

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