investment from minority shareholder of Shenzhen Futaihong Guang Ming Property Co., Ltd., a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 (less than 3 months) to hedge the currency risk resulting from its short-term bank loans (usually with tenors less than 3 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 2008, the capital commitment of the Group was US$248.57 million (2007: US$207.99 million). Usually, the capital commitment will be funded by profits generated from operations.

Pledge of Assets

A subsidiary of the Company has pledged its corporate assets of approximately US$6.3 million (2007: US$5.9 million) to secure general banking facilities granted to the Group.

Significant Investments

During this period, we continue to invest in key sites in Asia and other regions to enhance our capabilities and capacities to serve our customers. These investments were instrumental in further enhancing our working partnerships with our key customers. We expect to continue such investments in the second half of 2008 albeit with greater caution amid volatile markets.

We also continue to see selective strategic investments a valid way to expand our capabilities; our investment in the Taiwan based decorative coating expert is yet another perfect example – Ways Technical Corp., Ltd. has not only brought in the consumer much coveted surface treatment, but also enabled our growing presence and relationship in smart handheld device space.

Outlook

Looking forward, the macro uncertainty resulting from the Sub-prime crisis continues to cloud transparency. Therefore, we will continue to further strengthen our partnerships with existing customers as well as diversifying our customer base. With this vision in mind, we will continue to expand our lower cost manufacturing bases in Langfang and Taiyuan in Mainland China as well as in India and, in the future, Vietnam. We will also continue to invest in research and development, engineering resources and new process technologies to further expand our leadership in fulfilling our customers' strategic needs. We remain optimistic in further market share growing opportunity for 2008 and beyond.

Employees

As at 30 June 2008, the Group had a total of 113,872 (2007: 123,917) employees. Total staff costs incurred during the period of six months ended 30 June 2008 amounted to US$301 million (2007: US$247 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

OTHER INFORMATION

Disclosure of Interests

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

As at 30 June 2008, 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	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporations
CHIN Wai Leung, Samuel	Company	Personal Interest	13,749,475	0.195%
	Hon Hai	Personal Interest	485,818	0.008%
DAI Feng Shuh	Company	Personal Interest	21,898,275	0.310%
	Hon Hai	Personal Interest	303,043	0.005%
CHANG Ban Ja, Jimmy	Hon Hai	Personal Interest	3,282,122	0.052%
LEE Jin Ming	Hon Hai	Personal Interest	1,191,952	0.019%
LU Fang Ming *(note)*	Hon Hai	Personal Interest	970,058	0.015%
		Family Interest	700,000	0.011%
		Through a trust	500,000	0.008%
MAO Yu Lang	Hon Hai	Personal Interest	844,253	0.013%

OTHER INFORMATION *(Continued)*

Disclosure of Interests *(Continued)*

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

Note: 700,000 shares are beneficially owned by Ms. Chen Hui Ling, the spouse of Mr. Lu Fang Ming, and his child under the age of eighteen. 500,000 shares are held by a trust of which Mr. Lu Fang Ming is the beneficiary. Accordingly, Mr. Lu Fang Ming is deemed to be interested in 700,000 shares which are beneficially owned by Ms. Chen Hui Ling and his child and 500,000 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 2008, any interests or short positions in the shares, underlying shares and 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 Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 30 June 2008, shareholders (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:

OTHER INFORMATION *(Continued)*

Disclosure of Interests *(Continued)*

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

Name	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	71.97%
Hon Hai *(note)*	Interest of a controlled corporation	5,081,034,525	71.97%

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 2008, 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 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.

SHARE OPTION SCHEME

Movements of the share options granted under the share option scheme during the period of six months ended 30 June 2008 are as follows:

Outstanding at beginning of the period of six months ended 30 June 2008	Date of grant	Granted during the period of six months ended 30 June 2008	Vesting period	Exercise price	Exercise during the period of six months ended 30 June 2008	Lapsed during the period of six months ended 30 June 2008	Cancelled during the period of six months ended 30 June 2008	Expired during the period of six months ended 30 June 2008	Outstanding at the end of the period of six months ended 30 June 2008
332,375,767	–	–	each year on 25 July from 2006 to 2011	HK$6.06	7,542,745	2,016,530	–	–	322,816,492
2,400,000	–	–	each year on 16 July from 2008 to 2013	HK$20.63	–	–	–	–	2,400,000
300,000	–	–	each year on 7 September from 2008 to 2010	HK$20.63	–	300,000	–	–	–
335,075,767		–			7,542,745	2,316,530	–	–	325,216,492

Apart from the share option scheme above and the share scheme, at no time during the period of six months ended 30 June 2008 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

No dividend was paid during the period of six months ended 30 June 2008. The directors do not recommend the payment of an interim dividend for the period.

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 2008.

MOVEMENT OF RESERVE

During the period of six months ended 30 June 2008, US$336,000 of the reserve transferred from the retained profits.

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 Company's financial reporting process and internal controls 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.

The audit committee has reviewed the unaudited interim results of the Group and the interim report for the period of six months ended 30 June 2008.

Further, the interim results for the period of six months ended 30 June 2008 are unaudited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors and all the directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

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 2008 except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separate 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 separate and should not be performed by the same individual. Mr. Chin Wai Leung, Samuel currently holds both positions in the Company. In light of challenges from new players brought by the 3C convergence trend, the economic uncertainties resulted from the Sub-prime crisis, the consolidation of market share amongst OEM customers and taking into account the importance of the continuation in implementation of business plan and formulation of business strategies such as footprint transition and significant investments in software, testing and smart phone engineering, the Board considers that the present arrangement for Mr. Chin, the chairman, to hold the office of chief executive officer of the Company is beneficial to and in the interests of the Company and its shareholders as a whole. 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.

DISCLOSURE OF INFORMATION ON WEBSITES

The 2008 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company respectively in due course.

By Order of the Board
Chin Wai Leung, Samuel
Chairman and Chief Executive Officer

Hong Kong, 27 August 2008