Interim Report 2007

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)

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
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(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
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MAO Yu Lang
Daniel Joseph MEHAN

COMPANY SECRETARY
TANG Wan Mui

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Deloitte Touche Tohmatsu

LEGAL ADVISOR
Norton Rose

PRINCIPAL BANKERS
ABN AMRO Bank N.V.
Agricultural Bank of China
Bank of America, N.A.
Bank of China
China Construction Bank
Chinatrust Commercial Bank
Citibank N.A.
DBS Bank Ltd
Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Standard Chartered Bank
Taipei Fubon Bank
Taishin International Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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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 2007 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, 11 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended	
		30.6.2007	30.6.2006
		US$'000	US$'000
	NOTES	**(unaudited)**	(unaudited)
Turnover	3	**4,590,582**	4,377,930
Cost of sales		**(4,153,145)**	(3,936,093)
Gross profit		**437,437**	441,837
Other income		**47,909**	21,426
Selling expenses		**(7,675)**	(10,766)
General and administrative expenses		**(98,748)**	(68,515)
Research and development expenses		**(32,788)**	(30,568)
Interest expense on bank loans		**(10,493)**	(8,092)
Restructuring costs	4	**–**	(7,881)
Profit before tax	5	**335,642**	337,441
Income tax expense	6	**(11,096)**	(37,183)
Profit for the period		**324,546**	300,258
Attributable to:			
Equity holders of the parent		**323,988**	301,692
Minority interests		**558**	(1,434)
		324,546	300,258
Earnings per share	8		
Basic		**US4.62 cents**	US4.34 cents
Diluted		**US4.45 cents**	US4.20 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	30.6.2007 US$'000 (unaudited)	31.12.2006 US$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**1,263,002**	1,003,904
Prepaid lease payments		**113,508**	102,817
Goodwill		**63,075**	63,075
Available-for-sale investments		**1,008**	1,010
Deferred tax assets	10	**22,925**	15,806
Deposits for acquisition of property, plant and equipment		**19,406**	28,716
		1,482,924	1,215,328
Current assets			
Inventories		**898,050**	744,198
Investments held for trading		**81**	565
Trade and other receivables	11	**1,471,796**	1,877,660
Bank deposits		**364,680**	31,567
Cash and cash equivalents		**1,024,592**	633,090
		3,759,199	3,287,080
Current liabilities			
Trade and other payables	12	**1,569,519**	1,862,729
Bank loans	13	**725,707**	139,563
Provision	14	**66,798**	58,212
Tax payable		**58,529**	54,952
		2,420,553	2,115,456
Net current assets		**1,338,646**	1,171,624
		2,821,570	2,386,952

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AT 30 JUNE 2007

	NOTES	**30.6.2007 US$'000 (unaudited)**	31.12.2006 US$'000 (audited)
Capital and reserves			
Share capital	15	**280,684**	279,598
Reserves		**2,494,390**	2,089,384
Equity attributable to equity holders of the parent		**2,775,074**	2,368,982
Minority interests		**12,536**	12,020
Total equity		**2,787,610**	2,381,002
Non-current liabilities			
Deferred tax liabilities	10	**1,324**	1,909
Deferred income	16	**32,636**	4,041
		2,821,570	2,386,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the parent										
	Share capital US$'000 (unaudited)	Share premium US$'000 (unaudited)	Subscription monies US$'000 (unaudited)	Special reserve US$'000 (unaudited)	Legal reserve US$'000 (unaudited) (Note)	Translation reserve US$'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 2006	278,137	568,173	7,480	15,514	73,156	15,845	20,076	536,589	1,514,970	12,047	1,527,017
Profit for the period	–	–	–	–	–	–	–	301,692	301,692	(1,434)	300,258
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	4,965	–	–	4,965	196	5,161
Total recognised income for the period	–	–	–	–	–	4,965	–	301,692	306,657	(1,238)	305,419
Shares issued at premium	185	7,295	(7,480)	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	–	–	18,595	–	18,595	–	18,595
Balance at 30 June 2006	278,322	575,468	–	15,514	73,156	20,810	38,671	838,281	1,840,222	10,809	1,851,031
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
Profit for the period	–	–	–	–	–	–	–	323,988	323,988	558	324,546
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	53,230	–	–	53,230	(42)	53,188
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

Note: The Group's legal reserve represents statutory reserve attributable to the Company's subsidiaries in the People's Republic of China ("PRC"). As required by the laws in the PRC, 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 2007

	Six months ended	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**410,670**	412,902
Net cash used in investing activities		
(Increase) decrease in bank deposits for investing purpose	**(332,209)**	26,080
Purchase of property, plant and equipment	**(326,683)**	(177,109)
Prepaid lease payments made	**(8,398)**	–
Proceeds from disposal of property, plant and equipment	**31,340**	6,625
Decrease (increase) in deposits paid for acquisition of property, plant and equipment	**9,914**	(3,944)
	(626,036)	(148,348)
Net cash from (used in) financing activities		
Proceeds from issue of new shares	**16,614**	–
Bank loans raised	**723,022**	940,000
Bank loans repaid	**(147,875)**	(975,492)
	591,761	(35,492)
Net increase in cash and cash equivalents	**376,395**	229,062
Cash and cash equivalents at 1 January	**633,090**	311,023
Effect of foreign exchange rate changes	**15,107**	2,724
Cash and cash equivalents at 30 June	**1,024,592**	542,809

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 manufacture of complete mobile phone handset systems and modules for mobile phone 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 ("Listing Rules") 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 2006 except as described below.

In the current interim period, the Group has applied, for the first time, those new standards, amendment and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2007.

The adoption of these new IFRSs 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 directors of the Company anticipated that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

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, and other analysis by geographical area is presented below.

	Six months ended	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
EXTERNAL SALES		
Asia	**2,832,963**	2,746,021
Europe	**765,387**	547,324
America	**992,232**	1,084,585
Total	**4,590,582**	4,377,930
RESULTS		
Asia	**268,567**	270,656
Europe	**69,905**	49,657
America	**91,290**	102,877
	429,762	423,190
Unallocated corporate income	**47,909**	21,426
Unallocated corporate expenses	**(131,536)**	(99,083)
Unallocated interest expense on bank loans	**(10,493)**	(8,092)
Profit before tax	**335,642**	337,441
Income tax expense	**(11,096)**	(37,183)
Profit for the period	**324,546**	300,258

4. RESTRUCTURING COSTS

	Six months ended	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Impairment losses on property, plant and equipment	**–**	3,384
Redundancy and others costs	**–**	4,497
	–	7,881

The amount represented those costs incurred and provision made in connection with the Group's restructuring and relocating its European operations during the six months ended 30 June 2006. No restructuring cost was incurred in current period.

5. PROFIT BEFORE TAX

	Six months ended	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
(Write back) allowance for doubtful debts	**(655)**	1,740
Write down of inventories	**9,106**	16,037
Amortisation of prepaid lease payments (included in general and administrative expenses)	**847**	84
Cost of inventories recognised as expense	**4,111,891**	3,896,969
Provision for warranty	**32,148**	23,087
Depreciation of property, plant and equipment	**77,430**	48,676
Decrease in fair value of investments held for trading	**484**	1,135
Interest income from bank	**(9,383)**	(5,922)

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Current tax	**18,957**	38,441
(Over)/underprovision in prior periods	**(299)**	133
Deferred tax for current period (note 10)	**(7,562)**	(1,391)
	11,096	37,183

Taxation charge mainly consists of income tax in the PRC attributable to the assessable profits subject to tax rates ranging from 15% to 16.5%. The taxation charge is calculated at the applicable rates prevailing in the PRC. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Company's subsidiaries operating in the PRC are also eligible for certain tax holiday and concession.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New Law") by Order No. 63 of the President of the People's Republic of China, which will change the tax rate from 33% statutory rate to 25% statutory rate from 1 January 2008. The directors are of the opinion that there had no material financial impact on the condensed consolidated financial statements of the Group.

6. 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	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit before tax	**335,642**	337,441
Tax at the PRC income tax rate of 15% for the period	**50,346**	50,616
Effect of different tax rates of subsidiaries	**363**	336
Effect of tax exemptions and concessions granted to subsidiaries	**(33,863)**	(20,951)
Tax effect of expenses not deductible for tax purpose	**6,836**	10,875
Tax effect of income not taxable for tax purpose	**(1,796)**	(954)
Tax effect of tax losses not recognised	**1,830**	3,338
Tax refund for reinvestment in PRC subsidiaries	**(3,113)**	–
Tax effect of income tax credits granted to PRC subsidiaries on acquisition of certain qualified equipment (note)	**(9,208)**	(6,210)
(Over)/Underprovision in prior periods	**(299)**	133
Tax expense for the period	**11,096**	37,183

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.

7. DIVIDEND

No dividend was paid during the six months ended 30 June 2007. The directors do not recommend the payment of an interim dividend.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the parent for the period of US$323,988,000 (2006: US$301,692,000) and the weighted average number of 7,006,958,845 (2006: 6,958,056,025) shares in issue during the period.

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

	Six months ended	
	30.6.2007	30.6.2006
	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 parent)	**323,988**	301,692
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**7,006,958,845**	6,958,056,025
Effect of dilutive potential ordinary shares:		
Share options	**273,075,255**	226,001,822
Share awards	**–**	2,576,905
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**7,280,034,100**	7,186,634,752

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately US$326,683,000 (2006: US$177,109,000).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT *(Continued)*

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of US$20,105,000 (2006: US$5,788,000) for proceeds of US$31,340,000 (2006: US$6,625,000), resulting in a profit on disposal of US$11,235,000 (2006: US$837,000) for the period of which US$9,801,000 was carried as deferred income as of 30 June 2007 as explained below.

In May 2007, the Group entered into sale and leaseback agreements 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.

During the six months ended 30 June 2006, an impairment loss of US$3,384,000 was recognised in respect of certain production facilities (see note 4).

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 2006	(279)	–	2,923	(8,996)	–	(991)	(7,343)
Charge (credit) to income for the period	(3,248)	–	(867)	2,258	–	466	(1,391)
Exchange differences	32	–	(22)	230	–	114	354
At 30 June 2006	(3,495)	–	2,034	(6,508)	–	(411)	(8,380)
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)

10. DEFERRED TAXATION *(Continued)*

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:

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
Deferred tax assets	**(22,925)**	(15,806)
Deferred tax liabilities	**1,324**	1,909
	(21,601)	(13,897)

At 30 June 2007, the Group has unused tax losses of US$39,498,000 (31.12.2006: US$21,617,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$15,057,000 (31.12.2006: US$10,115,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$24,441,000 (31.12.2006: US$11,502,000) 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 2012.

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.

The Group did not have material temporary differences associated with undistributed earnings of subsidiaries as at 30 June 2007. In addition, the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such difference will not reverse in the foreseeable future.

11. TRADE AND OTHER RECEIVABLES

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
Trade receivables	**1,360,801**	1,814,813
Other receivables, deposits and prepayments	**110,995**	62,847
	1,471,796	1,877,660

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:

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
0-90 days	**1,335,910**	1,806,005
91-180 days	**24,467**	8,352
181-360 days	**380**	385
Over 360 days	**44**	71
	1,360,801	1,814,813

12. TRADE AND OTHER PAYABLES

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
Trade payables	**1,223,317**	1,540,285
Accruals and other payables	**346,202**	322,444
	1,569,519	1,862,729

12. TRADE AND OTHER PAYABLES *(Continued)*

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

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
0-90 days	**1,210,300**	1,468,343
91-180 days	**7,068**	62,039
181-360 days	**3,985**	7,053
Over 360 days	**1,964**	2,850
	1,223,317	1,540,285

13. BANK LOANS

The bank loans are repayable within one year, unsecured and carry interest at fixed interest rates at 0.2% plus LIBOR (31.12.2006: 0.2% plus LIBOR) per annum fixed at the time the loans are raised.

14. PROVISION

	Warranty provision
	US$'000
At 1 January 2006	23,635
Exchange adjustments	1,366
Provision in the year	61,323
Utilisation of provision	(28,112)
At 31 December 2006	58,212
Exchange adjustments	1,593
Provision in the period	32,148
Utilisation of provision	(25,155)
At 30 June 2007	66,798

The warranty provision represents management's best estimate of the Group's liability under 12 to 24 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 31 December 2006 and 30 June 2007	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2006	6,953,416,025	278,137
Issued on 4 January 2006	4,640,000	185
Exercise of share options	28,731,520	1,149
Issued pursuant to a share scheme	3,168,000	127
Balance at 31 December 2006	6,989,955,545	279,598
Exercise of share options	21,396,000	856
Issued pursuant to a share scheme	5,748,145	230
Balance at 30 June 2007	7,017,099,690	280,684

16. DEFERRED INCOME

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
Government subsidies	**22,835**	4,041
Sale and leaseback transaction (note 9)	**9,801**	–
	32,636	4,041

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

17. COMMITMENTS

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**215,280**	57,389

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 1/1/2007	Granted during period	Exercised during period	Lapsed during period	Expired during period	Outstanding at 30/6/2007
2005	402,914,280	–	21,396,000	10,641,430	–	370,876,850

23,399,010 share options are exercisable as at 30 June 2007 (31.12.2006: 44,795,010).

In respect of the share options exercised during the current period, the weighted average share price at the dates of exercise is approximately US$3.12 (approximately equivalent to HK$24).

The Group recognised total expense of US$10,760,000 (2006: US$17,379,000) for the six months ended 30 June 2007 in relation to the share options granted by the Company.

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

(b) Cash-settled share-based payments

The Group issued to certain employees share appreciation rights ("SAR") at exercise prices of HK$12 and 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 2007, the Group has recorded liabilities of US$4,167,000 (31.12.2006: US$3,429,000). The fair value of the SARs is determined using the Black-Scholes pricing model. The Group recorded total expenses of US$1,555,000 (2006: US$115,000) during the six months ended 30 June 2007 in respect of SARs.

(c) Other share-based payment plan

On 29 December 2006, the Company awarded 5,748,145 shares to certain employees pursuant to a share scheme adopted on 12 January 2005, of which 3,010,427 shares awarded are vested immediately, while the remaining shares are granted with vesting periods ranging from one to three years from the grant date. No consideration is payable on the grant of the shares and the shares were subsequently issued on 2 February 2007.

On 24 July 2007, the Company further awarded 502,090 shares to certain employees pursuant to the share scheme, of which 95,090 shares awarded are vested immediately and 209,000 shares awarded are vested on 25 July 2007, while the remaining shares are granted with vesting periods ranging from one to two years from the grant date. No consideration is payable on the grant of the shares.

The Group has recognised total expense of US$1,500,000 for the current period in relation to free shares granted (2006: US$1,216,000).

19. 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	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Hon Hai:		
Sales of goods	**5,174**	477
Purchase of goods	**114,487**	5,133
Purchase of property, plant and equipment	**64**	6,863
Sales of property, plant and equipment	**–**	749
Sub-contracting income	**193**	238
Sub-contracting expense	**240**	283
Research and development expense	**–**	11
General services income	**–**	142
General services expense	**183**	–
Subsidiaries and associates of Hon Hai:		
Sales of goods	**116,937**	94,719
Purchase of goods	**265,570**	463,675
Purchase of property, plant and equipment	**1,344**	6,094
Sales of property, plant and equipment	**2,820**	589
Lease expense	**3,958**	1,367
Sub-contracting income	**3,839**	2,105
Sub-contracting expense	**15,299**	11,786
General services expense	**28,072**	12,942
Research and development expense	**–**	993

19. RELATED PARTY DISCLOSURES *(Continued)*

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

	30.6.2007	31.12.2006
	US$'000	US$'000
	(unaudited)	(audited)
Trade receivables:		
Hon Hai	**8,486**	14,802
Subsidiaries and associates of Hon Hai	**65,764**	92,130
	74,250	106,932
Other receivables:		
Hon Hai	**4**	5
Subsidiaries and associates of Hon Hai	**627**	587
	631	592
	74,881	107,524
Trade payables:		
Hon Hai	**26,301**	46,328
Subsidiaries and associates of Hon Hai	**125,668**	255,473
	151,969	301,801
Other payables:		
Hon Hai	**34**	5,479
Subsidiaries and associates of Hon Hai	**6,704**	6,873
	6,738	12,352
	158,707	314,153

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	
	30.6.2007	30.6.2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**1,787**	1,050
Share-based payments	**2,021**	2,220
	3,808	3,270

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 ("Board") on 11 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

For the six-month period ended 30 June 2007, our Group recorded a 4.87% year-on-year increase in consolidated turnover of US$4,591 million (2006: US$4,378 million). Profit for the period was US$325 million representing a 8.33% growth over the US$300 million profit for the same period last year. Basic earnings per share for the period was US4.62 cents.

Although global handset shipment continued its healthy expansion during the first half of 2007, the industry witnessed significant shifts in market shares among global OEM brands. Volatile customer demand made a major impact on the handset manufacturing industry, causing many of our peers in the industry supply chain to suffer significant decline in their businesses. However, thanks to the relentless efforts in further diversifying our customer base as well as the strength in other key customers' sales performance, we managed to achieve revenue growth amid market turbulence. This was achieved with our continuous global footprint expansion including places like Reynosa, Mexico and Chennai, India. Our customers greatly appreciated our presence in these regions, and accordingly, business generated from these areas will continue to be a key growth driver for our Group. We will remain diligent in retaining our role as the supplier of choice for our key customers in each of their key markets.

To meet surging demand for JDVM (joint development manufacture) and JDSM (joint design manufacture) projects, we are expanding our design teams in different parts of the world, and investing in more design and testing centers in China. To bring further value to our customers, aside from our continuous expansion of technical capabilities in the fields of mechanical, optical and electrical engineering, and investments in green manufacturing, material sciences and surface treatment, we are also expanding our software and ID design teams. We continue to be seen as the partner of choice for our customers' technically demanding projects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

As at 30 June 2007, we had a cash balance of US$1,025 million. The cash balance is expected to finance our working capital and capital expenditure plans in light of our continuing fast growth. Our gearing ratio, expressed as a percentage of interest bearing external borrowings of US$726 million over total assets of US$5,242 million, was 13.85%.

Net cash generated from operating activities for the six-month period ended 30 June 2007 was US$411 million.

Net cash used in investing activities for the six-month period ended 30 June 2007 was US$626 million. Our expenditures for investing activities were for purchase of property, plant and equipment related to our facilities in our major sites in China, India, Mexico, etc.

Net cash from financing activities for the six-month period ended 30 June 2007 was US$592 million, primarily due to net increase in bank loans of US$575 million and proceeds of US$17 million from the issue of shares to employees for such period.

Capital Commitments and Contingent Liabilities

As at 30 June 2007, the capital commitment of the Group was US$215.28 million (2006: US$57.39 million). As at the same date, we had no contingent liabilities.

Pledge of Assets

A subsidiary of the Company namely Foxconn Oy has pledged its corporate assets of approximately US$5.38 million (2006: US$4.6 million) to secure general banking facilities granted to the Group.

Significant Investments

In 2007 first half, we invested in key sites in Asia and other regions to enhance our capabilities and capacities to serve our customers. These investments were instrumental in gaining more business, and further enhanced our working partnerships with our key customers. We expect to continue such investments in 2007 second half and in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

Looking forward, competition within the handset industry continues to intensify. The recent notable mergers and acquisitions in the manufacturing services industry are testament to the foresight of our business model of vertical integration. Our end-to-end solutions and one-stop-shopping advantages are key successes that remain the ones to be emulated by our competitors. We believe that our unique globalized design, tooling, manufacturing and logistics platform is not only well-established, but is also critical in maintaining our leading edge in this competitive environment. With the demands of customer requirements and ever-present competition, our management firmly believes that the only way to continue our success story is to invest in people, technology and customer partnership. We remain optimistic in our operation performance for 2007 and beyond.

Employees

As at 30 June 2007, our Group had a total of 119,164 employees. Total staff costs incurred during the period of six months ended 30 June 2007 amounted to US$247 million (2006: US$159 million). Our 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 laid down by Chapter 17 of the Listing Rules.

OTHER INFORMATION

Disclosure of Interests

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

As at 30 June 2007, 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 are 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	14,383,275	0.205%
	Hon Hai	Personal Interest	393,182	0.008%
DAI Feng Shuh	Company	Personal Interest	21,571,275	0.307%
	Hon Hai	Personal Interest	265,036	0.005%
CHANG Ban Ja, Jimmy	Hon Hai	Personal Interest	1,887,892	0.037%
LEE Jin Ming	Hon Hai	Personal Interest	1,270,794	0.025%
LU Fang Ming (note)	Hon Hai	Personal Interest	868,715	0.017%
		Through the spouse	500,000	0.01%
		Through a trust	500,000	0.01%
MAO Yu Lang	Hon Hai	Personal Interest	536,878	0.01%

OTHER INFORMATION *(Continued)*

Disclosure of Interests *(Continued)*

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

Note: 500,000 shares are beneficially owned by Chen Hui Ling, the spouse of Lu Fang Ming. 500,000 shares are held by a trust of which Lu Fang Ming is the beneficiary. Accordingly, Lu Fang Ming is deemed to be interested in 500,000 shares which are beneficially owned by Chen Hui Ling 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 2007, 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 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 2007, 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	72.41%
Hon Hai (note)	Interest of a controlled corporation	5,081,034,525	72.41%

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 2007, 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 2007 are as follows:

Outstanding at beginning of the period of six months ended 30 June 2007	Date of grant	Granted during the period of six months ended 30 June 2007	Vesting period	Exercise price	Exercise during the period of six months ended 30 June 2007	Lapsed during the period of six months ended 30 June 2007	Expired during the period of six months ended 30 June 2007	Outstanding at the end of the period of six months ended 30 June 2007
402,914,280	–	0	each year on 25 July from 2006 to 2011	HK$6.06	21,396,000	10,641,430	0	370,876,850

Apart from the share option scheme above and the share scheme, at no time during the period of six months ended 30 June 2007 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 2007. 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 2007.

MOVEMENT OF RESERVE

During the period of six months ended 30 June 2007, US$27.79 million 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 ("CCGP"). Its primary duties are to review and supervise the Company's financial reporting process and internal control system, nominate and monitor external auditors and provide advices 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 for the period of six months ended 30 June 2007.

Further, the interim results for the period of six months ended 30 June 2007 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

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the interim report, in compliance with the CCGP as set out in Appendix 14 to the Listing Rules save as disclosed in this report.

CORPORATE GOVERNANCE *(Continued)*

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 the light of the current market turbulence and the handset industry continuing going through a 3C convergence and consolidation period and taking into account the continuation in the implementation of business plan and formulation of business strategies, the Board considers that the present arrangement for Mr. Chin, the chairman, to hold the office of chief executive officer of the Company at the same time 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 THE STOCK EXCHANGE'S WEBSITE

The 2007 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 website of the Stock Exchange in due course.

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

Hong Kong, 11 September 2007