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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Foxconn International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the period of six months ended 30 June 2011 together with comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended	
		30.6.2011	30.6.2010
		US$'000	*US$'000*
	NOTES	**(unaudited)**	(unaudited)
Turnover	*4*	**2,993,673**	3,229,381
Cost of sales		**(2,849,309)**	(3,139,189)
Gross profit		**144,364**	90,192
Other income, gains and losses		**98,738**	74,662
Selling expenses		**(13,066)**	(14,127)
General and administrative expenses		**(128,276)**	(111,622)
Research and development expenses		**(96,081)**	(109,948)
Impairment loss recognised for property, plant and equipment	*9*	**–**	(23,538)
Impairment loss recognised for goodwill	*10*	**–**	(34,445)
Interest expense on bank borrowings		**(4,443)**	(2,292)
Share of profits of associates		**1,997**	348
Profit (loss) before taxation	*6*	**3,233**	(130,770)
Taxation	*5*	**(20,344)**	(13,686)
Loss for the period		**(17,111)**	(144,456)

	NOTES	Six months ended 30.6.2011 US$'000 (unaudited)	30.6.2010 US$'000 (unaudited)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**97,817**	1,069
Share of translation reserve of associates		**227**	1,128
Other comprehensive income for the period		**98,044**	2,197
Total comprehensive income (expense) for the period		**80,933**	(142,259)
Loss for the period attributable to:			
Owners of the Company		**(17,648)**	(142,636)
Non-controlling interests		**537**	(1,820)
		(17,111)	(144,456)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**79,578**	(140,606)
Non-controlling interests		**1,355**	(1,653)
		80,933	(142,259)
Loss per share	*8*		
Basic		**(US0.25 cents)**	(US2.00 cents)
Diluted		**(US0.25 cents)**	(US2.00 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTES	**30.6.2011** *US$'000* **(unaudited)**	31.12.2010 *US$'000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**1,507,125**	1,722,832
Investment properties	*9*	**–**	30,450
Prepaid lease payments	*9*	**116,571**	135,213
Available-for-sale investments		**100**	91
Interests in associates		**48,214**	46,814
Deferred tax assets	*11*	**28,706**	28,732
Deposits for acquisition of prepaid lease payments		**29,463**	28,795
Deposits for acquisition of property, plant and equipment		**1,722**	4,141
		1,731,901	1,997,068
Current assets			
Inventories		**660,637**	748,189
Trade and other receivables	*12*	**1,291,105**	1,647,775
Bank deposits		**291,477**	268,063
Bank balances and cash		**1,434,852**	1,356,254
		3,678,071	4,020,281
Assets classified as held for sale	*13*	**451,890**	–
		4,129,961	4,020,281
Current liabilities			
Trade and other payables	*14*	**1,188,278**	1,401,150
Bank borrowings	*15*	**821,950**	862,213
Provision	*16*	**25,842**	28,340
Tax payable		**67,430**	75,385
		2,103,500	2,367,088
Liabilities associated with assets classified as held for sale	*13*	**38,494**	–
		2,141,994	2,367,088

	NOTES	30.6.2011 US$'000 (unaudited)	31.12.2010 US$'000 (audited)
Net current assets		**1,987,967**	1,653,193
Total assets less current liabilities		**3,719,868**	3,650,261
Capital and reserves			
Share capital		**287,977**	286,563
Reserves		**3,339,319**	3,260,464
Equity attributable to owners of the Company		**3,627,296**	3,547,027
Non-controlling interests		**47,355**	46,000
Total equity		**3,674,651**	3,593,027
Non-current liabilities			
Deferred tax liabilities	*11*	**8,267**	3,423
Deferred income	*17*	**36,950**	53,811
		45,217	57,234
		3,719,868	3,650,261

Notes:

1. INDEPENDENT REVIEW

The interim results for the period of six months ended 30 June 2011 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. The unmodified review report is included in the interim report to be sent to shareholders.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Non-current assets held for sale

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

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

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

5. TAXATION

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

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

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

6. LOSS FOR THE PERIOD

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

7. DIVIDEND

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

8. LOSS PER SHARE

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

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

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

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

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

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

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

During the period, certain buildings with aggregate carrying amount of US$289,000 (2010: US$7,902,000) were transferred from property, plant and equipment to investment properties at net book value. The whole investment properties were reclassified as held for sale as at 30 June 2011 (see note 13 for details).

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

10. IMPAIRMENT LOSS RECOGNISED FOR GOODWILL

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

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

11. DEFERRED TAXATION

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

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

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

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

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

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

15. BANK BORROWINGS

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

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

16. PROVISION

	Warranty provision
	US$'000
At 1 January 2010	23,533
Exchange adjustments	1,114
Provision for the year	12,279
Utilisation of provision	(8,586)
At 31 December 2010	28,340
Exchange adjustments	471
Provision for the period	9,289
Provision associated with assets classified as held for sale *(note 13)*	(29)
Utilisation of provision	(12,229)
At 30 June 2011	25,842

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

17. DEFERRED INCOME

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

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

18. EVENT AFTER THE END OF THE INTERIM PERIOD

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

(a) The disposal of Foxconn Taiyuan was completed on 15 August 2011. Details of the transactions were set out in note 13.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

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

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

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

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

Liquidity and Financial Resources

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

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

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

Exposures to Currency Risk and Related Hedges

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

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

Capital Commitments

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

Pledge of Assets

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

Outlook

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

Employees

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

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

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

DISCLOSURE OF INFORMATION ON WEBSITES

The 2011 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively in due course.

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

Hong Kong, 29 August 2011

As at the date of this announcement, the executive directors of the Company are Messrs. Chin Wai Leung, Samuel and Chih Yu Yang and Dr. Lee Jer Sheng, the non-executive directors of the Company are Messrs. Chang Ban Ja, Jimmy and Lee Jin Ming and Ms. Gou Hsiao Ling and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.

* *for identification purposes only*