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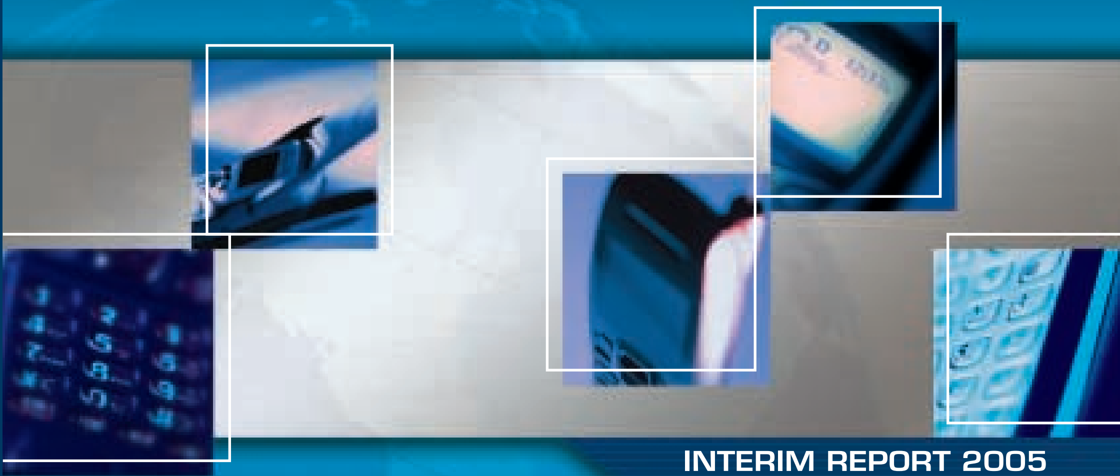
Foxconn International Holdings Limited
富士康國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT 2005

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
Edward Fredrick PENSEL
MAO Yu Lang

COMPANY SECRETARY

TANG Wan Mui

REGISTERED OFFICE

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P.O. Box 2804, George Town,
Grand Cayman, Cayman Islands

HEAD OFFICE

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Longhua Town, Baoan,
Shenzhen, Guangdong,
the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITORS

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
Chinatrust Commercial Bank
Citibank N.A.
DBS Bank Ltd
Standard Chartered Bank
Taishin International Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street,
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Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Wanchai, Hong Kong

STOCK CODE

2038

Deloitte.
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INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF FOXCONN INTERNATIONAL HOLDINGS LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 28.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2004 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 23 September 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

		Six months ended	
		30.6.2005	30.6.2004
		US$'000	US$'000
	NOTES	**(unaudited)**	(unaudited)
Turnover	3	**2,348,372**	1,287,440
Cost of sales		**(2,095,124)**	(1,169,697)
Gross profit		**253,248**	117,743
Other operating income		**22,953**	27,688
Operating expenses			
Selling expenses		**(5,272)**	(5,110)
General and administrative expenses		**(82,766)**	(42,569)
Research and development expenses		**(18,854)**	(8,501)
Interest expenses on bank borrowings		**(6,640)**	(3,278)
Loss on disposal of subsidiaries		**–**	(605)
Profit before tax	4	**162,669**	85,368
Income tax (expense) credit	5	**(15,813)**	2,937
Profit for the period		**146,856**	88,305
Attributable to:			
Equity holders of the parent		**146,856**	88,305
Basic earnings per share	7	**US2.18 cents**	US1.93 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2005

	NOTES	30.6.2005 US$'000 (unaudited)	31.12.2004 US$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**525,318**	421,673
Prepaid lease payments		**4,946**	2,972
Goodwill	9	**46,469**	–
Available-for-sale investments	10	**1,080**	138
Deferred tax assets	11	**3,176**	2,643
Deposits for acquisition of property, plant and equipment		**22,177**	20,186
		603,166	447,612
Current assets			
Inventories		**429,365**	480,193
Investments held for trading	10	**13,182**	–
Trade receivables	12	**774,876**	658,603
Deposits, prepayments and other receivables		**40,335**	33,730
Bank balances and cash		**482,306**	499,426
		1,740,064	1,671,952
Current liabilities			
Trade payables	13	**630,885**	697,342
Other payables and accrued expenses		**165,371**	149,013
Bank loans – amount due within one year		**288,985**	633,956
Tax payable		**9,220**	2,651
		1,094,461	1,482,962
Net current assets		**645,603**	188,990
		1,248,769	636,602

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AT 30 JUNE 2005

	NOTES	30.6.2005 US$'000 (unaudited)	31.12.2004 US$'000 (audited)
Capital and reserves			
Share capital	14	**277,060**	238,800
Reserves		**940,943**	392,009
Equity attributable to equity holders of the parent		**1,218,003**	630,809
Minority interests		**25,389**	–
Total equity		**1,243,392**	630,809
Non-current liabilities			
Bank loans – amount due after one year		**3,300**	3,560
Deferred tax liabilities	11	**2,077**	2,233
		5,377	5,793
		1,248,769	636,602

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the parent								
	Share capital US$'000 (unaudited) (Note a)	Share premium US$'000 (unaudited)	Special reserve US$'000 (unaudited)	Legal reserve US$'000 (unaudited) (Note b)	Translation reserve US$'000 (unaudited)	Accumulated profits US$'000 (unaudited)	Total US$'000 (unaudited)	Minority interests US$'000 (unaudited)	Total equity US$'000 (unaudited)
Balance at 1 January 2004	51,234	-	-	12,302	8,134	127,405	199,075	-	199,075
Issue of shares by Grand Champion Trading Limited and Wide Ranging Investments Limited	3,080	-	-	-	-	-	3,080	-	3,080
Issue of shares by the Company	35,143	164,857	-	-	-	-	200,000	-	200,000
Group Reorganisation (Note 1)	(15,514)	-	15,514	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	88,305	88,305	-	88,305
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	(595)	-	(595)	-	(595)
Total recognised income and expense for the period	-	-	-	-	(595)	88,305	87,710	-	87,710
Balance at 30 June 2004	73,943	164,857	15,514	12,302	7,539	215,710	489,865	-	489,865
Balance at 1 January 2005	238,800	129,980	15,514	23,679	22,469	200,367	630,809	-	630,809
Issue of new shares (Note 14)	38,260	438,761	-	-	-	-	477,021	-	477,021
Share issue expenses	-	(16,997)	-	-	-	-	(16,997)	-	(16,997)
Acquisition of a subsidiary (Note 16)	-	-	-	-	-	-	-	25,389	25,389
Profit for the period	-	-	-	-	-	146,856	146,856	-	146,856
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	(19,686)	-	(19,686)	-	(19,686)
Total recognised income and expense for the period	-	-`	-	-	(19,686)	146,856	127,170	-	127,170
Transfer	-	-`	-	19,114	-	(19,114)	-	-	-
Balance at 30 June 2005	277,060	551,744	15,514	42,793	2,783	328,109	1,218,003	25,389	1,243,392

Notes:

a. The share capital of the Group as at 1 January 2004 represents the aggregate of share capital of the Company, Grand Champion Trading Limited and Wide Ranging Investments Limited which became the Company's wholly-owned subsidiaries pursuant to the Group Reorganisation (see note 1).

b. 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 2005

	Six months ended 30.6.2005 US$'000 (unaudited)	30.6.2004 US$'000 (unaudited)
Net cash from (used in) operating activities	**76,795**	(323,394)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(132,215)**	(87,993)
Acquisition of subsidiaries	**(74,741)**	(1,948)
Acquisition of additional interests in a subsidiary	**–**	(2,100)
Disposal of subsidiaries	**–**	1,832
Proceeds from disposal of property, plant and equipment	**10,960**	8,757
Other investing cash flows	**(2,004)**	(2,422)
	(198,000)	(83,874)
Net cash from financing activities		
Proceeds from issue of new shares	**460,024**	203,080
Increase in loans from related companies	**–**	53,103
Bank loans raised	**282,760**	329,492
Bank loans repaid	**(633,956)**	(193,869)
	108,828	391,806
Net decrease in cash and cash equivalents	**(12,377)**	(15,462)
Cash and cash equivalents at 1 January	**499,426**	272,850
Effect of foreign exchange rate changes	**(4,743)**	(524)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**482,306**	256,864

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 February 2005. The Company's ultimate holding company is Hon Hai Precision Industry Company Limited ("Hon Hai"), a company incorporated in the Republic of China and its shares are listed on the Taiwan Stock Exchange.

In preparation for the listing of the Company's shares on the Stock Exchange, the Company has undergone a group reorganisation (the "Group Reorganisation") in March 2004 pursuant to which the Company became the holding company of all the handset manufacturing and sales operations of Hon Hai. The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed financial statements for the six months ended 30 June 2004 have been prepared using the principle of merger accounting. Details of the Group Reorganisation are set out in note 23 to the Group's annual financial statements for the year ended 31 December 2004.

The condensed 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*.

2. ACCOUNTING POLICIES

The condensed 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 financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

2. **ACCOUNTING POLICIES** *(Continued)*

In the current period, the Group has adopted all of the new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations ("IFRICs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior periods:

- share-based payments (IFRS 2); and
- goodwill (IFRS 3)

The impact of these changes in accounting policies is discussed in details later in this note.

At the date of authorisation of these financial statements, the following IFRS, IAS and IFRIC were in issue but not yet effective:

IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 39 (Amendment)	The Fair Value Option
IAS 39 (Amendment)	Financial Guarantee Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The directors anticipate that the adoption of these IFRS, IAS and IFRIC in future periods will have no material impact on the financial statements of the Group.

2. ACCOUNTING POLICIES *(Continued)*

Share-based payment

In the current period, the Group has applied IFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of IFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. The Group will apply IFRS 2 to share options granted on or after 1 January 2005. The relevant transitional provisions require IFRS 2 to be retrospectively applied to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. The Group did not have any such share options at 1 January 2005 and no share options have ever been granted.

Business combinations

In the current period, the Group has applied IFRS 3 *Business Combinations*, which is effective for business combinations for which the agreement date is on or after 31 March 2004. The principal effects of the application of IFRS 3 to the Group are summarised below:

Goodwill

IFRS 3 has been adopted for business combinations for which the agreement date is on or after 31 March 2004. The option of limited retrospective application of IFRS 3 has not been taken up, thus avoiding the need to restate past business combinations.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. After initial recognition, IFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS 36 *Impairment of Assets* (as revised in 2004), impairment reviews are required at least annually/in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired. IFRS 3 prohibits the amortisation of goodwill. The Group did not have any goodwill arising from acquisitions before 1 January 2005. This change in accounting policy does not have material effect to the Group's results for the current period.

3. BUSINESS SEGMENTS

The Group's turnover and net profit are derived from providing the end to end handset manufacturing service to our customers. 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 by geographical market, irrespective of the origin of the goods/services, and other analysis by geographical area is presented below.

	Six months ended	
	30.6.2005	30.6.2004
	US$'000	US$'000
	(unaudited)	(unaudited)
EXTERNAL SALES		
Asia	**892,068**	453,120
Europe	**406,243**	96,634
America	**1,050,061**	737,686
Total	**2,348,372**	1,287,440
RESULTS		
Asia	**95,874**	60,557
Europe	**33,880**	6,553
America	**118,222**	45,523
	247,976	112,633
Unallocated corporate income	**22,953**	27,688
Unallocated corporate expenses	**(101,620)**	(51,070)
Unallocated interest expenses on bank borrowings	**(6,640)**	(3,278)
Loss on disposal of subsidiaries	**–**	(605)
Profit before tax	**162,669**	85,368
Income tax (expense) credit	**(15,813)**	2,937
Profit for the period	**146,856**	88,305

4. PROFIT BEFORE TAX

	Six months ended	
	30.6.2005	30.6.2004
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Allowance for inventories	**9,051**	335
Allowance for doubtful debts	**435**	55
Amortisation of prepaid lease payments, included in general and administrative expenses	**31**	32
Cost of inventories recognised as expenses	**1,754,543**	994,904
Depreciation of property, plant and equipment included in:		
cost of sales	**23,851**	19,142
general and administrative expenses	**7,512**	1,589
	31,363	20,731
Interest income from bank	**(4,194)**	(2,776)

5. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30.6.2005 US$'000 (unaudited)	Six months ended 30.6.2004 US$'000 (unaudited)
Current tax:		
The PRC	**(11,005)**	(3,032)
Other jurisdictions	**(1,917)**	(207)
	(12,922)	(3,239)
Underprovision in prior years:		
Other jurisdictions	**(64)**	(122)
Deferred tax:		
Current period (Note 11)	**(2,827)**	5,965
Attributable to an increase in tax rate	**–**	333
	(2,827)	6,298
	(15,813)	2,937

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 eligible for certain tax holiday and concession. The tax holiday and concession normally are in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years.

5. **INCOME TAX (EXPENSE) CREDIT** *(Continued)*

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

	Six months ended	
	30.6.2005	30.6.2004
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit before tax	**162,669**	85,368
Tax at the PRC income tax rate of 15% for the period	**24,400**	12,805
Effect of different tax rates of subsidiaries	**1,630**	30
Effect of tax exemptions and concessions granted to PRC subsidiaries	**(10,731)**	(12,089)
Tax effect of expenses not deductible for tax purpose	**2,511**	852
Tax effect of income not taxable for tax purpose	**(4,075)**	(5,129)
Tax effect of tax losses (utilised) not recognised	**(328)**	805
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(333)
Decrease in opening deferred tax assets resulting from dispute with tax bureau	**2,342**	–
Underprovision in prior periods	**64**	122
Tax expense (credit) for the period	**15,813**	(2,937)

6. DIVIDEND

No dividend was paid during the period. The directors do not recommend the payment of an interim dividend for the period.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months period ended 30 June 2005 is based on the profit for the period of US$146,856,000 (2004: US$88,305,000) and the weighted average number of 6,744,884,000 (2004: 4,566,899,000) shares in issue during the period. The basic earnings per share for the six months period ended 30 June 2004 has been adjusted for the effect of the capitalisation issue of 164,856,712 shares of US$1.00 each and subdivision of each share of US$1.00 each into 25 shares of US$0.04 each on 9 August 2004 and 1 December 2004, respectively.

Diluted earnings per share are not presented because there were no potential ordinary shares outstanding during both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately US$123,643,000 (2004: US$87,851,000).

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of US$9,736,000 (2004: US$5,526,000) for proceeds of US$10,960,000 (2004: US$8,757,000), resulting in a profit on disposal of US$1,224,000 (2004: US$3,231,000) for the period.

9. GOODWILL

	30.6.2005
	US$'000
At 1 January 2005	–
Arising on acquisition of a subsidiary	46,469
At 30 June 2005	46,469

10. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

During the six months ended 30th June, 2005, the Group acquired available-for-sale investments and investments held for trading of US$955,000 and US$13,182,000 respectively, through the acquisition of CMCS (see note 16).

The investments held for trading represents investment funds quoted in Taiwan. The available-for-sale investments represents unquoted investments that are stated at cost less impairment loss since their fair value cannot be reliably determined.

11. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Prepaid expenses	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2004	6,161	(7,452)	4,638	(92)	3,255
Credit to income for the period	(2,577)	(800)	(2,198)	(390)	(5,965)
Exchange differences	(158)	247	(74)	3	18
Effect of change in tax rate – (credit) charge to the income statement	(617)	284	–	–	(333)
At 30 June 2004	2,809	(7,721)	2,366	(479)	(3,025)
At 1 January 2005	1,911	(8,961)	8,612	(1,972)	(410)
Acquisition of a subsidiary	–	(3,121)	–	–	(3,121)
Charge (credit) to income for the period	1,774	8,050	(9,010)	2,013	2,827
Exchange differences	(654)	(43)	398	(96)	(395)
At 30 June 2005	3,031	(4,075)	–	(55)	(1,099)

There were no other significant temporary differences as at the balance sheet date.

11. 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:

	30.6.2005	31.12.2004
	US$'000	US$'000
	(unaudited)	(audited)
Deferred tax assets	**(3,176)**	(2,643)
Deferred tax liabilities	**2,077**	2,233
	(1,099)	(410)

At 30 June 2005, the Group has unused tax losses of US$16,580,000 (31.12.2004: US$36,282,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$16,300,000 (31.12.2004: US$34,468,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$280,000 (31.12.2004: US$1,814,000) due to the unpredictability of future profit streams. The unrecognised tax losses will expire before 2009.

12. TRADE RECEIVABLES

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:

	30.6.2005	31.12.2004
	US$'000	US$'000
	(unaudited)	(audited)
0-90 days	**767,235**	655,115
91-180 days	**6,002**	2,999
181-360 days	**1,639**	456
Over 360 days	**–**	33
	774,876	658,603

13. TRADE PAYABLES

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

	30.6.2005	31.12.2004
	US$'000	US$'000
	(unaudited)	(audited)
0-90 days	**623,811**	693,753
91-180 days	**1,409**	1,573
181-360 days	**4,611**	1,936
Over 360 days	**1,054**	80
	630,885	697,342

14. SHARE CAPITAL

	Number of shares	Amount US$'000
Authorised:		
Ordinary shares of US$1.00 each		
Balance at 1 January 2004	38,800,000	38,800
Increased on 22 March 2004	1	–
Increased on 31 March 2004	200,000,000	200,000
Increased on 30 August 2004	561,199,999	561,200
Subdivision of shares of US$1.00 each into 25 shares of US$0.04 each on 1 December 2004	19,200,000,000	–
Balance at 31 December 2004 and 30 June 2005	20,000,000,000	800,000
Issued and fully paid:		
Ordinary shares of US$1.00 each		
Balance at 1 January 2004	38,800,000	38,800
Issued on 22 March 2004	1	–
Issued on 31 March 2004	35,143,288	35,143
Capitalisation issue on 9 August 2004	164,856,712	164,857
Subdivision of shares of US$1.00 each into 25 shares of US$0.04 each on 1 December 2004	5,731,200,024	–
Balance at 31 December 2004	5,970,000,025	238,800
Issued on 2 February 2005	869,400,000	34,776
Issued on 28 February 2005	87,101,000	3,484
Balance at 30 June 2005	6,926,501,025	277,060

Pursuant to the Company's global offering, the Company issued 869,400,000 and 87,101,000 shares of US$0.04 each for consideration of HK$3.88 per share on 2 February 2005 and 28 February 2005, respectively. The Company's shares were listed on the Stock Exchange on 3 February 2005.

15. DISPOSAL OF SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 3 May 2004, the Group disposed of its interests in Eimo (H.K.) Limited and companies directly held by Eimo (H.K.) Limited to an independent third party, at a consideration of approximately US$2,308,000. Eimo (H.K.) Limited was a wholly owned subsidiary of the Company incorporated in Hong Kong. The net assets of these subsidiaries at the date of disposal were as follows:

	US$'000 (unaudited)
Property, plant and equipment	3,545
Trade receivables	1,259
Deposits, prepayments and other receivables	628
Bank balances and cash	476
Trade payables	(54)
Other payables and accrued expenses	(2,941)
	2,913
Loss on disposal	(605)
Total consideration	2,308
Satisfied by:	
Cash	2,308
Net cash inflow arising on disposal:	
Cash consideration	2,308
Bank balances and cash disposed of	(476)
	1,832

The subsidiaries disposed of during the prior period contributed approximately US$926,000 to the Group's net operating cash outflows and paid approximately US$1,005,000 in respect of investing activities during that period.

These subsidiaries contributed approximately US$88,000 of turnover and US$260,000 of net loss for the period from 1 January 2004 up to the effective date of disposal.

16. ACQUISITION OF SUBSIDIARIES

Pursuant to a stock purchase agreement dated 31 January 2004, the Group acquired Transworld Holdings Limited (together with its wholly-owned subsidiary, namely Superior Communications (Hangzhou) Company Limited) from an independent third party at a consideration of US$5,000,000.

On 12 May 2005, Transworld Holdings Limited entered into two sale and purchase agreements to acquire a 56.48% interest in Chi Mei Communication Systems, Inc. ("CMCS"). The acquisition of CMCS was completed after approval was obtained from the Investment Commission of the Ministry of Economic Affairs of Taiwan on 30 May 2005.

16. ACQUISITION OF SUBSIDIARIES *(Continued)*

These transactions have been accounted for by the purchase method of accounting. The fair value of net assets acquired in the transactions, and the goodwill arising, are as follows:

	Six months ended	
	30.6.2005	30.6.2004
	US$'000	US$'000
	(unaudited)	(unaudited)
Net assets acquired:		
Property, plant and equipment	**29,375**	5,133
Available-for-sale investments	**955**	–
Deferred tax assets	**3,121**	–
Inventories	**19,295**	–
Trade receivables	**14,691**	–
Deposits, prepayments and other receivables	**11,065**	1,193
Investments held for trading	**13,182**	–
Bank balances and cash	**4,678**	3,052
Trade payables	**(16,206)**	–
Other payables and accrued expenses	**(14,747)**	(4,378)
Tax payable	**(1,105)**	–
Bank loans	**(5,965)**	–
Minority interests	**(25,389)**	–
Net assets acquired	**32,950**	5,000
Goodwill arising on the acquisition	**46,469**	–
	79,419	5,000
Total consideration, satisfied by:		
Cash	**79,419**	5,000
Net cash outflow arising on acquisition:		
Cash consideration paid	**79,419**	5,000
Bank balances and cash acquired	**(4,678)**	(3,052)
	74,741	1,948

16. ACQUISITION OF SUBSIDIARIES *(Continued)*

The directors have completed an evaluation of the fair value of assets and liabilities acquired pursuant to the acquisition of CMCS and concluded that the carrying amount of the net assets acquired approximates their fair value.

The goodwill arising on the acquisition of CMCS is attributable to the anticipated future operating synergies from the combination. CMCS is a Taiwan-based original design manufacturer of handsets. The directors believe that the acquisition of CMCS will enhance the Group's design capabilities, reinforce the Group's vertical integration business strategy and strengthen the provision of value-added services to its existing customers.

The subsidiaries being acquired of during the six months ended 30 June 2004 contributed approximately US$175,000 of revenue and net loss of US$281,000 for the period between the date of acquisition and 30 June 2004. For the six months ended 30 June 2005, CMCS did not make any significant contribution to the Group's revenue and net profit since the completion date of the acquisition to 30 June 2005.

If the acquisitions had been completed on 1 January 2005, total group turnover for the six months period ended 30 June 2005 would have been US$2,455,081,000, and the profit for the period attributable to equity holders of the parent would have been US$147,084,000. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

17. COMMITMENTS

	30.6.2005 **US$'000** **(unaudited)**	31.12.2004 US$'000 (audited)
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**42,895**	45,304
Commitment to prepaid lease payments	**6,069**	–
	48,964	45,304

18. RELATED PARTY DISCLOSURES

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

	Six months ended	
	30.6.2005	30.6.2004
	US$'000	US$'000
	(unaudited)	(unaudited)
Ultimate holding company, Hon Hai:		
Sales of goods	**316**	500
Purchase of goods	**6,410**	3,100
Purchase of property, plant and equipment	**979**	14,364
Sales of property, plant and equipment	**2,859**	–
Subsidiaries and associates of Hon Hai:		
Sales of goods	**6,853**	2,908
Purchase of goods	**84,303**	23,424
Purchase of property, plant and equipment	**5,082**	5,614
Sales of property, plant and equipment	**3,367**	2,058
Rental paid	**595**	100
Subcontracting income	**1,982**	289
Subcontracting expense	**6,377**	2,545
Research and development service fee	**1,403**	300
Other service fee expense	**9,182**	7,943

18. RELATED PARTY DISCLOSURES *(Continued)*

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

	30.6.2005 US$'000 (unaudited)	31.12.2004 US$'000 (audited)
Trade receivables:		
Ultimate holding company	**596**	2,094
Subsidiaries and associates of Hon Hai	**8,205**	1,377
	8,801	3,471
Other receivables:		
Ultimate holding company	**193**	60
Subsidiaries and associates of Hon Hai	**2,351**	705
	2,544	765
	11,345	4,236
Trade payables:		
Ultimate holding company	**4,125**	1,730
Subsidiaries and associates of Hon Hai	**63,659**	27,176
	67,784	28,906
Other payables:		
Ultimate holding company	**4,587**	7,673
Subsidiaries and associates of Hon Hai	**8,766**	15,673
	13,353	23,346
	81,137	52,252

The amounts are unsecured, interest free and have no fixed terms of repayment.

19. EVENT AFTER THE BALANCE SHEET DATE

The Company entered into subscription agreements with a director and certain employees of CMCS (the "Subscribers") on 3 August 2005, pursuant to which the Company has agreed to allot and issue an aggregate of 26,915,000 new shares in the Company in cash at a subscription price of HK$5.065 per each new share. The new shares were allotted to the Subscribers on 19 August 2005.

Transworld Holdings Limited also entered into sale and purchase agreements with the Subscribers on the same date to acquire 19,118,000 shares in CMCS held by the Subscribers at a consideration of NT$29.5 for each share in CMCS. Pursuant to this acquisition, the Company's equity interest in CMCS increased from 56.48% to 69.23%. Completion of the sale and purchase agreements took place after approval was obtained from the Investment Commission of the Ministry of Economic Affairs of Taiwan. The total consideration of approximately US$17,710,000 was settled in cash upon completion. The acquisition was completed on 8 August 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results and operations

For the six months ended 30 June 2005, our Group recorded a 82% year-on-year increase in consolidated turnover to US$2,348 million (2004: US$1,287 million). Profit before tax for the period was US$163 million, representing 92% growth over the US$85 million profit before tax for the same period last year. Basic earnings per share for the period were US 2.18 cents.

Despite the intensifying competitive global environment, the Company has continued to improve its position among the leaders of handset manufacturing services providers. Our eCMMS model (e-enabled CMMS model) and our integration of mechanical and electrical engineering capabilities are instrumental in our ability to cope better both with the trends of shorter handset product lifecycles and with the intensified competition in the underlying OEM environment compare to our international counterparts (CEM, EMS and ODM alike).

We maintained our high double digit turnover growth during the period by continuously expanding the business volumes with and the scope of services provided to our key customers. We also continued to build upon our core competencies and expand our services on offer to encompass end to end services ranging from joint design, joint development, procurement, manufacturing and logistics to after-sales services. Our recent acquisition of CMCS demonstrates our continued commitment to extending more services and capabilities to our customers. Our efforts to expand our overseas operations also remained active during the period, with strategic investments into the Americas, Europe and Asia. The demand for services from these overseas locations continues to be high, and our presence in these locations will facilitate closer partnerships with key customers located nearby in the future.

These actions were taken to improve our service quality and respond to requests from our key customers. They are the result of our key strategic initiatives taken during the period. First of all, we have strengthened our vertical integration capabilities to meet the ever increasing supply chain management demands from our customers; secondly, we have increased our design capabilities to work with their increasing demand for external R&D resources and fostering stronger joint-design, joint-development relationship; thirdly, we have invested into the emerging markets following our customers to facilitate their and our growth.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources

Our Group generally finances operations with internally generated cash flow and banking facilities provided by our principal bankers in Hong Kong and China. We maintain a strong financial position: as at 30 June 2005, the total shareholders' equity of our Company was approximately US$1,218 million, an increase of about 93% over that as at 31 December 2004, and our cash and cash equivalents and bank deposits stood at US$482 million. Our interest-bearing bank borrowings as at 30 June 2005 amounted to US$292 million. During the period, we did not use any financial instruments for hedging purposes. Our gearing ratio, which was computed by dividing the current liabilities and long term debt by shareholder's equity, was 90%. Due to our purchasing power and economies of scale, we were able to better mix and match our account receivables with account payables. This balancing and the natural hedge created have in essence smoothed out our cash flow and minimized our currency risk.

Commitments and contingent liabilities

As at 30 June 2005, our total commitments were US$49 million (2004: US$45 million). As at the same date, we had no contingent liabilities.

Pledge of assets

Our property, plant and equipment with a net book value of approximately US$31 million were used to secure our general banking facilities. Furthermore, Foxconn Oy has pledged its trade receivables and inventories by way of a floating charge to secure general banking facilities granted to it. As at 30 June 2005, our Group's general banking facilities amounted to approximately US$1,074 million, of which approximately US$316 million were utilized.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

With the positive business momentum build up in the period, we are confident that 2005 will be another excellent year for the Company. We will continue to work closely with our customers to deliver the best performance results for the remaining months to come.

Employees and Remuneration Policies

As at 30 June 2005, our Group had a total of 35,967 employees. Total staff costs incurred during the period ended 30 June 2005 amounted to US$151 million (2004: US$89 million). We offer a comprehensive remuneration policy which is reviewed by the management on a regular basis.

Our Company has adopted a share scheme and a share option scheme respectively. The purpose of the schemes is to incentivize eligible participants who contribute to our Group's operations.

Share options

On 25 July, 2005, the Group granted 435,599,000 options to 575 employees under the share option scheme as an incentive scheme for their contribution to the Group. The exercise price is HK$6.06, and they were to be vested in six tranches each year on 25 July from 2006 to 2011. The maturity date for these options is 31 December 2011.

Following the adoption of the new IFRS 2, the fair value of share options granted will be recognised as an employee expense with a corresponding increase in equity by the amount of the proceeds received when the options are exercised. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest. The adoption of this new accounting standard will have an estimated effect of reducing the Group's profit attributable to shareholders for the year 2005 by approximately US$17 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Use of proceeds from our IPO

The net proceeds from our initial public offering on the Main Board of Stock Exchange on 3 February 2005 were approximately US$460 million. As at the end of the period, approximately HK$1,600 million (or US$ 206 million) of the proceeds were used to fund our capital expenditure. Further, approximately HK$1,200 million (or US$ 154 million) of the proceeds were already used to repay our bank loans. The remaining balance of US$100 million was used to finance our working capital. All of the above were properly applied in the ways as described in the prospectus of the Company dated 24 January 2005.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 30 June 2005, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken 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 adopted by the Company ("Model Code") 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	24,221,275	0.35%
	Hon Hai	Personal Interest	136,224	0.004%
DAI Feng Shuh	Company	Personal Interest	24,221,275	0.35%
	Hon Hai	Personal Interest	359	0.00001%
CHANG Ban Ja, Jimmy	Hon Hai	Personal Interest	1,460,055	0.045%
LEE Jin Ming	Hon Hai	Personal Interest	256,920	0.008%
LU Fang Ming	Hon Hai	Personal Interest	441,000	0.014%
MAO Yu Lang	Hon Hai	Personal Interest	461,961	0.014%

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at 30 June 2005, 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 or short positions which they 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.

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' Interests in Securities

So far as is known to any Director or the chief executive of the Company, as at 30 June 2005, shareholders (other than Directors or the chief executive 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 were as follows:

Name	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	73.36%
Hon Hai [(1)]	Interest of a controlled corporation	5,081,034,525	73.36%

Note:

(1) 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 for the purposes of the SFO.

Save as disclosed above, as at 30 June 2005, the Company had not been notified by any persons (other than Directors or the chief executive 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

A share option scheme ("Option Scheme") was conditionally approved by a shareholder written resolution of the Company dated on 1 December 2004. No share option was granted under the Option Scheme during the period of six months ended 30 June 2005.

On 25 July, 2005, the Group granted 435,599,000 options to 575 employees under the share option scheme as an incentive scheme for their contribution to the Group. The exercise price is HK$6.06, and they were to be vested in six tranches each year on 25 July from 2006 to 2011. The maturity date for these options is 31 December 2011.

Following the adoption of the new IFRS 2, the fair value of share options granted will be recognised as an employee expense with a corresponding increase in equity by the amount of the proceeds received when the options are exercised. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest. The adoption of this new accounting standard will have an estimated effect of reducing the Group's profit attributable to shareholders for the year 2005 by approximately US$17 million.

Apart from the Option Scheme above, at no time during the period 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 debentures of, the Company or any other body corporate.

DIVIDEND

No dividend was paid during the period. The directors does 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 2005.

MOVEMENT OF RESERVE

During the period, the Group transferred approximately US$19 million to the legal reserve 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 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 financial results of the Group for the period of six months ended 30 June 2005.

Further, the interim results for the six months ended 30 June 2005 are unaudited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with Statement of Auditing Standards 700 "Engagements to review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

On 23 September 2005, to further enhance the Company's corporate governance practice, a code of conduct regarding securities transactions by directors and relevant employees on terms no less exacting than the required standard set out in the Model Code was approved and adopted. Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code throughout the period covered by the interim report.

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 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") save as disclosed in this report.

Under Code Provision A.2.1, 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. The Board believes that, as a relatively newly-listed company, vesting the roles of both chairman and chief executive in Mr. Chin provides the Company with stronger and more consistent leadership. However, the Board will review in the current year the roles of chairman and chief executive and, if considered appropriate, separate the two roles to ensure compliance with Code Provision A.2.1 of the CCGP.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial information and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website in due course. Printed copies will be sent to shareholders before the end of September 2005.

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

Hong Kong, 23 September 2005