FOXCONN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2038

2011 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHIN Wai Leung, Samuel
(Chairman)
CHENG Tien Chong
(Chief Executive Officer)
CHIH Yu Yang
LEE Jer Sheng

NON-EXECUTIVE DIRECTORS

CHANG Ban Ja, Jimmy
LEE Jin Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

COMPANY SECRETARY

TANG Wan Mui

REGISTERED OFFICE

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

HEAD OFFICE

Long He Industrial Park
An Ci District
Lang Fang City
He Bei Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F., Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Baker & McKenzie, Hong Kong
Clifford Chance, Hong Kong
Norton Rose, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Construction Bank
China Merchants Bank
Chinatrust Commercial Bank
Citibank
Industrial Bank
Industrial and Commercial Bank of China
Mizuho Corporate Bank
Standard Chartered Bank
Taipei Fubon Bank
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

2038

CHAIRMAN'S STATEMENT

Dear Shareholders,

Although we may be in the recovery phase of the recent global financial crisis, economic concerns including high unemployment and sovereign debt continue to impact the recovery process. In addition, the wireless handset market continues to be both challenging and dynamic with new players with unique operating systems and innovative ecosystems taking market share from our traditional leading handset brand customers. However, despite such economic and market concerns, as a result of our cost optimization efforts, focus on efficiency, and investments in R&D capability, during 2011, Foxconn International Holdings Limited ("FIH" or the "Company") strengthened partnerships with existing customers, developed meaningful alliances with new players and returned to profitability.

In 2011, we began to see benefits from our re-structuring efforts, which included moving to lower cost operating locations; fine-tuning our capacity; increasing productivity and efficiency via automation, and carefully monitoring spending. In addition, during 2011, we served a broader and more diversified customer base, minimizing the impact any one customer may have on our business. We are pleased that FIH is serving more of the best customers in the world.

Revenue for the year ended 31 December 2011 reached US$6,354 million, which represents a decrease of US$272 million, or 4.1% less than the prior year's revenue of US$6,626 million. Net gain for the year ended 31 December 2011 attributable to equity holders of the Company was US$73 million, which represents an increase of 133.5% over the loss for the prior year's amount of US$218 million. Basic earnings per share for 2011 was US1.01 cents.

It is significant to note that we achieved these results against the backdrop of higher commodity costs, higher labor costs and a difficult global economy. We are mindful that the same challenges still exist and that other challenges will arise, but are confident that our unique business model, which continues to leverage our end-to-end strategy, puts us in a strong position to both capture business growth opportunities and cope with market dynamics.

We believe that in the coming years, success in our industry will be defined by strong core competencies in automation technology and product development engineering capabilities. In the competitive landscape of the wireless handset market, cost competitiveness will continue to be a key factor in securing business opportunities. We believe that due to increased labor costs and shortages of labor experienced by all, automation will play a key role in our industry. As such, automation has become a priority focus for management. Our goal is to have automation technology because a core competency that distinguishes FIH as the dominant handset manufacturing service provider in the world.

CHAIRMAN'S STATEMENT

In addition, we have observed that rapid changes in technology coupled with the drive for profitability have created an environment where many companies require outsourced engineering talent. Our continued investment, even during difficult times, in our R&D and product development engineering capabilities has enabled us to capture many of these business opportunities. We are pleased with our leadership position in the core competencies of automation technology and product development engineering capabilities, and will continue to invest in order to maintain our competitive edge.

The market definition of smart handheld devices is expanding to include other handheld computing devices including tablet devices. We will increase our investment focus on these other handheld computing devices, as necessary, in response to market and customer demands.

It has been an honor to have served as the CEO of FIH for the past eight plus years and I will cherish the experience. I have been blessed to be a part of and to have contributed to the growth of FIH. It truly has been an incredible journey. I am delighted to welcome Mr. Cheng Tien Chong, a business veteran with many years of experience in the computing and mobile industries as the new CEO of FIH, and I have huge optimism for the future of FIH.

On behalf of the management team, I would like to express our gratitude to those who have supported and encouraged us in 2011 including but not limited to: the members of the board for their valuable input and critical analysis; our employees for their hard work; and the families of our employees for their patience and sacrifices.

We are fortunate to partner with the top-tier customers of the world. We are thankful for our customers' long-term support and remain motivated to serve them in the best possible way. We would also like to thank our shareholders for their continued confidence in management. We are committed to do our utmost to maximize the value of FIH.

With best regards,

Chin Wai Leung, Samuel
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

The year 2011 was a year of recovery for the Company and its subsidiaries (collectively, the "Group"). Our efforts in capacity optimization in various geographical locations and new customer penetration started to create positive impact to our operation results.

Revenue for the year 2011 was US$6,354 million, which represents a change of US$272 million, or 4.1% decrease when compared to the prior year's revenue of US$6,626 million. Profit for the year 2011 attributable to equity holders of the Company was US$73 million, representing a gain of 133.5% over the loss for the prior year of US$218 million. Basic earnings per share for the year 2011 was US1.01 cents.

The battle for market shares among global OEM brands and new entrants intensified in 2011, caused by the convergence of computer and communications industries and the introduction of new software systems, applications and services. However, our investments in further enhancements of our R&D capabilities allowed us to offer wider range of products and services to our existing customers as well as new ones. This was the year that we managed to attract a broader range of players in the market by providing one-stop-shop solutions from design, manufacturing to logistics.

Our relentless efforts in right-sizing our capacity, disposal of lower-return facilities and even business had enabled us to show much improved operating results. By the end of 2011, our major manufacturing capabilities in the PRC had been consolidated in our northern sites. Significant effects of cross business units leverage were made possible. This, compared to our status in 2010, was a major contributor to the rationalization of our cost structure. We also continued to divest less-utilised equipment and release other manufacturing resources so as to improve our capacity utilization. Capital expenditure occurred in the year was under the management's strict control.

While our commitment in R&D remained, we managed to streamline our R&D resources. To cope with business changes, we had to cut back R&D investments in some areas and keep our focus on Taiwan and the PRC. Such resources were highly appreciated by our new and existing customers as we were able to tremendously enrich their product portfolio and shorten their products' time to market. Our customers can now focus on product positioning, marketing, sales and distribution while leaving us to take care of their product design and supply chain. It is our belief that we were on the forefront of such total solution offering in the handset industry for both developed and emerging markets.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, we had a cash balance of US$1,512 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$483 million (2010: US$862 million) over total assets of US$5,612 million (2010: US$6,017 million), was 8.61% (2010: 14.33%). External borrowings decreased in 2011 as we repaid US Dollar borrowing by RMB cash on hand to reduce foreign currency risks. In 2011, most of the borrowings were denominated in US Dollars and some of them were denominated in Euro in overseas entities. We borrowed according to real demand and there was no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest bearing external borrowings were all at fixed rate ranging from 1.25% to 4.37% per annum with original maturity of one to three months.

Net cash from operating activities for the year ended 31 December 2011 was US$488 million.

Net cash from investing activities for the year ended 31 December 2011 was US$14 million, of which, mainly, US$177 million was the expenditures on property, plant and equipment related to the facilities in our major sites in the PRC, US$133 million placement in bank deposit, US$13 million represented increase in deposits for acquisition of property, plant and equipment, US$20 million represented deposit received in respect of assets held for sale, US$272 million represented the net cash inflow on disposals of subsidiaries, US$35 million represented proceeds on disposal of property, plant and equipment, and US$10 million represented net proceeds on partial disposal of an associate.

Net cash used in financing activities for the year ended 31 December 2011 was US$386 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 tenors less than 6 months) denominated in 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 31 December 2011, the capital commitment of the Group was US$67.1 million (2010: US$102.2 million). Usually, the capital commitment will be funded by cash generated from operations.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

A subsidiary of the Company has pledged its corporate assets of approximately US$1.7 million (2010: US$3 million) to secure general banking facilities granted to the Group.

OUTLOOK

Looking ahead into 2012, smart mobile devices should still receive mainstream attention in the market from consumers. We can now operate from a leaner base and are in a good position to drive our business further. While market situation could remain volatile, we should keep our focus on providing the best services to our customers. We look to expand the value-added solutions to our customers and new prospects. Our continuous drives in manufacturing automation, cost rationalization and customer diversification will prove to be pivotal to our long-term success.

EMPLOYEES

As at 31 December 2011, the Group had a total of 98,868 (2010: 126,687) employees. Total staff costs incurred during the year 2011 amounted to US$533 million (2010: US$565 million). The Group offers a comprehensive remuneration policy which is reviewed by the management on a regular basis.

The Company has adopted a share scheme and a share option scheme respectively. The share option scheme complies with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The emolument payable to the directors of the Company is determined by the board of directors of the Company from time to time with reference to the Company's performance, their duties and responsibilities with the Company, their contributions to the Company and the prevailing market practice.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHIN Wai Leung, Samuel, aged 61, joined the Company as the Chairman and Chief Executive Officer in July 2003. Mr. Chin relinquished his position as the Chief Executive Officer effective 1 January 2012 and remains as the Chairman. Mr. Chin joined Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), a company listed on the Taiwan Stock Exchange Corporation and the ultimate controlling shareholder of the Company, and its subsidiaries ("Hon Hai Group") in 2000, and had been one of the principal managers responsible for the handset manufacturing services business of the Hon Hai Group since July 2000, which is now wholly-owned and operated by the Company. He is also a director of Success World Holdings Limited, Foxconn Oy and FIH Co., Ltd. respectively, being subsidiaries of the Company. Before joining the Company, Mr. Chin held senior executive positions in EFA Corporation, Atari Corporation and Commodore Electronics Limited with responsibilities ranging from sales and marketing, global procurement, manufacturing, pricing, purchasing, contract negotiation, accounting and finance. With over 27 years of marketing, sales and operational experience in the global computer and electronics industries, he has worked in an international environment. Mr. Chin was awarded a Juris Doctor degree from the University of Pennsylvania Law School in 1976 and a Bachelor of Science degree in Economics from Wharton School, University of Pennsylvania, US in 1973.

CHENG Tien Chong, aged 59, joined the Company as an executive Director and Chief Executive Officer effective 1 January 2012. Mr. Cheng joined the Foxconn Technology Group (comprising Hon Hai and its subsidiaries, including the Company) in 2007 and has been working as corporate executive vice president principally responsible for formulating, driving and implementing business initiatives and strategies and presiding over and leading organisations and operations. He is also a director of certain subsidiaries of the Company, namely Foxconn Communication Technology Corp., Wide-Ranging Investments Limited, Evenwell Holdings Limited and FIH Co., Ltd. respectively. Before joining the Foxconn Technology Group, from 1997 to 2007, he was the president of the Asia region for Texas Instruments Incorporated. From 1992 to 1997, Mr. Cheng was the president of China Hewlett-Packard. Prior to that, Mr. Cheng held various senior executive positions with Hewlett-Packard Intercontinental, Hewlett-Packard Asia and Hewlett-Packard Taiwan respectively. Mr. Cheng has over 29 years of extensive management, marketing, sales and operational experience in the global electronics and engineering industries with multinational companies and has achieved a top ranking and good reputation in the industries. Mr. Cheng received a Bachelor of Science degree in Electronics Engineering from National Chiao Tung University, Taiwan in 1974 and a Master of Business Administration degree from Santa Clara University, USA in 1991.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHIH Yu Yang, aged 53, joined the Company as an executive Director in August 2009. Mr. Chih is the chairman and chief executive officer of Chi Mei Communication Systems, Inc. ("CMCS") in Taiwan, which is the primary mobile handset design services arm of the Group, a subsidiary of the Company. Mr. Chih joined the Group in 2005 when the Group acquired CMCS. Prior to that, Mr. Chih was the founder of CMCS since its establishment in 2001. He is also a director of a principal operating subsidiary of the Company namely FIH Technology Korea Ltd. He has 32 years of extensive experience in the communication industries. From 1997 to 2001, Mr. Chih was the vice president and general manager of Communication B.U. in BenQ (formerly Acer Communication and Multimedia, Inc.) where he was responsible for the BenQ's cellular phone business. Prior to that, he held various engineering and managerial positions in companies including ITT Corporation, GTE Corporation and Rockwell Semiconductor Systems. Mr. Chih obtained a Bachelor of Science degree in Electrical Engineering from National Tsing Hua University in Taiwan in 1980.

Dr. LEE Jer Sheng, aged 48, joined the Company as an executive Director in June 2010. Dr. Lee joined the Company as director of mechanical production in June 2004. Before joining the Company, he had worked for Hon Hai since February 1998 and had been one of the principal managers responsible for the handset manufacturing services business of the Hon Hai Group since January 2002. Dr. Lee has almost 20 years of mechanical engineering and production management experience. He is also a director of various principal operating subsidiaries of the Company, namely Foxconn Precision Electronics (Langfang) Co., Ltd., Foxconn Precision Component (Beijing) Co., Ltd., Foxconn (Tian Jin) Precision Industry Co., Ltd., Shenzhen Futaihong Precision Industrial Co., Ltd. and Foxconn India Private Limited. Prior to that, Dr. Lee held various positions in automotive industry in Taiwan. Dr. Lee received a B.S. in Aerospace Engineering from National Cheng Kung University, Taiwan in 1986 and a Ph.D. in Mechanical Engineering and Applied Mechanics from the University of Michigan (Ann Arbor), US in 1993.

CHANG Ban Ja, Jimmy, aged 68, joined the Company as a non-executive Director in December 2004. Mr. Chang is the executive vice president of Hon Hai following his assignments as the president of Foxconn Corporation in the US and managing director of Foxconn Singapore. Mr. Chang has been with Hon Hai since September 1989. He also spent over 36 years in internal audit, treasury, international investment analysis, controllership, sales and marketing functions. He had previously been associated with Arthur Young, Kaiser Aluminum & Chemical Corporation, Memorex and Atari Corporation. Mr. Chang obtained a Master of Business Administration degree from Santa Clara University, California, US in 1970.

LEE Jin Ming, aged 59, joined the Company as a non-executive Director in December 2004. Prior to joining Hon Hai in October 1997, Mr. Lee was a senior financial manager with Philips and Chase Manhattan Bank. He is a director of Foxconn (Far East) Limited. Mr. Lee has over 32 years of banking, corporate finance and accounting related international financial experience. Mr. Lee obtained a Bachelor of Arts degree from the National Chengchi University, Taiwan in 1974.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

LAU Siu Ki, aged 53, joined the Company as an independent non-executive Director in December 2004. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. He graduated from Hong Kong Polytechnic in 1981. Mr. Lau is a member of both the Association of Chartered Certified Accountants ("ACCA") and Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. Mr. Lau also serves as an independent non-executive director in Binhai Investment Company Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Samson Holding Ltd. and TCL Communication Technology Holdings Limited.

Dr. Daniel Joseph MEHAN, aged 67, joined the Company as an independent non-executive Director in July 2007. Dr. Mehan was the chief information officer of the Federal Aviation Administration from 1999 to 2005. Prior to that, Dr. Mehan was senior level executive who held a variety of leadership positions at AT&T for over 20 years, including international vice president and international chief information officer. Dr. Mehan has strong background in information systems, cyber security, business management, marketing initiatives and technology development. Dr. Mehan received both his Ph.D. in Operations Research and Master of Science in Systems Engineering from University of Pennsylvania, US.

CHEN Fung Ming, aged 65, joined the Company as an independent non-executive Director in November 2008. Mr. Chen is the chairman of Prolight Opto Technology Corp. in Taiwan which provides high power LED packaging for lighting application. From 2006 to 2008, Mr. Chen was a director of Beyond Innovation Technology Corp. in Taiwan specialising in IC design for video application. He has extensive experience in the electronics and lighting industries. Mr. Chen obtained a Bachelor of Science degree in Physics from Fu Jen Catholic University in Taiwan in 1970. He also received from the University of Wisconsin-Madison, US, a Master of Science degree in Physics and a Master of Science degree in Computer Science in 1974.

SENIOR MANAGEMENT

KO Ming Chung, aged 49, joined the Company as director of mechanical production in June 2004. Before joining the Company, he was with Hon Hai since July 1992 and had been one of the principal managers responsible for the handset manufacturing services business of the Hon Hai Group since July 2000. Mr. Ko has over 27 years of mechanical engineering and production management experience. Prior to that, Mr. Ko held various positions in mechanical engineering and production with Philips and Matsushita Electric (Taiwan) Co., Ltd. Mr. Ko received a Master of Science degree in Mechanical Engineering from National Taiwan University, Taiwan in 1992.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

WANG Chien Ho, Janson, aged 52, joined the Company as director of electronic parts manufacturing and SMT and system assembly in June 2004. Before joining the Company, Mr. Wang joined the Hon Hai Group in June 1996 as an operation manager. He was then responsible for SMT and mother board manufacturing in Czech Europe as director of factory operation in 1999. In 2004, he was responsible for setting up a new factory of PCBA and engine production in FIH Europe in Hungary. Mr. Wang was promoted to a vice president responsible for ODM operation in Shenzhen, China in 2007. From 2009, he has started to be based in northern China. He has over 25 years of extensive experience in manufacturing operation and engineering management. Mr. Wang obtained a Bachelor degree in Electronics Engineering from Feng Chia University, Taiwan in 1982.

Michael SMITH, aged 47, joined the Company as vice president, Mexico operations in May 2004. Mr. Smith has over 20 years of experience in the high technology electronics manufacturing industry. Prior to joining the Company, he worked at Motorola, Inc. for over 11 years in various manufacturing leadership roles. Currently, Mr. Smith is a member of senior management team as vice president of the Company's service division. Mr. Smith obtained a Master of Science degree in Electrical Engineering from the University of South Florida in Tampa, Florida, US in 1991.

TONG Wen Hsin, Vincent, aged 46, joined the Company as director of investments and investor relations in July 2004. Mr. Tong has over 20 years of experience in the investment banking, finance and information technology fields. Before joining the Company, Mr. Tong worked at ABN AMRO Rothschild, where he was a director of the equity capital markets department, responsible for the underwriting of various equity and equity-linked issues of Asian corporate clients. Prior to that, he worked in the equity capital markets department of Jardine Fleming and Robert Fleming in Hong Kong and London, as well as in the marketing and sales departments of International Business Machines Corporation in Taiwan. Mr. Tong holds a MBA degree from London Business School, United Kingdom, which he obtained in 1995.

TAM Kam Wah, Danny, aged 48, joined the Company as senior manager of financial control in October 2004. Mr. Tam is the chief accounting officer of the Company. He is responsible for accounting and financial reporting, taxation, internal control, corporate governance, risk management and performance management of the Group. Mr. Tam has over 24 years of experience in accounting and finance in Hong Kong listed companies and multinational companies. Prior to joining the Company, he worked as a financial controller for ITT Industries and Hutchison Harbour Ring Ltd. and he also worked as an accounting manager for Coates Brothers (HK) Co., Ltd. Mr. Tam is a fellow of the Association of Chartered Certified Accountants, an associate of Chartered Institute of Management Accountants and an associate of Hong Kong Institute of Certified Public Accountants. Mr. Tam received a BBA from Chinese University of Hong Kong in 1988, a Master of Applied Finance from Macquarie University, Australia in 1994, a Master of Business Administration degree from University of Ottawa, Canada in 1996, and a Master of Arts degree in Information System and a Master of Arts degree in Electronic Business from City University of Hong Kong in 1999 and 2002 respectively. Mr. Tam also received a Master of Accounting from Jinan University in 2005.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of the Company is pleased to announce this annual report, particularly the audited consolidated results of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are set out in the financial statements on pages 105 to 107. The Group is a vertically integrated manufacturing services provider for handset industry worldwide. It provides a full range of manufacturing services to its customers in connection with the production of handsets.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the financial statements on pages 28 to 29. The Board does not recommend the payment of any dividends in respect of the year ended 31 December 2011.

RESERVES

Movements in reserves of the Group during the year are set out on page 32.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution amounted to US$1,646,157,000.

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in note 26 to the financial statements.

FINANCIAL SUMMARY

A financial summary of the results of the Group for the last five financial years is set out on page 109.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements respectively.

BANK LOANS

Details of bank loans are set out in note 25 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this annual report are:

Executive Directors

CHIN Wai Leung, Samuel
CHENG Tien Chong (appointed on 1 January 2012)
CHIH Yu Yang
LEE Jer Sheng

Non-executive Directors

CHANG Ban Ja, Jimmy
GOU Hsiao Ling (resigned on 1 January 2012)
LEE Jin Ming

Independent Non-executive Directors

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

Having received written confirmations from each of the independent non-executive directors of their independence pursuant to rule 3.13 of the Listing Rules, the Company considers each independent non-executive director to be independent.

Pursuant to article 112 of the articles of association of the Company (the "Articles"), one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every three years. In accordance with article 112 of the Articles, Messrs. Chin Wai Leung, Samuel and Chang Ban Ja, Jimmy will retire from office by rotation at the Company's forthcoming annual general meeting and Mr. Chin, being eligible, will offer himself for re-election at such meeting whereas Mr. Chang, although being eligible, will not offer himself for re-election at such meeting due to his other business commitment in Hon Hai Group. Mr. Chang has confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company. Pursuant to article 95 of the Articles, Mr. Cheng Tien Chong was appointed as an executive director with effect from 1 January 2012 and, being eligible, will offer himself for re-election at the Company's forthcoming annual general meeting.

Mr. Lau Siu Ki stepped down as a member of the executive committee of the Hong Kong branch of ACCA in September 2011. His other biographical details are set out in the profile of directors and senior management.

REPORT OF THE DIRECTORS

Mr. Cheng Tien Chong resigned as a director of Zhen Ding Technology Holding Limited (formerly known as Foxconn Advanced Technology Limited, the shares of which are listed on the Taiwan Stock Exchange Corporation on 26 December 2011) with effect from 7 June 2011. His other biographical details are set out in the profile of directors and senior management.

Pursuant to the approval of the Board on 18 October 2011, the Company granted 92,324 ordinary shares (being performance based emolument) to Mr. Lee Jer Sheng, the executive director of the Company. Details of his emolument are set out in note 9 to the financial statements.

Pursuant to the approval of the Board on 29 December 2011, the Company granted 1,126,786 ordinary shares and 394,657 ordinary shares (being performance based emolument) to Mr. Chih Yu Yang and Mr. Lee Jer Sheng, the executive directors of the Company, respectively. Details of their emoluments are set out in note 9 to the financial statements.

SERVICE CONTRACTS

None of the directors of the Company has entered into a service contract with the Company which has not expired and which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

DISCLOSURE OF INTERESTS

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

As at 31 December 2011, 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 (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 taken or deemed to have under such provisions of the SFO) or which were required to be and are recorded in the register required to be kept by the Company pursuant to

Section 352 of the SFO or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
Chin Wai Leung, Samuel	Company	Personal Interest	20,052,200	0.2776%
	Hon Hai	Personal Interest	791,551	0.0074%
Chih Yu Yang	Company	Personal Interest	3,786,396	0.0524%
	Hon Hai	Personal Interest	237,453	0.0022%
Lee Jer Sheng *(Note 1)*	Company	Personal Interest	5,481,466	0.0759%
		Jointly held Interest	100,000	0.0014%
Chang Ban Ja, Jimmy	Hon Hai	Personal Interest	2,332,183	0.0218%
Lee Jin Ming *(Note 2)*	Hon Hai	Personal Interest	603,703	0.0056%
		Through a trust	1,100,000	0.0103%

Notes:

1. 5,481,466 shares include 4,726,287 shares which are issuable upon exercise of share options granted under the share option scheme of the Company. 100,000 shares are beneficially and jointly owned by Mr. Lee Jer Sheng and Ms. Ting Kuei Feng, the spouse of Mr. Lee Jer Sheng. Accordingly, Mr. Lee Jer Sheng is deemed to be interested in 100,000 shares which are jointly held by him and his spouse for the purposes of the SFO.

2. 1,100,000 shares are held by a trust of which Mr. Lee Jin Ming is the beneficiary. Accordingly, Mr. Lee Jin Ming is deemed to be interested in 1,100,000 shares which are held by the trust for the purposes of the SFO.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 31 December 2011, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executives were taken or deemed to have under such provisions of the SFO) or which were required to be and are recorded in the register required to be kept by the Company 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.

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 31 December 2011, shareholder (other than the directors or chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	70.33%
Hon Hai *(Note)*	Interest of a controlled corporation	5,081,034,525	70.33%

Note: Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai, and therefore, Hon Hai is deemed or taken to be interested in the 5,081,034,525 shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required 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.

CONNECTED TRANSACTION

On 8 July 2011, Shenzhen Futaihong Precision Industrial Co., Ltd. ("FTH Precision") and Hong Fu Jin Precision Industry (Shen Zhen) Co. Ltd. ("HFJ Precision") (collectively, the "Vendors") and Shenzhen Chengshi Jianshe Investment Development Limited Company (the "Purchaser") entered into the equity transfer agreement pursuant to which the Vendors shall sell their respective equity interests (approximately 70.12% being held by FTH Precision and approximately 29.88% being held by HFJ Precision) in Shenzhen Futaihong Guang Ming Property Co., Ltd. ("Guang Ming") to the Purchaser for a total consideration of RMB878.75 million. In respect of the total consideration, RMB616.18 million (being 70.12% of the total consideration) is payable to FTH Precision while RMB262.57 million (being 29.88% of the total consideration) is payable to HFJ Precision.

FTH Precision is a wholly-owned subsidiary of the Company and HFJ Precision is a wholly-owned subsidiary of Hon Hai. Hon Hai is the controlling shareholder of the Company. Accordingly, HFJ Precision is a connected person (as defined in the Listing Rules) of the Company and the disposal by FTH Precision and HFJ Precision of their respective equity interests in Guang Ming constitutes a connected transaction for the Company.

The Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons, to the best of the knowledge and relief of the Company's directors.

Guang Ming's principal assets are bank deposits and the land use right to utilize the land which was originally intended to be developed into staff quarters for the Group and the Hon Hai Group and the development of the land had not yet commenced. As the Group was consolidating its operation in northern China, it no longer planned to develop staff quarters at the land and considered it in its best interests to dispose of Guang Ming at price agreeable to the Company.

Pursuant to the equity transfer agreement, the Vendors have agreed to transfer their equity interests in Guang Ming to the Purchaser and the Purchaser has agreed to pay the Vendors in the following manner:

(i) the Purchaser shall pay a deposit of RMB100 million to FTH Precision within 2 business days after the date of the equity transfer agreement (which was applied to pay the consideration);

(ii) the Purchaser subject to the results of its due diligence on Guang Ming shall pay RMB250 million to FTH Precision within 7 business days after the date of making the payment in item (i) above; within 10 business days after the date of the Purchaser paying RMB250 million thereunder, FTH Precision shall transfer its 25% equity interest to the Purchaser;

(iii) the Purchaser shall pay a total of RMB350 million, of which RMB87.43 million is paid to FTH Precision and RMB262.57 million is paid to HFJ Precision, by 14 March 2012 and the Purchaser shall on the date of payment procure the issue of an irrevocable bank guarantee for the Purchaser's payment of the remaining RMB178.75 million; within 10 business days after the date of the Purchaser providing the irrevocable bank guarantee, FTH Precision shall transfer a 15.12% equity interest in Guang Ming and HFJ Precision shall transfer its entire 29.88% equity interest in Guang Ming to the Purchaser; and

(iv) the Purchaser shall pay the remaining RMB178.75 million to FTH Precision by 31 December 2012; within 10 business days after the date of paying such payment, FTH Precision shall transfer its remaining 30% equity interest in Guang Ming to the Purchaser.

Pursuant to a supplemental agreement dated 12 March 2012 among FTH Precision, HFJ Precision and the Purchaser, the parties have agreed to revise the equity transfer and payment mechanism referred to in items (i) and (iii) above in the following manner, whilst they shall continue to observe and perform the other terms and conditions of the said equity transfer agreement:

(i) On the date of the Purchaser's payment of RMB350 million to FTH Precision and HFJ Precision (the "RMB350 Million Payment Date"), the Purchaser shall provide FTH Precision with an irrevocable bank guarantee for the Purchaser's payment of the remaining RMB178.75 million; within 5 business days after the date of FTH Precision's confirmation of such irrevocable bank guarantee, FTH Precision shall transfer its 5.12% equity interest in Guang Ming and HFJ Precision shall transfer its entire 29.88% equity interest in Guang Ming to the Purchaser;

(ii) On the RMB350 Million Payment Date, in addition to such irrevocable bank guarantee, the Purchaser shall pay RMB100 million (the "Deposit-Equivalent Sum") to FTH Precision; within 3 business days from its receipt of the Deposit-Equivalent Sum, FTH Precision shall refund the deposit of RMB100 million to the Purchaser; within 10 business days from its receipt of the Deposit-Equivalent Sum, FTH Precision shall transfer its remaining 10% equity interest in Guang Ming to the Purchaser; and

(iii) If the Purchaser fails to pay the Deposit-Equivalent Sum to FTH Precision within 90 days from the date of the said supplemental agreement, the deposit of RMB100 million paid by the Purchaser to FTH Precision shall be automatically applied by FTH Precision to pay the consideration; within 10 business days from such application, FTH Precision shall transfer its remaining 10% equity interest in Guang Ming to the Purchaser.

CONTINUING CONNECTED TRANSACTIONS

Equipment Purchase Transaction

The Group has purchased equipment from the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework equipment purchase agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010) between the Company and Hon Hai. Hon Hai is the ultimate controlling shareholder of the Company. The equipment purchase transaction constitutes a continuing connected transaction for the Company.

As the Company expected to purchase additional equipment from the Hon Hai Group for the Group's upgrade of its engineering capabilities, on 29 April 2011, the Company set the new annual caps for the equipment purchase transaction for each of the three years ending 31 December 2013 at US$46 million for 2011, US$51 million for 2012 and US$57 million for 2013.

The new annual caps were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the estimated value of the equipment for upgrading the Group's engineering capabilities to be purchased from the Hon Hai Group in 2011;

- percentage of the value of the equipment purchase transaction to the turnover of the Group in the past and in 2011;

- internal target turnover of the Group for the purpose of estimating the new annual caps with reference to the anticipated growth of the mobile handset market; and

- a buffer of 5%.

In view of the Group's continuous efforts to upgrade its engineering capabilities and expansion of its production capacity and the Hon Hai Group's ability to supply the equipment for the Group's purposes at prices acceptable to the Company and determined in accordance with the prescribed pricing mechanism under the framework equipment purchase agreement, the annual caps for the equipment purchase transaction set by the Company on 29 April 2011 might not be sufficient. Therefore, on 30 November 2011, the Company set the new annual caps for the equipment purchase transaction for each of the three years ending 31 December 2013 at US$61 million for 2011, US$67 million for 2012 and US$75 million for 2013.

The new annual caps were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount of the equipment purchase transaction for the ten months ended 31 October 2011 and the Group's equipment purchase plan for November and December 2011;
- percentage ratio of the amount of the equipment purchase transaction to the turnover of the Group for the year ending 31 December 2011;
- internal target turnover of the Group for the purpose of estimating the new annual caps with reference to the anticipated growth and trend of the mobile handset market; and
- a buffer of 5%.

Product Sales Transaction and Sub-contracting Income Transaction

The Group has sold certain products to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework product sales agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007 and 19 November 2010) between the Company and Hon Hai and has provided sub-contracting services to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework sub-contracting agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010) between the Company and Hon Hai. Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the product sales transaction and sub-contracting income transaction constitute continuing connected transactions for the Company.

Optimising its production resources, the Group had been consolidating its operation and manufacturing facilities. The Company considered that certain production resources might be applied more efficiently and effectively by utilising them to carry out product sales and provide sub-contracting services to the Hon Hai Group at prices agreeable to the Company, generating additional income for the Group. The Company anticipated that the then existing annual caps for the product sales transaction and the sub-contracting income transaction for 2011 might not be sufficient. Therefore, on 8 July 2011, the Company set the new annual caps for the year ending 31 December 2011 at US$158 million in relation to the product sales transaction and at US$80 million in relation to the sub-contracting income transaction.

The new annual caps were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the percentage ratio of the actual amount of the respective transactions to the Group's turnover for the five months ended 31 May 2011;
- internal target turnover of the Group for the purpose of estimating the new annual caps with reference to the anticipated growth and trend of the mobile handset market; and
- a buffer of 5%.

REPORT OF THE DIRECTORS

Overview:

1. Product sales transactions between the Group and the Hon Hai Group *(Note 1)*;

2. Lease expense transactions between the Group and the Hon Hai Group *(Note 2)*;

3. General services expense transactions between the Group and the Hon Hai Group *(Note 3)*;

4. Sub-contracting income transactions between the Group and the Hon Hai Group *(Note 4)*;

5. Equipment sale and purchase transactions between the Group and the Hon Hai Group *(Note 5)*;

6. Materials and components supply transactions between the Group and the Hon Hai Group *(Note 6)*;

7. Lease income transactions between the Group and the Hon Hai Group *(Note 7)*;

8. General services income transactions between the Group and the Hon Hai Group *(Note 8)*; and

9. Consolidated services and sub-contracting expense transactions between the Group and the Hon Hai Group *(Note 9)*.

Notes:

1. This refers to the sale of certain products to the Hon Hai Group by the Group pursuant to the framework product sales agreement dated 18 January 2005 (as amended by the supplemental agreements dated 28 February 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid by the Hon Hai Group was US$103.123 million.

2. This refers to the properties leased by the Hon Hai Group to the Group pursuant to the framework lease agreement dated 18 January 2005 (as amended by the supplemental agreements dated 12 January 2006, 20 September 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid to the Hon Hai Group was US$4.172 million.

3. This refers to the general administrative, support, utility and other services provided by the Hon Hai Group to the Group pursuant to the general services agreement dated 18 January 2005 (as amended by the supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid to the Hon Hai Group was US$32.050 million.

4. This refers to the sub-contracting services provided to the Hon Hai Group by the Group pursuant to the framework sub-contracting agreement dated 18 January 2005 (as amended by the supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid by the Hon Hai Group was US$45.678 million.

5. This refers to equipment purchased by the Group from and sold by the Group to the Hon Hai Group pursuant to the framework equipment purchase agreement dated 18 January 2005 (as amended by the supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013 and the framework equipment sale agreement dated 18 January 2005 (as amended by the supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total considerations for the year ended 31 December 2011 for equipment purchase transactions paid to the Hon Hai Group and equipment sale transactions paid by the Hon Hai Group were US$56.397 million and US$38.877 million respectively.

6. This refers to the supply of materials and components by the Hon Hai Group to the Group pursuant to the framework materials and components supply agreement dated 19 January 2005 (as amended by the supplemental agreements dated 28 February 2006, 24 October 2007 and 19 November 2010 respectively) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid to the Hon Hai Group was US$387.245 million.

7. This refers to the properties leased by the Group to the Hon Hai Group pursuant to the framework lease agreement dated 24 October 2007 (as amended by the supplemental agreement dated 19 November 2010) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid by the Hon Hai Group was US$1.718 million.

8. This refers to the general administrative, support, utility and other services provided by the Group to the Hon Hai Group pursuant to the framework general services agreement dated 24 October 2007 (as amended by the supplemental agreement dated 19 November 2010) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid by the Hon Hai Group was US$5.293 million.

9. This refers to the research and development services, design services, repair services and sub-contracting services provided by the Hon Hai Group to the Group pursuant to the framework consolidated services and sub-contracting agreement dated 24 October 2007 (as amended by the supplemental agreement dated 19 November 2010) between the Company and Hon Hai for an extended term commencing from 1 January 2011 to 31 December 2013. The total consideration for the year ended 31 December 2011 paid to the Hon Hai Group was US$31.358 million.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to report on the continuing connected transactions of the Group and the auditors have confirmed that the transactions:

1. have received the approval from the Board;

2. were in accordance with the pricing policies of the Group where the transactions involve provision of goods and services by the Group;

3. have been entered into in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the caps disclosed in the relevant announcements.

The auditors have reported their factual findings to the Board. The independent non-executive directors of the Company have reviewed the transactions and the findings and confirmed that the transactions are:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SHARE OPTION SCHEME AND SHARE SCHEME

A share option scheme (the "Option Scheme") and a share scheme (the "Share Scheme") were adopted by the Board on 12 January 2005. The Option Scheme shall be valid and effective until 2 February 2015. The Share Scheme was amended by the shareholders at the extraordinary general meeting of the Company held on 4 August 2006 and by the Board at the Board meeting of the Company held on 29 October 2009 and shall be valid and effective until 2 February 2015.

Option Scheme

Movements of the share options granted under the Option Scheme during the year are as follows:

Category of grantee	Outstanding at beginning of year	Date of grant during year	Granted during year	Vesting period	Exercise price	Exercised during year	Lapsed/ Expired during year	Cancelled during year	Outstanding at end of year
Director									
Lee Jer Sheng*	3,024,734	–	–	each year on 25 July from 2006 to 2011	HK$6.06	–	3,024,734	–	–
Employees*	222,034,371	–	–	each year on 25 July from 2006 to 2011	HK$6.06	–	221,582,795	451,576	–
Employees	2,400,000	–	–	each year on 16 July from 2008 to 2013	HK$20.63	–	–	–	2,400,000
Lee Jer Sheng	–	8 July 2011	1,701,553	each year on 1 January from 2012 to 2014	HK$3.62	–	–	–	1,701,553
Employees	–	8 July 2011	254,458,166	each year on 1 January from 2012 to 2014	HK$3.62	–	5,497,957	–	248,960,209
	227,459,105		256,159,719			–	230,105,486	451,576	253,061,762

* Exercise period is from vesting date to 31 December 2011.

The closing price of the shares of the Company immediately before 8 July 2011 on which the options were granted is HK$3.58.

REPORT OF THE DIRECTORS

Summary of Principal Terms of the Option Scheme

The purpose of the Option Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the future development and expansion of the Group, by providing them with opportunities to acquire equity interests in the Company.

Subject to the terms of the Option Scheme, the Board may, at its absolute discretion, offer any employees, management members and directors of the Company, or any of its subsidiaries, and third party service providers, including employees of Hon Hai and its subsidiaries, options to subscribe for shares on the terms set out in the Option Scheme.

The total number of shares in respect of which options may be granted under the Option Scheme shall be 425,995,209 shares, representing approximately 5.83% of the issued share capital of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company from time to time.

The period within which the options must be exercised will be specified by the Board at the time of the offer of grant, and must expire no later than 10 years from the effective date of the Option Scheme. An offer of grant of an option must be accepted by the date being a date not more than 30 days after the date of the offer. The amount payable on acceptance of an offer is HK$1.00.

The subscription price for shares in respect of an option grant shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Information on the Share Scheme

The Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. The trustee for the Share Scheme may either subscribe for new shares at nominal value or purchase shares from the market in accordance with the terms of the Share Scheme.

At the forthcoming annual general meeting of the Company, an ordinary resolution will be proposed to grant a general mandate to the directors of the Company to allot and issue shares under the Share Scheme not exceeding 2% of the issued share capital of the Company as at the date of such meeting (the "Scheme Mandate").

REPORT OF THE DIRECTORS

As at 22 March 2012, the issued share capital of the Company comprised 7,310,460,538 shares of US$0.04 each. Subject to the passing of an ordinary resolution approving the Scheme Mandate and on the basis that no further shares will be issued, purchased or repurchased prior to the forthcoming annual general meeting, exercise in full of the Scheme Mandate will result in 146,209,210 shares being allotted and issued under the Scheme Mandate. On the basis of the closing price of HK$5.7 per share as at 22 March 2012 and the Scheme Mandate being exercised in full, the aggregate market value of the 146,209,210 shares to be allotted and issued pursuant thereto would be approximately HK$833,392,497. The Company expects that the costs attributable to the grant of any shares under the Share Scheme will be accounted for by reference to the market value of such shares at the time of grant. The Company will give due consideration to any financial impact arising from the grant of shares under the Share Scheme before exercising the Scheme Mandate.

Pursuant to the approvals of the Board on 29 April 2011, 8 July 2011, 18 October 2011 and 29 December 2011, the Company awarded a total of 92,813,388 ordinary shares (including 9,454,014 shares which were purchased from the market by the trustee as per the Share Scheme) to a total of 6,696 employees under the Share Scheme in which some shares are subject to the corresponding lock-up periods.

Apart from the Option Scheme and the Share Scheme, at no time during the year was the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debenture of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 89.94% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 23.62%. Purchases from the Group's five largest suppliers accounted for approximately 58.82% of the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 30.38%.

None of the directors of the Company or any of their associates (as defined in the Listing Rules) or any shareholders (which, to the best knowledge of the directors, own more than 5% of the issued share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any director or any person engaged in the full-time employment of the Company) were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules.

REPORT OF THE DIRECTORS

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 year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company and the Companies Law of the Cayman Islands.

PENSION SCHEMES

Details of the Group's pension scheme and the basis of calculation are set out in note 36 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules, particularly the Code on Corporate Governance Practices contained 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 reviewed the audited financial statements of the Group for the year ended 31 December 2011 and recommended the same to the Board for approval.

CORPORATE GOVERNANCE

None of the director of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the CCGP save as disclosed in the corporate governance report contained in this annual report.

AUDITORS

The financial statements have been audited by Deloitte Touche Tohmatsu who are due to retire and, being eligible, will offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
Chin Wai Leung, Samuel
Chairman

Hong Kong, 22 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF FOXCONN INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Foxconn International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 108, which comprise the consolidated statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 US$'000	2010 US$'000
Turnover	6	**6,354,417**	6,626,004
Cost of sales		**(6,015,670)**	(6,343,561)
Gross profit		**338,747**	282,443
Other income, gains and losses	7	**272,329**	163,979
Selling expenses		**(26,979)**	(26,832)
General and administrative expenses		**(247,630)**	(251,959)
Research and development expenses		**(193,894)**	(219,758)
Impairment loss recognised for property, plant and equipment	14	**(6,571)**	(81,644)
Impairment loss recognised for goodwill	19	**–**	(34,445)
Impairment loss recognised for interests in an associate		**–**	(2,664)
Interest expense on bank borrowings	25	**(11,530)**	(6,665)
Share of profits of associates		**5,529**	1,416
Profit (loss) before tax	8	**130,001**	(176,129)
Income tax expense	11	**(54,869)**	(43,638)
Profit (loss) for the year		**75,132**	(219,767)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**96,832**	115,151
Share of translation reserve of associates		**(760)**	1,827
Reserves released upon disposals of subsidiaries		**(35,984)**	–
Reserves released upon partial disposal of interests in an associate		**(251)**	–
Other comprehensive income for the year		**59,837**	116,978
Total comprehensive income (expense) for the year		**134,969**	(102,789)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 US$'000	2010 US$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**72,844**	(218,317)
Non-controlling interests		**2,288**	(1,450)
		75,132	(219,767)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**133,397**	(103,833)
Non-controlling interests		**1,572**	1,044
		134,969	(102,789)
Earnings (loss) per share	*13*		
Basic		**US1.01 cents**	(US3.06 cents)
Diluted		**US1.01 cents**	(US3.06 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 US$'000	2010 US$'000
Non-current assets			
Property, plant and equipment	14	**1,457,039**	1,722,832
Investment properties	15	**–**	30,450
Prepaid lease payments	16	**51,845**	135,213
Available-for-sale investments	17	**90**	91
Interests in associates	18	**45,481**	46,814
Deferred tax assets	20	**21,326**	28,732
Deposits for acquisition of prepaid lease payments	39	**30,264**	28,795
Deposits for acquisition of property, plant and equipment		**456**	4,141
		1,606,501	1,997,068
Current assets			
Inventories	21	**608,354**	748,189
Trade and other receivables	22	**1,411,700**	1,647,775
Bank deposits	30	**409,681**	268,063
Bank balances and cash	30	**1,512,461**	1,356,254
		3,942,196	4,020,281
Assets classified as held for sale	23	**62,923**	–
		4,005,119	4,020,281
Current liabilities			
Trade and other payables	24	**1,215,434**	1,401,150
Bank borrowings	25	**483,245**	862,213
Provision	31	**28,395**	28,340
Tax payable		**81,222**	75,385
		1,808,296	2,367,088
Net current assets		**2,196,823**	1,653,193
Total assets less current liabilities		**3,803,324**	3,650,261

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 US$'000	2010 US$'000
Capital and reserves			
Share capital	26	**288,987**	286,563
Reserves	27	**3,451,022**	3,260,464
Equity attributable to owners of the Company		**3,740,009**	3,547,027
Non-controlling interests		**18,685**	46,000
Total equity		**3,758,694**	3,593,027
Non-current liabilities			
Deferred tax liabilities	20	**8,798**	3,423
Deferred income	32	**35,832**	53,811
		44,630	57,234
		3,803,324	3,650,261

The consolidated financial statements on pages 28 to 108 were approved and authorised for issue by the board of directors on 22 March 2012 and are signed on its behalf by:

CHIN WAI LEUNG, SAMUEL
DIRECTOR

CHENG TIEN CHONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Special reserve US$'000 *(note 27)*	Legal reserve US$'000 *(note 27)*	Translation reserve US$'000	Share compensation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2010	283,995	721,157	15,514	154,085	258,642	63,693	2,074,705	3,571,791	35,676	3,607,467
Exchange differences arising on translation of foreign operations	–	–	–	–	112,657	–	–	112,657	2,494	115,151
Share of translation reserve of associates	–	–	–	–	1,827	–	–	1,827	–	1,827
Other comprehensive income for the year	–	–	–	–	114,484	–	–	114,484	2,494	116,978
Loss for the year	–	–	–	–	–	–	(218,317)	(218,317)	(1,450)	(219,767)
Total comprehensive income (expense) for the year	–	–	–	–	114,484	–	(218,317)	(103,833)	1,044	(102,789)
Issue of ordinary shares under Option Scheme and Share Scheme	2,568	55,034	–	–	–	(31,132)	–	26,470	–	26,470
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	9,280	9,280
Payment made for equity-settled share based payments *(note 37)*	–	–	–	–	–	(3,330)	–	(3,330)	–	(3,330)
Recognition of equity-settled share based payments *(note 37)*	–	–	–	–	–	55,929	–	55,929	–	55,929
Profit appropriations	–	–	–	3,952	–	–	(3,952)	–	–	–
Transfer *(note)*	–	–	–	–	–	(456)	456	–	–	–
Balance at 31 December 2010	286,563	776,191	15,514	158,037	373,126	84,704	1,852,892	3,547,027	46,000	3,593,027
Exchange differences arising on translation of foreign operations	–	–	–	–	97,548	–	–	97,548	(716)	96,832
Reserves released upon disposals of subsidiaries	–	–	–	–	(35,984)	–	–	(35,984)	–	(35,984)
Share of translation reserve of associates	–	–	–	–	(760)	–	–	(760)	–	(760)
Reserves released upon partial disposal of interests in an associate	–	–	–	–	(251)	–	–	(251)	–	(251)
Other comprehensive income for the year	–	–	–	–	60,553	–	–	60,553	(716)	59,837
Profit for the year	–	–	–	–	–	–	72,844	72,844	2,288	75,132
Total comprehensive income for the year	–	–	–	–	60,553	–	72,844	133,397	1,572	134,969
Issue of ordinary shares under Option Scheme and Share Scheme	2,424	37,200	–	–	–	(39,624)	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(28,887)	(28,887)
Payment made for equity-settled share based payments *(note 37)*	–	–	–	–	–	(3,014)	–	(3,014)	–	(3,014)
Recognition of equity-settled share based payments *(note 37)*	–	–	–	–	–	62,599	–	62,599	–	62,599
Profit appropriations	–	–	–	3,670	–	–	(3,670)	–	–	–
Transfer *(note)*	–	–	–	–	–	(59,232)	59,232	–	–	–
Balance at 31 December 2011	288,987	813,391	15,514	161,707	433,679	45,433	1,981,298	3,740,009	18,685	3,758,694

Note: The amount represents aggregate of the amount previously recognised in share compensation reserve in respect of those share options forfeited after vesting date, and the amount previously recognised in share compensation reserve in respect of those difference between the market prices of vested share awards at grant date and market prices of ordinary shares subsequently purchased by trustee from the stock market.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 US$'000	2010 US$'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**130,001**	(176,129)
Adjustments for:			
Depreciation and amortisation		**247,306**	286,995
Impairment loss recognised for property, plant and equipment		**6,571**	81,644
Impairment loss recognised for goodwill		**–**	34,445
Impairment loss recognised for available-for-sale investments		**–**	1,519
Impairment loss recognised for interests in an associates		**–**	2,664
Loss on disposal of property, plant and equipment		**6,109**	13,057
Write down of inventories		**1,192**	6,014
Share-based payment expenses		**62,599**	55,929
Interest expense		**11,530**	6,665
Interest income		**(38,969)**	(18,872)
Gain on disposals of subsidiaries	*23 & 29*	**(73,303)**	–
Gain on partial disposal of an associate	*18*	**(4,609)**	–
Deferred income recognised to income		**(4,533)**	(4,650)
Allowance (write back of allowance) for doubtful debts		**3,551**	(519)
Share of profits of associates		**(5,529)**	(1,416)
Operating cash flows before movements in working capital		**341,916**	287,346
Decrease (increase) in inventories		**158,317**	(25,493)
Decrease (increase) in trade and other receivables		**296,094**	(219,019)
Decrease in trade and other payables		**(296,400)**	(139,903)
(Decrease) increase in provision		**(648)**	3,693
Cash generated from (used in) operations		**499,279**	(93,376)
Income taxes paid		**(33,821)**	(21,545)
Interest paid		**(10,988)**	(5,882)
Interest received		**36,045**	17,621
Payments made for share-based payment expenses		**(3,014)**	(3,330)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**487,501**	(106,512)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 US$'000	2010 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(177,698)**	(253,805)
Placement of bank deposits for investing purpose		**(132,992)**	(99,504)
Increase in deposits for acquisition of property, plant and equipment		**(13,048)**	(24,628)
Net cash inflow from disposals of subsidiaries	23 & 29	**271,935**	–
Proceeds on disposal of property, plant and equipment		**35,340**	52,800
Deposits received in respect of assets held for sale	23	**20,224**	–
Net proceeds on partial disposal of an associate		**9,929**	–
Dividend income from an associate		**531**	–
Government subsidies received		**–**	8,298
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**14,221**	(316,839)
FINANCING ACTIVITIES			
Bank borrowings repaid		**(5,107,705)**	(3,517,233)
Bank borrowings raised		**4,722,153**	4,023,045
Proceeds on issue of shares		**–**	26,470
Capital contribution from non-controlling interests of a subsidiary		**–**	9,280
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(385,552)**	541,562
NET INCREASE IN CASH AND CASH EQUIVALENTS		**116,170**	118,211
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,356,254**	1,200,725
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**40,037**	37,318
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, BANK BALANCES AND CASH		**1,512,461**	1,356,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 February 2000 under the Companies Law of the Cayman Islands. 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 parent company is Foxconn (Far East) Limited (incorporated in the Cayman Islands) and its ultimate holding company is Hon Hai Precision Industry Co. Ltd. ("Hon Hai") (incorporated in Taiwan and its shares are listed on Taiwan Stock Exchange). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (the "IFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised IFRS") issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretation Committee (formerly known as the International Financial Reporting Interpretations Committee) (the "IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2011.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related party disclosures
Amendments to IAS 32	Classification of rights issues
Amendments to IFRIC 14	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (the "IFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
IFRS 9	Financial instruments[3]
IFRS 9 and Amendments to IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[3]
IFRS 10	Consolidated financial statements[2]
IFRS 11	Joint arrangements[2]
IFRS 12	Disclosure of interests in other entities[2]
IFRS 13	Fair value measurement[2]
Amendments to IAS 1	Presentation of items of other comprehensive income[5]
Amendments to IAS 12	Deferred tax: Recovery of underlying assets[4]
IAS 19 (as revised in 2011)	Employee benefits[2]
IAS 27 (as revised in 2011)	Separate financial statements[2]
IAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[6]
IFRIC 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (the "IFRSs") *(Continued)*

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have impact on amounts reported in respect of the Group's available for sale investment which currently carries at cost. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (the "IFRSs") *(Continued)*

IFRS 13 "Fair value measurement"

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

IAS 19 (as revised in 2011) "Employee benefits"

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical costs is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current assets held for sale and discontinued operations) or when the investment is designated as at fair value through profit or loss upon initial recognition. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost or deemed cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. The equity method of accounting is ceased when an associate meets the held for sale classification.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, including freehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress and freehold land) over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Land has an unlimited useful life is not depreciated.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Costs, include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

For a transfer from investment property to an owner-occupied property as evidenced by commencement of owner-occupation, the fair value of the property at the date of transfer become the deemed cost of that property.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, such transfer do not change the carrying amount of the property transferred.

Prepaid lease payments

Prepaid lease payments represent payment for leasehold interests in land under operating lease arrangements and are released to profit or loss over the term of relevant land leases.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Leasehold land classified as operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss upon disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment losses on tangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets (other than goodwill) *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or contention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have quoted market price in an active market and the fair value cannot be reliably measured, the financial assets are carried at cost less any identified impairment loss rather than fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Other financial liabilities

The Group's financial liabilities are generally classified into other financial liabilities. Other financial liabilities including bank borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options or ordinary shares granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options or ordinary shares granted vest immediately, with a corresponding increase in equity (share compensation reserve). The fair value of the ordinary shares granted shall be measured at the market price of the shares, and the fair value of the share options granted shall be estimated by applying an option pricing model.

At the end of the reporting period, the Group revises its estimates of the number of options or ordinary shares that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share compensation reserve.

When the share options are exercised, the amount previously recognised in share compensation reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share compensation reserve will be transferred to retained profits.

When new ordinary shares are issued pursuant to the award scheme, the fair value of the ordinary shares granted vest immediately or without lock-up period is recognised as an expenses in full at the grant date with corresponding increase in equity (share compensation reserve). When the ordinary share awards are granted with lock-up period, the fair value of such amounts granted at the grant date is expensed on a straight-line basis over the lock-up period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled with changes in fair value recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The management had made the following estimates and assumptions in the process of applying the Group's accounting policies, which are described in note 3, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities, in the current and next financial year as discussed below.

Impairment of property, plant and equipment

The impairment of certain property, plant and equipment for providing manufacturing services to customers in connection with the production of handsets is based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses. An impairment loss of US$6,571,000 (2010: US$81,644,000) was recognised in profit or loss in the current year. The carrying amount of the relevant property, plant and equipment as at 31 December 2011 is US$1,424,190,000 (2010: US$1,664,223,000) (see note 14).

Provision for warranty

Provision has been made for value-added costs to repair or replace defective goods, such as labour costs (whether incurred internal or external) and material costs, and costs that may not be recoverable from suppliers for the rework, in accordance with contractual terms or the Group's policy. In determining the amount of provisions, the management estimates the extent of repairs and replacements with reference to its past experience, technological needs and industrial averages for defective products. The estimation may be adversely affected by many factors, including additional variations to the plans requested by the customers or because of technical needs, and unforeseen problems and circumstances. Any of these factors may affect the extent of repair or replacement required and therefore affect the ultimate repair and replacement costs to be incurred in the future periods. As at 31 December 2011, the provision is US$28,395,000 (2010: US$28,340,000).

Details of the movement on the provision are set out in note 31.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Income taxes

As at 31 December 2011, a deferred tax asset of US$6,000 (2010: US$4,376,000) in relation to unused tax losses of US$57,000 (2010: US$19,022,000) have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of US$781,553,000 (2010: US$768,274,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future.

Deferred tax assets were also recognised for other deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$113,571,000 (2010: US$171,903,000).

At 31 December 2011, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$195,500,000 (2010: US$132,698,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In cases where the actual future taxable profits generated are less or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 US$'000	2010 US$'000
Financial assets		
Loans and receivables	3,135,139	2,958,072
Available-for-sale financial assets	90	91
Fair value through profit or loss Derivatives	–	1,183
Financial liabilities		
Amortised cost	1,477,346	2,060,481
Fair value through profit or loss Derivatives	2,432	–

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include deposits and bank balances, available-for-sale investments, trade and other receivables, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (see note 25 for details of these borrowings). The directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise. Cash flow interest rate risk in relation to variable-rate bank balances and deposits is considered insignificant as most of them are short-term in nature. Accordingly, no interest rate sensitivity analysis is prepared.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign currency risk arises when the Group's recognised assets and liabilities are denominated in a currency that is not the group entity's functional currency.

The Group manages its foreign currency exposures by non-financial techniques such as managing the transaction currency, leading and lagging payments, receivable management etc. In addition, the Group sometimes obtains bank borrowings in various foreign currencies and enters into short-term foreign currency forward contracts (less than 3 months) for hedging purpose. The Group utilises a variety of forward foreign currency contracts to hedge its exposure to foreign currencies on a regular basis.

As at 31 December 2011, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are approximately US$261,795,000 (2010: US$173,407,000), and their fair values are estimated to be approximately US$2,432,000 liabilities (2010: US$1,183,000 assets), and are included as other payable (2010: other receivables) at the end of the reporting period. The contracts mainly related to buying of Euro, US$ and RMB (2010: Euro and US$) with maturities in first quarter of the following year.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

The monetary assets and liabilities of group entities which are denominated in a currency other than their respective functional currency, are mainly bank balances and cash, trade and other receivables, trade and other payables and bank borrowings, denominated in US$, and are summarised as follows:

	2011 US$'000	2010 US$'000
Assets		
US$	1,035,093	561,986
Liabilities		
US$	(1,094,953)	(1,311,543)

The Group's bank borrowings of approximately US$477,163,000 (2010: US$816,470,000) at the end of the reporting period are denominated in US$ other than the functional currency of respective group entities and are included in the monetary liabilities disclosed above.

Exchange rate sensitivity

At the end of the reporting period, in respect of monetary items (excluding derivatives) denominated in currency other than the functional currency of respective group entities, if exchange rates of the functional currency against US$ had been appreciated/depreciated by 3% (2010: 3%) and all other variables were held constant, the Group's profit would decrease/increase by approximately US$5,488,000 (2010: the Group's loss would increase/decrease by approximately US$7,545,000) for the year. No sensitivity analysis is presented for derivatives as the amount is insignificant.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. A major portion of the Group's trade debts are receivable from industry leaders or multinational customers with good financial background. Meanwhile, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

Credit risk in mobile phone handset industry is concentrated on a few global handset manufacturers. However, with the strong financial background and good creditability of the global handset manufacturers, the management considers there is no significant credit risk. The Group also seeks to maintain strict control over the creditability of customers and its outstanding receivables. In determining whether there is objective evidence of impairment loss, the Group takes into consideration of the future cash flows of the relevant receivables.

The credit risk on liquid funds is limited because the counterparties are banks with higher credit ratings assigned by international credit-rating agencies and long-term partners of the Group.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who has built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The Group's objective is to balance the fund's continuity and flexibility through the use of bank borrowings. The maturity periods of the Group's bank borrowings are from one to three months (2010: three to six months) and the maturity periods of other financial liabilities are within three months.

As at 31 December 2011, the Group has available unutilised banking facilities of approximately US$2,013,148,000 (2010: US$2,224,337,000).

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 2 based on the degree to which the fair value is observable.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Level 2 US$'000	Total US$'000
2011		
Financial liabilities at FVTPL		
Derivative financial instruments	2,432	2,432
2010		
Financial assets at FVTPL		
Derivative financial instruments	1,183	1,183

There were no transfers between Level 1 and 2 in the current year and there was no financial assets and financial liabilities classified under Level 3 in the current and prior years.

6. 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.

Segment revenue and results

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

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

	2011 US$'000	2010 US$'000
Segment revenue (external sales)		
Asia	3,396,263	3,263,416
Europe	1,490,499	1,754,216
America	1,467,655	1,608,372
Total	6,354,417	6,626,004
Segment profit		
Asia	232,444	190,304
Europe	62,257	90,192
America	83,185	46,552
	377,886	327,048
Other income, gains and losses	204,487	88,675
General and administrative and research and development expenses	(441,524)	(471,717)
Impairment loss recognised for property, plant and equipment	(4,847)	(77,777)
Impairment loss recognised for goodwill	–	(34,445)
Impairment loss recognised for interests in an associate	–	(2,664)
Interest expense on bank borrowings	(11,530)	(6,665)
Share of profits of associates	5,529	1,416
Profit (loss) before tax	130,001	(176,129)

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

Segment profit represents the gross profit earned by each segment and the service income (included in other income) after deducting certain selling expenses and impairment recognised for certain property, plant and equipment. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	2011 US$'000	2010 US$'000
ASSETS		
Segment assets		
Allocated		
Asia	628,743	767,902
Europe	378,704	329,872
America	517,776	555,709
Total	1,525,223	1,653,483
Unallocated		
Property, plant and equipment	1,396,286	1,645,406
Inventories	525,253	629,163
Cash and bank deposits	1,759,756	1,521,658
Others	333,329	485,812
Corporate assets	71,773	81,827
Consolidated total assets	5,611,620	6,017,349
LIABILITIES		
Segment liabilities		
Allocated		
Europe	11,524	16,948
America	51,220	71,515
Total	62,744	88,463
Unallocated		
Trade and other payables	1,151,075	1,310,009
Others	63,308	79,336
Corporate liabilities	575,799	946,514
Consolidated total liabilities	1,852,926	2,424,322

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources among segments, trade receivables from Asia operations were allocated to Asia segment. Certain property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents relate to Europe and America operations are allocated to Europe and America segments. Segment liabilities represent certain trade and other payables and provision for warranty relating to the Europe and America operations.

Other information

Amounts included in the measure of segment profit or loss or segment assets:

	Year ended 31 December 2011				
	Asia US$'000	Europe US$'000	America US$'000	Unallocated US$'000	Consolidated US$'000
Capital additions	–	2,480	3,213	188,454	194,147
Depreciation and amortisation	–	5,161	10,626	231,519	247,306
(Gain) loss on disposal of property, plant and equipment	–	(2,762)	3,931	4,940	6,109
(Write back of allowance) allowance for doubtful debts, net	3,979	(70)	(358)	–	3,551
Provision for warranty	2,784	652	3,383	–	6,819
Impairment loss recognised for property, plant and equipment	–	1,092	632	4,847	6,571

	Year ended 31 December 2010				
	Asia US$'000	Europe US$'000	America US$'000	Unallocated US$'000	Consolidated US$'000
Capital additions	–	1,885	5,053	273,981	280,919
Depreciation and amortisation	–	3,232	23,067	260,696	286,995
(Gain) loss on disposal of property, plant and equipment	–	(3,965)	3,124	13,898	13,057
(Write back of allowance) allowance for doubtful debts, net	(431)	8	(96)	–	(519)
Provision for warranty	10,505	864	910	–	12,279
Impairment loss recognised for property, plant and equipment	–	168	3,699	77,777	81,644

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC (country of domicile), United States of America ("USA"), United Mexican States ("Mexico") and other countries.

Information about the Group's revenue from external customers and its non-current assets is presented based on geographical location of operations.

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
PRC (country of domicile)	**4,782,775**	5,026,162	**1,345,558**	1,668,870
USA	**548,916**	671,262	**850**	2,839
Mexico	**251,789**	198,817	**21,507**	27,313
Other countries	**770,937**	729,763	**217,170**	269,223
	6,354,417	6,626,004	**1,585,085**	1,968,245

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	US$'000	US$'000
Customer A[1]	**1,501,029**	1,862,203
Customer B[1]	**1,486,350**	1,755,986
Customer C[1]	**1,437,605**	1,130,400
Customer D[1]	**1,168,888**	1,046,944

[1] Revenue from provision of manufacturing services to customers located in Asia, Europe and America, in connection with the production of handsets.

7. OTHER INCOME, GAINS AND LOSSES

	2011 US$'000	2010 US$'000
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank	38,969	18,872
Service and subcontracting income	67,842	75,304
Sales of materials and scraps	38,536	22,663
Repairs and modifications of moldings	27,185	35,878
Net foreign exchange gain	8,774	1,121
Gain on disposals of subsidiaries	73,303	–
Gain on partial disposal of an associate	4,609	–
Government subsidies *(note)*	10,159	8,298
Rental income	5,757	10,790
Impairment loss recognised for available-for-sale investments	–	(1,519)
Loss on disposal of property, plant and equipment	(6,109)	(13,057)
Others	3,304	5,629
	272,329	163,979

Note: This mainly represented subsidies granted for the Group's operations in the PRC.

8. PROFIT (LOSS) BEFORE TAX

	2011 US$'000	2010 US$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	244,439	282,169
Depreciation of investment properties	1,074	1,820
Amortisation of prepaid lease payments (included in general and administrative expense)	1,793	3,006
Total depreciation and amortisation	247,306	286,995
Auditor's remuneration	1,024	1,165
Cost of inventories recognised as expense	6,007,659	6,325,268
Provision for warranty	6,819	12,279
Allowance (write back of allowance) for doubtful debts, net	3,551	(519)
Write down of inventories (included in cost of inventories recognised as expense)	1,192	6,014
Staff costs		
Directors' remuneration	3,741	4,053
Retirement benefit scheme contributions (excluding directors)	38,572	29,708
Other staff costs	427,863	475,557
Equity-settled share-based payments	62,599	55,929
Cash-settled share-based payments	–	11

9. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2010: ten) directors were as follows:

2011	Fees US$'000	Other emoluments: Basic salaries and allowances US$'000	Other emoluments: Performance-based or discretionary bonus US$'000 *(Note)*	Other emoluments: Retirement benefit scheme contributions US$'000	Total 2011 US$'000
Chin Wai Leung, Samuel	–	300	2,049	–	2,349
Chang Ban Ja, Jimmy	–	–	–	–	–
Gou Hsiao Ling (resigned on 1 January 2012)	–	–	–	–	–
Lee Jin Ming	–	–	–	–	–
Lau Siu Ki	27	8	–	–	35
Daniel Joseph Mehan	27	–	–	–	27
Chen Fung Ming	27	–	–	–	27
Chih Yu Yang	–	123	718	–	841
Lee Jer Sheng	–	66	396	–	462
	81	497	3,163	–	3,741

9. DIRECTORS' REMUNERATION *(Continued)*

		Other emoluments			
2010	Fees	Basic salaries and allowances	Performance-based or discretionary bonus	Retirement benefit scheme contributions	Total 2010
	US$'000	US$'000	US$'000 *(Note)*	US$'000	US$'000
Chin Wai Leung, Samuel	–	1,200	2,135	–	3,335
Chang Ban Ja, Jimmy	–	–	–	–	–
Gou Hsiao Ling	–	–	–	–	–
Lee Jin Ming	–	–	–	–	–
Lau Siu Ki	26	8	–	–	34
Daniel Joseph Mehan	26	–	–	–	26
Chen Fung Ming	26	–	–	–	26
Chih Yu Yang	–	89	335	–	424
Lee Jer Sheng (appointed on 8 June 2010)	–	62	146	–	208
Lu Fang Ming (resigned on 8 June 2010)	–	–	–	–	–
	78	1,359	2,616	–	4,053

Note: The performance based or discretionary bonus, including share-based payments, is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (2010: two) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining two (2010: three, one of whom was appointed as executive director in 2010) individuals were as follows:

	2011 US$'000	2010 US$'000
Salaries and other benefits	125	568
Performance-related incentive payments	724	442
	849	1,010

Their emoluments were within the following bands:

	Number of employees	
	2011	2010
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	2
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	1	–
	2	3

11. INCOME TAX EXPENSE

	2011 US$'000	2010 US$'000
Current tax	37,437	37,099
Underprovision in prior years	2,340	1,416
	39,777	38,515
Deferred tax *(note 20)*		
– Current year	14,904	4,953
– Change in tax rates	188	170
	15,092	5,123
	54,869	43,638

No provision for Hong Kong Profits 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%). Pursuant to the relevant laws and regulations in the PRC, two of the Company's PRC subsidiaries are exempted from PRC income tax for two years starting from year 2008 and 2009, respectively, which was their first profit-making year, followed by a 50% reduction for next three years. One of the Company's subsidiary was awarded the Advanced-Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% with effective from 1 January 2009.

Except as described above, other PRC subsidiaries are subject to EIT at 25% (2010: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. INCOME TAX EXPENSE *(Continued)*

The taxation for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income as follows:

	2011 US$'000	2010 US$'000
Profit (loss) before tax	**130,001**	(176,129)
Tax at the PRC income tax rate of 24% (2010: 22%) for the year *(note a)*	**31,200**	(38,748)
Effect of different tax rates of subsidiaries	**(4,290)**	100
Effect of income taxed at concessionary rate	**(17,142)**	(9,030)
Tax effect of expenses not deductible for tax purpose	**38,150**	18,497
Tax effect of income not taxable for tax purpose	**(12,950)**	(8,767)
Tax effect of tax losses/deductible temporary differences not recognised	**18,260**	76,370
Tax effect of income tax charges to PRC subsidiaries on disposal of certain qualified equipment *(note b)*	**292**	3,356
Tax effect of share of (profit) and impairment loss of associates	**(1,179)**	274
Tax effect of a change in tax rates	**188**	170
Underprovision in prior years	**2,340**	1,416
Tax expense for the year	**54,869**	43,638

Notes:

(a) The domestic income tax rate of 24% (2010: 22%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based.

(b) Pursuant to the relevant tax rules and regulations, PRC subsidiaries can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC. Such PRC income tax credits are allowed, and are accounted for, as deduction from current income tax expenses when relevant conditions are fulfilled and tax approval is obtained from the tax bureau. When PRC subsidiaries dispose these qualified equipment subsequently, income tax expenses on 40% of proceeds received will be charged in the year of disposal.

12. DIVIDEND

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

13. EARNINGS (LOSS) PER SHARE

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

	2011 US$'000	2010 US$'000
Earnings (loss) attributable to the owners of the Company		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	72,844	(218,317)

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	7,204,771,998	7,125,578,478
Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company and share awards	39,886,933	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	7,244,658,931	7,125,578,478

The computation of diluted loss per share for the year ended 31 December 2010 did 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Fixtures and equipment US$'000	Construction in progress US$'000	Total US$'000
COST					
At 1 January 2010	788,015	1,499,744	156,479	100,540	2,544,778
Exchange adjustments	19,102	41,436	2,605	2,087	65,230
Additions	27,209	184,899	8,031	60,780	280,919
Disposals	(8,371)	(223,985)	(11,184)	–	(243,540)
Transfers	87,971	16,748	79	(104,798)	–
Transfer from investment properties	7,045	–	–	–	7,045
At 31 December 2010	920,971	1,518,842	156,010	58,609	2,654,432
Exchange adjustments	9,033	42,222	(151)	1,617	52,721
Additions	3,056	151,347	3,826	35,918	194,147
Disposals	(4,235)	(188,657)	(9,409)	–	(202,301)
Disposals of subsidiaries	(172,628)	(57,988)	(901)	(14,666)	(246,183)
Transfers	25,310	23,316	3	(48,629)	–
Transfer to investment properties	(290)	–	–	–	(290)
At 31 December 2011	781,217	1,489,082	149,378	32,849	2,452,526
DEPRECIATION AND IMPAIRMENT					
At 1 January 2010	99,306	537,407	84,880	–	721,593
Exchange adjustments	695	21,381	1,801	–	23,877
Charge for the year	43,478	218,482	20,209	–	282,169
Eliminated on disposals	(4,034)	(165,882)	(7,767)	–	(177,683)
Transfers	(35)	–	35	–	–
Impairment loss recognised in profit or loss	4,152	77,192	300	–	81,644
At 31 December 2010	143,562	688,580	99,458	–	931,600
Exchange adjustments	(1,919)	16,831	(551)	–	14,361
Charge for the year	43,401	189,062	11,976	–	244,439
Eliminated on disposals	(3,579)	(148,765)	(8,508)	–	(160,852)
Disposals of subsidiaries	(26,339)	(13,691)	(602)	–	(40,632)
Transfers	(1,623)	1,623	–	–	–
Impairment loss recognised in profit or loss	3,489	2,971	111	–	6,571
At 31 December 2011	156,992	736,611	101,884	–	995,487
CARRYING VALUES					
At 31 December 2011	624,225	752,471	47,494	32,849	1,457,039
At 31 December 2010	777,409	830,262	56,552	58,609	1,722,832

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Included in the land and buildings are freehold land, located in Hungary, Brasil, Mexico, India and Taiwan, having an aggregate cost of approximately US$22,585,000 (2010: US$25,076,000). All buildings are situated outside Hong Kong.

Certain property, plant and equipment are pledged to secure banking facilities granted to the Group at the end of the reporting period (see note 38).

The above items of property, plant and equipment are depreciated using the straight-line method, after taking into account their estimated residual values, over the following periods:

Freehold land	Nil
Buildings	20 – 40 years
Plant and machinery	5 – 10 years
Fixtures and equipment	3 – 5 years

At 31 December 2011, the Group's management appointed professional appraisers to perform appraisals on the Group's principal manufacturing assets for the purpose of determining if the assets have been impaired for those group of assets that have impairment indications and determined that a number of those assets were impaired. Impairment loss of US$3,489,000, US$2,971,000 and US$111,000 (2010: US$4,152,000, US$77,192,000 and US$300,000) have been recognised in respect of land and buildings, plant and machinery and fixtures and equipment respectively for the year. The recoverable amounts of the relevant assets have been determined by the Group's management on the basis of fair value less costs to sell by reference to the appraisal values provided by the professional appraisers.

15. INVESTMENT PROPERTIES

	US$'000
COST	
At 1 January 2010	41,953
Exchange adjustments	1,311
Transferred to property, plant and equipment	(8,316)
At 31 December 2010	34,948
Exchange adjustments	1,612
Transferred from property, plant and equipment	290
Eliminated upon disposal of a subsidiary *(note 29)*	(36,850)
At 31 December 2011	–
DEPRECIATION AND IMPAIRMENT	
At 1 January 2010	3,623
Exchange adjustments	326
Provided for the year	1,820
Transfer to property, plant and equipment	(1,271)
At 31 December 2010	4,498
Exchange adjustments	430
Provided for the year	1,074
Eliminated upon disposal of a subsidiary *(note 29)*	(6,002)
At 31 December 2011	–
CARRYING VALUES	
At 31 December 2011	–
At 31 December 2010	30,450

15. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2010 was US$30,788,000. The fair value had been arrived at based on a valuation carried out by Shenzhen Guozi Land & Real Estate Valuation Co., Ltd., an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment properties are depreciated using the straight-line method, after taking into account their estimated residual value, over 20 years.

The investment properties were situated on land outside Hong Kong with long lease.

16. PREPAID LEASE PAYMENTS

The amount represents land use rights in the PRC and India:

	2011	2010
	US$'000	US$'000
Long leases	**46,680**	130,169
Medium-term leases	**5,165**	5,044
	51,845	135,213

17. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	US$'000	US$'000
Unlisted overseas equity investment *(note)*	**90**	91

Note: The above unlisted investments represent investment in unlisted equity securities issued by a private entity incorporated in Finland. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

18. INTERESTS IN ASSOCIATES

	2011 US$'000	2010 US$'000
Cost of investments in associates, less impairment		
Listed in Taiwan	30,108	34,614
Unlisted	6,935	6,935
Share of post-acquisition profits and other comprehensive income, net of dividend received	8,438	5,265
	45,481	46,814
Fair value of listed investments	57,764	50,521

On 27 February 2008, the Group subscribed for 74,999 new ordinary shares in Diabell Co., Ltd. ("Diabell"), a private limited company established in the Republic of Korea ("Korea"), at a cash consideration equivalent to approximately US$12,849,000 in aggregate. Diabell is principally engaged in the business of designing, developing, manufacturing and selling hinges and window lens for handsets as well as connectors, switches, metal decoration, vibration motors and related products. The Group held 19.998% equity interest in Diabell as at 31 December 2010 and 2011, and in the opinion of the directors, the Group is able to exercise significant influence over Diabell because it has the power to appoint one out of five directors of that company. As at 31 December 2010 and 2011, an accumulated impairment loss of US$5,914,000 was recognised based on the Group's estimation of its share of the present value of the estimated future cash flows expected to be generated by Diabell.

On 5 March 2008, the Group entered into another agreement to subscribe for 14,893,000 new ordinary shares in Ways Technical Corp., Ltd. ("Ways Technical"), a limited company established in Taiwan and its shares are traded on the Taiwan OTC Market, at a total consideration of approximately US$34,614,000. Ways Technical Corp., Ltd. is principally engaged in the business of providing special coating surface treatment services to branded handheld devices (such as handsets and GPS) manufacturers or Own Designing & Manufacturing companies. During the year, the Group disposed of its certain interests in Ways Technical in the market. Accordingly, the Group's interests in Ways Technical decreased from 24.18% upon completion of the transactions to 20.06% and gain on partial disposal of an associate of US$4,609,000 was recognised in profit or loss and included in other income during the year ended 31 December 2011.

18. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2011 US$'000	2010 US$'000
Total assets	212,909	186,690
Total liabilities	(54,148)	(50,902)
Net assets	158,761	135,788
Group's share of net assets of associates	31,821	31,110
Revenue	108,222	115,899
Profit for the year	27,140	4,539
Other comprehensive (expense) income	(3,977)	7,164
Group's share of profits and other comprehensive income of associates for the year	4,769	3,243

18. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2011 and 2010, included in the cost of investments in associates is goodwill of US$13,660,000 (2010: US$15,704,000) arising on the acquisition of associates. The movement of goodwill is set out as below:

	2011	2010
	US$'000	US$'000
COST		
At 1 January	21,618	21,618
Eliminated upon partial disposal of an associate	(2,044)	–
At 31 December	19,574	21,618
IMPAIRMENT		
At 1 January	5,914	3,250
Impairment loss recognised during the year	–	2,664
At 31 December	5,914	5,914
CARRYING VALUE		
At 31 December	13,660	15,704

19. IMPAIRMENT LOSS RECOGNISED FOR GOODWILL

The amount represented impairment loss recognised for the year ended 31 December 2010 for goodwill resulted from acquisition of 76.34% interest in Chi Mei Communication System Inc., ("CMCS") in 2005.

At 31 December 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.

20. DEFERRED TAXATION

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

	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 year	5,698	570	3,864	(2,325)	1,333	(4,187)	4,953
Effect of change in tax rates	(933)	(171)	4	916	(525)	879	170
Exchange adjustments	(394)	102	65	(155)	(127)	(328)	(837)
At 31 December 2010	(5,126)	(2,261)	3,916	(4,376)	(8,634)	(8,828)	(25,309)
Charge (credit) to profit or loss for the year	3,997	739	(293)	4,363	436	5,662	14,904
Effect of change in tax rates	18	17	83	(62)	–	132	188
Exchange adjustments	(593)	(75)	(573)	69	(440)	(671)	(2,283)
Reclassified as held for sale *(note 23)*	–	–	(28)	–	–	–	(28)
At 31 December 2011	(1,704)	(1,580)	3,105	(6)	(8,638)	(3,705)	(12,528)

For the purposes of presentation in the consolidated statement of financial position, 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:

	2011	2010
	US$'000	US$'000
Deferred tax assets	**(21,326)**	(28,732)
Deferred tax liabilities	**8,798**	3,423
	(12,528)	(25,309)

At 31 December 2011, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$195,500,000 (2010: US$132,698,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

20. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately US$781,610,000 (2010: US$787,296,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$57,000 (2010: US$19,022,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$781,553,000 (2010: US$768,274,000) tax losses 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.

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No liability has been recognised in respect of differences associated with undistributed earnings of subsidiaries of approximately US$922,366,000 (2010: US$741,745,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

21. INVENTORIES

	2011	2010
	US$'000	US$'000
Raw materials	**232,069**	260,493
Work-in-progress	**64,193**	107,444
Finished goods	**312,092**	380,252
	608,354	748,189

Inventories carried at net realisable value were as follows:

	2011	2010
	US$'000	US$'000
Raw materials	**39,307**	38,013
Work-in-progress	**8,882**	6,468
Finished goods	**96,219**	40,615
	144,408	85,096

22. TRADE AND OTHER RECEIVABLES

	2011 US$'000	2010 US$'000
Trade receivables	1,197,654	1,315,602
Less: allowance for doubtful debts	(4,193)	(519)
	1,193,461	1,315,083
Other taxes recoverables	163,343	268,941
Other receivables	54,896	63,751
Total trade and other receivables	1,411,700	1,647,775

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

The following is the aged analysis of trade receivables from invoice date at the end of the reporting period:

	2011 US$'000	2010 US$'000
0 – 90 days	1,177,063	1,288,809
91 – 180 days	8,247	18,810
181 – 360 days	3,772	3,666
Over 360 days	4,379	3,798
	1,193,461	1,315,083

As at the end of the reporting period, 99% (2010: 98%) of the Group's trade receivables are neither past due nor impaired, and they are mainly receivables from certain global handset manufacturers that the Group considers have good credit standing. The Group seeks to maintain strict control over the creditability of customers and its outstanding receivables. Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customers. The creditability of customers is reviewed regularly.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2011, trade receivables with a carrying amount of approximately US$16,398,000 (2010: US$26,274,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	2011 US$'000	2010 US$'000
91 – 180 days	8,247	18,810
181 – 360 days	3,772	3,666
Over 360 days	4,379	3,798
	16,398	26,274

Movement in the allowance for doubtful debts:

	2011 US$'000	2010 US$'000
Balance at beginning of the year	519	956
Impairment losses recognised on receivables	4,318	126
Amounts recovered during the year	(767)	(645)
Exchange adjustments	123	82
Balance at end of the year	4,193	519

23. ASSETS CLASSIFIED AS HELD FOR SALE

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 an equity transfer agreement (the "Transfer") with an independent third party (the "Purchaser"), pursuant to which, among other things, FTH Precision and HFJ Precision have agreed to sell in a series and the Purchaser has agreed to purchase in a series 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 total cash consideration of RMB878,750,000 (equivalent to approximately US$136,382,000). Upon and subject to the terms and conditions set out in the said equity transfer agreement (details of which are stipulated in the Company's announcement dated 8 July 2011), FTH Precision and HFJ Precision held approximately 70.12% and 29.88% in the equity interests in Guang Ming, respectively, before the Transfer. Pursuant to the said equity transfer agreement, FTH Precision will be entitled to receive RMB616,180,000 (equivalent to approximately US$95,631,000) in aggregate upon disposal of all the Group's interest in Guang Ming to the Purchaser by 31 December 2012.

Up to 31 December 2011, the Group disposed of 25% equity interest in Guang Ming to the Purchaser and the remaining interest held in Guang Ming by the Group was 45.12%. The Group lost control upon disposal of the 25% interest but is still able to exercise significant influence over Guang Ming. The Group's remaining 45.12% equity interest in Guang Ming is regarded as an interest in associate and is expected to be disposed of within twelve months. Accordingly, the remaining interest in Guang Ming was reclassified as held for sale and is separately presented in the consolidated statement of financial position.

In respect of the remaining interest to be disposed, the Group received a deposit of US$20,224,000.

23. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The net assets of Guang Ming at the date of disposal were as follows:

	27 July 2011 US$'000
Net assets disposed of:	
Prepaid lease payments	64,661
Property, plant and equipment	2,208
Other receivables	162
Bank balances and cash	28,034
Other payables	(67)
Deferred tax liability	(28)
Net assets disposed of	94,970
Non-controlling interests	(28,887)
Total consideration for the disposed interest	(34,096)
Fair value of retained interest classified as an associate	(61,534)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(798)
Gain on disposal	(30,345)
Net cash inflow arising on disposal:	
Cash consideration	34,096
Less: bank balances and cash disposed of	(28,034)
	6,062

24. TRADE AND OTHER PAYABLES

	2011 US$'000	2010 US$'000
Trade payables	880,956	1,066,162
Accruals and other payables	314,254	334,988
Deposit received *(note 23)*	20,224	–
	1,215,434	1,401,150

The following is the aged analysis of trade payables from invoice date at the end of the reporting period:

	2011 US$'000	2010 US$'000
0 – 90 days	863,521	1,048,599
91 – 180 days	6,434	9,213
181 – 360 days	6,901	3,521
Over 360 days	4,100	4,829
	880,956	1,066,162

25. BANK BORROWINGS

	2011	2010
	US$'000	US$'000
Bank loans	483,245	862,213
Analysis of bank borrowings by currency:		
US$	477,163	816,470
Euro	6,082	45,743
	483,245	862,213

The bank borrowings as at 31 December 2011 are unsecured, obtained with original maturity of one to three months (2010: three to six months) and carry interest at fixed interest rates ranging from 1.25% to 4.37% (2010: 0.67% to 1.89%) per annum. The weighted average effective interest rate on the bank borrowings is 2.39% per annum (2010: 1.11% per annum).

During the year ended 31 December 2011, the interest expense of US$11,530,000 (2010: US$6,665,000) represented the interest on bank borrowings wholly repayable within five years.

26. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2010, 31 December 2010 and 31 December 2011	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2010	7,099,887,634	283,995
Exercise of share options *(note 37(a))*	33,901,600	1,356
Issue pursuant to a share scheme *(note 37(c))*	30,275,995	1,212
Balance at 31 December 2010	7,164,065,229	286,563
Issue pursuant to a share scheme *(note 37(c))*	60,609,485	2,424
Balance at 31 December 2011	7,224,674,714	288,987

Note: The new shares issued in both years rank pari passu with the existing shares in all respects.

27. RESERVES

The Group's special reserve represents the difference between the paid-in capital of the subsidiaries acquired pursuant to the group reorganisation in 2004 and the nominal value of the Company's shares issued in exchange therefrom.

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

28. DERIVATIVES

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposures. The instruments adopted are primarily to hedge the currencies used in the Group's principal markets.

During the year, a gain from the forward foreign exchange contracts of US$7,810,000 (2010: loss of US$677,000) was recognised in profit or loss and included in other gain (2010: other loss).

At the end of the reporting period, notional amount of major outstanding forward foreign exchange contracts that the Group has committed are as below.

	2011	2010
	US$	US$
Euro	**32,353,000**	40,600,000
US$	**62,229,000**	89,223,000
RMB	**161,027,000**	–

As at 31 December 2011, the fair value of the Group's currency derivatives is estimated to be approximately US$2,432,000 liabilities (2010: US$1,183,000 assets), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take into account the time value of money, and is included as other payables (2010: other receivables) at the end of the reporting period. The contracts mainly related to buying of Euro, US$ and RMB with maturities in the first quarter of 2012.

29. DISPOSAL OF A SUBSIDIARY

On 15 August 2011, the Group disposed of its entire interest in a subsidiary, Foxconn Precision Electronics (Taiyuan) Co., Ltd. ("Foxconn Taiyuan") to Prime Rich Holdings Limited, which is a wholly-owned subsidiary of Hon Hai, the Company's ultimate holding company (collectively "the Purchasers"). The net assets of Foxconn Taiyuan at the date of disposal were as follows:

	US$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	203,343
Investment properties	30,848
Prepaid lease payments	20,705
Trade and other receivables	38,108
Bank balances and cash	196,420
Trade and other payables	(18,979)
Provision	(18)
Deferred income	(15,906)
Inter-company debts	(394,632)
	59,889
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(35,186)
Gain on disposal	42,958
Total consideration	67,661
Satisfied by:	
Cash	67,661
Net cash outflow arising on disposal:	
Cash consideration	67,661
Repayment of inter-company debts of the Purchasers	394,632
Bank balances and cash disposed of	(196,420)
	265,873

Pursuant to the disposal agreement, the Purchasers settled the amount due to the Group by Foxconn Taiyuan of US$394,632,000 at the date of disposal.

30. BANK DEPOSITS AND BANK BALANCES AND CASH

Bank deposits carry interest at prevailing market rate of 3.75% (2010: 1.77%) per annum on average, with original maturity of over three months.

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rate of 2.41% (2010: 1.03%) per annum on average.

31. PROVISION

	2011	2010
	US$'000	US$'000
At 1 January	**28,340**	23,533
Exchange adjustments	**721**	1,114
Provision for the year	**6,819**	12,279
Utilisation of provision	**(7,467)**	(8,586)
Eliminated on disposal of a subsidiary *(Note 29)*	**(18)**	–
At 31 December	**28,395**	28,340

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.

32. DEFERRED INCOME

	2011	2010
	US$'000	US$'000
Government subsidies	**35,182**	51,175
Sale and leaseback transaction	**650**	2,636
	35,832	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.

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

33. CAPITAL COMMITMENTS

	2011 US$'000	2010 US$'000
Commitments for the acquisition of property, plant and equipment contracted but not provided for	67,126	102,242

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2011 US$'000	2010 US$'000
Minimum lease payments under operating leases in respect of premises recognised for the year	14,814	20,419

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of premises, which fall due as follows:

	2011 US$'000	2010 US$'000
Within one year	5,403	6,030
In the second to fifth years inclusive	1,250	5,881
Over five years	–	48
	6,653	11,959

Leases are negotiated, and rentals are fixed, for an average term of one to three years.

The Group as lessor

At the end of the reporting period, certain investment properties are leased to the related parties of the Group but had not contracted with the related parties for any future minimum lease payments.

35. RELATED PARTY TRANSACTIONS

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

	2011 US$'000	2010 US$'000
Hon Hai		
Sales of goods	963	1,620
Purchase of goods	19,371	26,542
Purchase of property, plant and equipment	2,436	2,348
Sales of property, plant and equipment	1,241	2,534
Subcontracting income	5,455	3,428
Consolidated services and subcontracting expense	6,312	447
General service income	–	641
General service expense	573	1,196
Subsidiaries of Hon Hai		
Sales of goods	72,547	78,676
Purchase of goods	235,215	289,467
Purchase of property, plant and equipment	51,742	12,286
Sales of property, plant and equipment	32,385	36,872
Lease income	435	157
Lease expense	3,368	3,486
Subcontracting income	37,536	20,747
Consolidated services and subcontracting expense	23,220	25,613
General service income	15	5
General service expense	26,072	45,180
Associates of Hon Hai		
Sales of goods	29,613	10,165
Purchase of goods	132,659	172,537
Purchase of property, plant and equipment	2,219	11,001
Sales of property, plant and equipment	5,251	5,925
Lease income	1,283	2,874
Lease expense	804	1,251
Subcontracting income	2,687	3,995
Consolidated services and subcontracting expense	1,826	4,358
General service income	5,278	4,591
General service expense	5,405	12,240

In addition to the above, the Group also disposed of a subsidiary to a wholly-owned subsidiary of Hon Hai in 2011 (see note 29).

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) At the end of the reporting period, the Group has the following balances due from/to related parties included in:

	2011 US$'000	2010 US$'000
Trade receivables:		
Hon Hai	830	1,432
Subsidiaries of Hon Hai	37,490	37,307
Associates of Hon Hai	4,051	16,359
	42,371	55,098
Other receivables:		
Hon Hai	183	1,728
Subsidiaries of Hon Hai	154	1,786
Associates of Hon Hai	6	269
	343	3,783
	42,714	58,881
Trade payables:		
Hon Hai	3,091	8,042
Subsidiaries of Hon Hai	152,957	77,973
Associates of Hon Hai	30,372	83,582
	186,420	169,597
Other payables:		
Hon Hai	1,533	1,591
Subsidiaries of Hon Hai	1,934	550
Associates of Hon Hai	125	3,841
	3,592	5,982
	190,012	175,579

Balances due from/to related parties are unsecured, interest free and are repayable within one year.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011 US$'000	2010 US$'000
Short-term benefits	1,040	2,219
Share-based payments	4,500	3,275
	5,540	5,494

36. RETIREMENT BENEFITS PLANS

Majority of the employees of the Company's subsidiaries are members of state-managed retirement benefit schemes operated by the government in the PRC. These subsidiaries in the PRC are required to contribute a specified percentage ranging from 5% to 20% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Certain subsidiaries of the Company operate defined benefit plans in Taiwan and Korea. Under the schemes, the employees are entitled to retirement benefits on attainment of a retirement age ranging from 55 to 60. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 31 December 2011 by Greatfine Wealth Management Consulting Inc. and Aon Hewitt Korea, respectively. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

	2011	2010
Discount rate	1.75% – 4.57%	1.75% – 5.50%
Expected return on plan assets	1.75% – 3.79%	1.75% – 4.50%
Expected rate of salary increases	3.00% – 5.00%	3.00% – 5.00%
Future pension increases	–	–

36. RETIREMENT BENEFITS PLANS *(Continued)*

The actuarial valuation showed that the market value of plan assets was US$3,965,000 (2010: US$5,472,000) and that the actuarial value of these assets represented 73% (2010: 69%) of the benefits that had accrued to members.

Amounts recognised in profit or loss in respect of the defined benefit plans are as follows:

	2011	2010
	US$'000	US$'000
Current service cost	**833**	1,205
Interest cost	**219**	191
Expected return on plan assets	**(175)**	(206)
Net actuarial losses	**403**	381
	1,280	1,571

Of the charge for the year, US$1,280,000 (2010: US$1,571,000) has been included in administrative expenses.

The actual return on plan assets was US$108,000 (2010: US$182,000) for the year ended 31 December 2011.

36. RETIREMENT BENEFITS PLANS *(Continued)*

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit retirement plans is as follows:

	2011 US$'000	2010 US$'000
Present value of funded defined benefit obligations	5,453	7,940
Fair value of plan assets	(3,965)	(5,472)
Deficit	1,488	2,468
Net actuarial losses and gains not recognised	(200)	(1,645)
Past service cost not recognised	–	–
Net liability arising from defined benefit obligations (included in other payables)	1,288	823

The Group also operates a number of defined contribution schemes in other overseas locations. Arrangements for these staff retirement benefits vary from country to country and are made in accordance with local regulations and custom.

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

On 12 January 2005, the Company adopted a share option scheme (the "Option Scheme") for the primary purpose of attracting skilled and experienced personnel and incentivising them to remain with the Group. Under the Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to third party service providers for services provided by them to the Group. The Option Scheme will expire on 3 February 2015.

Under the Option Scheme, the directors of the Company may at their discretion grant options to any eligible person to subscribe for shares in the Company. The directors may at their discretion determine the specific exercisable period which should expire in any event no later than ten years from the effective date of the Option Scheme.

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

(a) Equity-settled share option scheme *(Continued)*

The total number of shares which may initially be issued upon the exercise of all options to be granted under the Option Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued shares of the Company as of the date of listing its shares on the Stock Exchange, i.e. must not exceed 683,940,002 shares. Subject to the approval of the shareholders of the Company in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval of the refreshed limit. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the number of issued shares of the Company from time to time. The maximum number of shares of the Company in respect of which options granted and to be granted to each eligible person under the Option Scheme of the Company in any 12-month period up to the date of the latest grant shall not exceed 1% of the total number of issued shares of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to a substantial shareholder or an independent non-executive director, or their respective associates, in the 12-month period up to and including the date of such grant in aggregate over 0.10% of total number of issued shares of the Company from time to time and have an aggregate value exceeding HK$5,000,000, such further grant of options will be required to be approved by the shareholders of the Company in general meeting.

Options granted must be taken up within 30 days after the date of offer, upon payment of HK$1.0 per an offer. The Option Scheme does not contain any minimum period for which an option must be held before it can be exercised, though such minimum period may be specified by the board of directors of the Company at the time of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

(a) Equity-settled share option scheme *(Continued)*

Details of specific categories of options are as follows:

Option	Date of grant	Number of options granted	Vesting period	Exercise price HK$	Exercisable period	Estimated fair value of the options granted on the grant date US$	Closing price immediately before the date of grant HK$
2005	25 July 2005	435,599,000	Ranging from one to six years up to July 2011	6.06	From vesting date to 31 December 2011	104,038,000	5.75
2007A	12 September 2007	2,400,000	Ranging from one to six years up to July 2013	20.63	From vesting date to 31 December 2013	2,054,000	20.25
2011	8 July 2011	256,159,719	Ranging from one to three year's up to January 2014	3.62	From vesting date to 31 December 2014	27,600,000	3.62

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2011:

Option type	Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Lapsed/expired during the year	Cancelled during the year	Outstanding at 31.12.2011
2005	225,059,105	–	–	(224,607,529)	(451,576)	–
2007A	2,400,000	–	–	–	–	2,400,000
2011	–	256,159,719	–	(5,497,957)	–	250,661,762
	227,459,105	256,159,719	–	(230,105,486)	(451,576)	253,061,762

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

(a) Equity-settled share option scheme *(Continued)*

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2010:

Option type	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Lapsed/expired during the year	Cancelled during the year	Outstanding at 31.12.2010
2005	262,431,013	–	(33,901,600)	(3,391,908)	(78,400)	225,059,105
2007A	2,400,000	–	–	–	–	2,400,000
	264,831,013	–	(33,901,600)	(3,391,908)	(78,400)	227,459,105

1,600,000 (2010: 171,517,825) share options are exercisable as at 31 December 2011.

In respect of the share options exercised during the year ended 31 December 2010, the weighted average share price at the dates of exercise was US$1.23 (equivalent to HK$9.59).

The Group recognised total expense of US$13,773,000 (2010: US$4,018,000) for the year ended 31 December 2011 in relation to the share options granted by the Company.

The fair value of the share options was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2005	2007A	2011
Share price on date of grant	US$0.76 (equivalent to HK$5.95)	US$2.50 (equivalent to HK$19.46)	US$0.47 (equivalent to HK$3.62)
Exercise price	US$0.76 (equivalent to HK$6.06)	US$2.65 (equivalent to HK$20.63)	US$0.47 (equivalent to HK$3.62)
Expected volatility	30%	36%	37%
Expected life	Vesting period plus 1.5 years	Vesting period plus 1.5 years	Vesting period plus 0.5 year to 1.48 years
Risk free rate	3.39%	3.92%	0.30% to 0.67%
Dividend yield	0%	0%	0%

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

(a) Equity-settled share option scheme *(Continued)*

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility for Option 2005 was determined by calculating the historical volatility of the Company's share price over the period from 3 February 2005 (date of listing) to grant date, and expected volatility for Option 2007A and Option 2011 was determined by calculating the historical volatility of the Company's share price over past 12 months to grant date. The expected life in the model has been adjusted, based on management's best estimate, for the effect of non transferability, exercise restrictions and behavioral considerations.

(b) Cash-settled share-based payments

The Group issued to certain employees share appreciation rights ("SAR") at exercise prices ranging from HK$3.96 to HK$26.05 with vesting period ranging from one to three years from the grant date. The SARs require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. For the year ended 31 December 2010, the Group has recorded total expenses of US$11,000. All of the SARs have expired during the year ended 31 December 2010 and no liabilities have been recorded by the Group at 31 December 2010.

(c) Other share-based payment plan

Pursuant to a share scheme adopted by the Company on 12 January 2005 and amended by shareholders' resolution and the board resolution dated 4 August 2006 and 29 October 2009 respectively, (the "Share Scheme"), the Company may grant free shares to the directors or employees of the Company or its subsidiaries or third party service providers including employees of Hon Hai and any of its subsidiaries.

Pursuant to the approval of the board of directors of the Company on 27 April 2010, the Company offered 9,435,264 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration was payable on the grant of the shares and the shares were subsequently issued on 6 May 2010.

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

(c) Other share-based payment plan *(Continued)*

Pursuant to the approval of the board of directors of the Company on 19 November 2010, the Company offered 25,616,428 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration was payable on the grant of the shares. 20,840,731 ordinary shares were subsequently issued on 25 November 2010 and 4,775,697 ordinary shares were purchased by trustee of the Share Scheme from the stock market in November 2010.

Pursuant to the approval of the board of directors of the Company on 29 December 2010, the Company offered 35,573,029 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration was payable on the grant of the shares and 35,354,446 ordinary shares were subsequently issued on 4 January 2011 and 218,583 ordinary shares were purchased by trustee of the Share Scheme from the stock market in January 2011.

Pursuant to the approval of the board of directors of the Company on 29 April 2011, the Company offered 3,302,725 ordinary shares to the employee of the Company pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration was payable on the grant of the shares and the shares were subsequently purchased by trustee of the Share Scheme from the stock market in May 2011.

Pursuant to the approval of the board of directors of the Company on 8 July 2011, the Company offered 5,138,266 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration was payable on the grant of the shares. 3,889,391 ordinary shares were subsequently issued on 18 July 2011 and 1,248,875 ordinary shares were purchased by trustee of the Share Scheme from the stock market in July 2011.

Pursuant to the approval of the board of directors of the Company on 18 October 2011, the Company offered 21,948,624 ordinary shares to certain employees pursuant to the Share Scheme. The shares were granted without lock-up period. No consideration was payable on the grant of the shares. 21,365,648 ordinary shares were subsequently issued on 27 October 2011 and 582,976 ordinary shares were purchased by trustee of the Share Scheme from the stock market in October 2011.

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

(c) Other share-based payment plan *(Continued)*

Pursuant to the approval of the board of directors of the Company on 29 December 2011, the Company offered 62,423,773 ordinary shares to certain employees pursuant to the Share Scheme, of which 48,484,394 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods ranging from one to two years from the grant date. No consideration was payable on the grant of the shares. 58,104,335 ordinary shares were subsequently issued on 5 January 2012 and 4,319,438 ordinary shares were purchased by trustee of the Share Scheme from the stock market in January 2012.

The Group recognised total expense of US$48,826,000 (2010: US$51,911,000) for the year ended 31 December 2011 in relation to the ordinary shares awarded by the Company under the Share Scheme.

38. PLEDGE OF ASSETS

At the end of the reporting period, a subsidiary of the Company has pledged its plant and machinery having a carrying value of approximately US$1,682,000 (2010: US$3,016,000) to secure general banking facilities granted to the Group.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the Group disposed of certain prepaid lease payments amounted to RMB190,699,000 (equivalent to approximately US$30,264,000 and US$28,795,000 as at 31 December 2011 and 2010 respectively) in exchange of other land use rights in PRC. A receivable of the equivalent amount had been recorded as deposit paid for acquisition of prepaid lease payments as at 31 December 2011 and 2010.

40. PRINCIPAL SUBSIDIARIES

The Company has the following principal subsidiaries as at 31 December 2011 and 2010:

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	**2011**	2010	
CMCS	Limited company	Taiwan	NT$1,500,000,000	**–**	–	**76.332%**	76.332%	Design and manufacture of handsets
Eliteday Enterprises Limited	Limited company	British Virgin Islands ("BVI")	US$1	**–**	–	**100%**	100%	Trading of handsets
Extra Right Enterprises Limited	Limited company	BVI	US$1	**–**	–	**100%**	100%	Provision of services to group companies
FIH (Hong Kong) Limited	Limited company	Hong Kong	HK$1	**–**	–	**100%**	100%	Trading of handsets
FIH Co., Ltd.	Limited company	Taiwan	NT$1,000,000	**100%**	100%	**–**	–	Provision of services to group companies
Ways Transworld Inc.	Limited company	Taiwan	NT$121,000,000	–	–	**100%**	100%	Manufacture of handsets
Foxconn DK ApS	Limited company	Denmark	DKK2,100,000	**–**	–	**100%**	100%	Research development and project management

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For the year ended 31 December 2011

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	**2011**	2010	
FIH Europe Limited Liability Company	Limited company	Hungary	HUF2,000,200,000	**–**	–	**100%**	100%	Manufacture of handsets
Foxconn Mexico Precision Industry, Co. SA de CV.	Limited company	Mexico	MXN2,007,283,685	**–**	–	**100%**	100%	Manufacture of handsets
Foxconn Oy	Limited company	Finland	EUR1,558,800	**–**	–	**100%**	100%	Manufacture of handsets
富士康精密組件(北京)有限公司 (Foxconn Precision Component (Beijing) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$68,800,000	**–**	–	**100%**	100%	Manufacture of handsets
宏訊電子工業(杭州)有限公司 (Honxun Electrical Industry (Hangzhou) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$126,800,000	**–**	–	**100%**	100%	Manufacture of handsets
深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$178,520,000	**–**	–	**100%**	100%	Manufacture of handsets
Success World Holdings Limited	Limited company	Hong Kong	HK$582,982,500	**100%**	100%	**–**	–	Investment holding
Sutech Industry, Inc.	Limited company	USA	US$10,000	**–**	–	**100%**	100%	Provision of logistics services to group companies
富士康(天津)精密工業有限公司 (Foxconn (Tian Jin) Precision Industry Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$52,800,000	**–**	–	**100%**	100%	Manufacture of handsets
Foxconn do Brasil Indústria e Comércio de Eletrônicos Ltda.	Limited company	Brasil	BRL$550,532,590	**–**	–	**100%**	100%	Manufacture of handsets

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company Directly		Indirectly		Principal activities
				2011	2010	**2011**	2010	
Foxconn India Private Limited	Limited company	India	INR2,349,681,000	–	–	100%	100%	Manufacturing, import, export, distribution and assembly
富士康精密電子(太原)有限公司 (Foxconn Precision Electronics (Taiyuan) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$130,500,000	–	–	–	100%	Manufacture of handsets
富泰京精密電子(北京)有限公司 (Futaijing Precision Electronics (Beijing) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$75,000,000	–	–	100%	100%	Manufacture of handsets
富士康精密電子(廊坊)有限公司 (Foxconn Precision Electronics (Langfang) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$295,500,000	–	–	100%	100%	Manufacture of handsets
富士康(成都)通訊科技有限公司 (FIH (Chengdu) Communication Technology Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$7,600,000	–	–	100%	100%	Manufacture of handsets
南寧富泰宏精密工業有限公司 (Nanning Futaihong Precision Industrial Co., Ltd.)	Sino-foreign joint owned enterprise	PRC	US$50,000,000	–	–	100%	100%	Manufacture of handsets
Foxconn Reynosa S.A. De C.V.	Limited company	Mexico	MXN50,000	–	–	100%	100%	Manufacture of handsets
FIH Technology Korea Ltd.	Limited company	Korea	KRW7,756,700,000	–	–	100%	100%	Research development and project management
KSB International Limited	Limited company	Korea	KRW50,000,000	–	–	100%	100%	Provision of logistics services to group companies

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 US$'000	2010 US$'000
ASSETS		
Investments in subsidiaries	**1,438,654**	1,227,901
Other receivables	**46**	46
Prepayments	**132**	1,985
Amounts due from subsidiaries	**1,506,125**	1,551,678
Bank balances and cash	**4,830**	6,144
	2,949,787	2,787,754
LIABILITIES		
Bank borrowings	**256,300**	512,390
Other payables	**2,534**	5,493
Amounts due to subsidiaries	**710,376**	523,249
	969,210	1,041,132
NET ASSETS	**1,980,577**	1,746,622
CAPITAL AND RESERVES		
Share capital	**288,987**	286,563
Share premium	**813,391**	776,191
Reserves	**878,199**	683,868
TOTAL EQUITY	**1,980,577**	1,746,622

Under the Company Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. At the end of the reporting period, the Company's reserve available for distribution amounted to US$1,646,157,000 (2010: US$1,374,899,000), consisted of share premium of approximately US$813,391,000 (2010: US$776,191,000) and retained profits of approximately US$832,766,000 (2010: US$598,708,000).

FINANCIAL SUMMARY

	For the year ended 31 December				
	2007 (US$'million)	2008 (US$'million)	2009 (US$'million)	2010 (US$'million)	**2011 (US$'million)**
Results					
Turnover	10,732.32	9,271.04	7,213.63	6,626.00	**6,354.42**
Profit (loss) from operations	786.73	229.21	73.55	(169.46)	**68.23**
Interest expenses	(31.19)	(31.81)	(4.51)	(6.67)	**(11.53)**
Gain on disposals of subsidiaries	–	–	2.40	–	**73.30**
Profit (loss) before tax	755.54	197.40	71.44	(176.13)	**130.00**
Income tax expense	(30.06)	(75.47)	(31.81)	(43.64)	**(54.87)**
Profit (loss) after tax and before non-controlling interests	725.48	121.93	39.63	(219.77)	**75.13**
Non-controlling interests	(4.06)	(0.82)	(1.04)	1.45	**(2.29)**
Net (loss) profit for the year	721.42	121.11	38.59	(218.32)	**72.84**

	As at 31 December				
	2007 (US$'million)	2008 (US$'million)	2009 (US$'million)	2010 (US$'million)	**2011 (US$'million)**
Assets and liabilities					
Total assets	6,706.22	5,527.74	5,635.11	6,017.35	**5,611.62**
Total liabilities	(3,381.05)	(2,072.23)	(2,027.64)	(2,424.32)	**(1,852.93)**
Non-controlling interests	(16.18)	(34.18)	(35.68)	(46.00)	**(18.68)**
Capital and reserves	3,308.99	3,421.33	3,571.79	3,547.03	**3,740.01**

CORPORATE GOVERNANCE REPORT

The Company has complied with all the code provisions set out in the CCGP throughout the year ended 31 December 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.

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 considered that experienced leadership was most essential. Accordingly, Mr. Chin Wai Leung, Samuel held both positions in the Company throughout the year ended 31 December 2011. As an enhancement of the Company's corporate governance practices, the roles of chairman and chief executive officer were separated with effect from 1 January 2012. Mr. Cheng Tien Chong was appointed as the new chief executive officer and executive director of the Company effective 1 January 2012. Mr. Chin Wai Leung, Samuel has remained as the chairman of the Board and has continued his involvement in the formulation and review of business plans and strategies since 1 January 2012. This is beneficial to the interests of the Company and its shareholders as a whole and is also in full compliance with code provision A.2.1 of the CCGP.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's overall businesses, strategic decisions and performance. The Board has delegated its powers to the management for the daily management and operations of the Group. In addition, the Board has also delegated its powers to the Board committees. During the year ended 31 December 2011, the Board had two committees namely the remuneration committee and the audit committee, each of which discharges its functions and duties in accordance with the respective terms of reference with reference to the relevant provisions under the CCGP. On 22 March 2012, the Board established two additional Board committees namely the nomination committee and the corporate governance committee, each of which discharges its functions and duties in accordance with the respective terms of reference with reference to the relevant provisions under the revised CCGP (now known as the Corporate Governance Code).

The Board currently consists of four executive directors, two non-executive directors and three independent non-executive directors.

Executive directors
Chin Wai Leung, Samuel *(Chairman)*
Cheng Tien Chong *(Chief Executive Officer with effect from 1 January 2012 and chairman of the corporate governance committee with effect from 22 March 2012)* (appointed on 1 January 2012)
Chih Yu Yang
Lee Jer Sheng *(member of the corporate governance committee with effect from 22 March 2012)*

Non-executive directors
Chang Ban Ja, Jimmy
Lee Jin Ming *(member of the remuneration committee and the audit committee and (with effect from 22 March 2012) the nomination committee)*

Independent non-executive directors
Lau Siu Ki *(chairman of the remuneration committee and the audit committee and (with effect from 22 March 2012) the nomination committee)*
Daniel Joseph Mehan *(member of the remuneration committee and the audit committee and (with effect from 22 March 2012) the nomination committee)*
Chen Fung Ming

CORPORATE GOVERNANCE REPORT

During the year, nine Board meetings were held and the attendance of each director is shown below:

Name of director	Number of Board meetings attended in 2011
Chin Wai Leung, Samuel	9/9
Chih Yu Yang	8/9
Lee Jer Sheng	9/9
Chang Ban Ja, Jimmy	6/9
Gou Hsiao Ling (resigned on 1 January 2012)	8/9
Lee Jin Ming	8/9
Lau Siu Ki	9/9
Daniel Joseph Mehan	9/9
Chen Fung Ming	9/9

The Board meets regularly and the Board meetings are held at least four times a year. At least fourteen days' notice is given to all directors and they can include matters for discussion in the agenda. An agenda and accompanying Board papers are sent to all directors at least three days before the intended date of a Board meeting. Every Board member is entitled to have access to Board papers and related materials and has access to the advice and services of the company secretary. They can also seek independent professional advice. The minutes books are kept by the company secretary. Draft and final versions of minutes of the Board meetings were sent to all directors for their comments and records respectively within a reasonable time after the meetings.

CHAIRMAN

The Chairman is responsible for leadership for the Board and for ensuring that directors receive adequate information in a timely manner and are briefed on issues arising at Board meetings.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company entered into a letter of appointment with each of the non-executive directors for a term of three years commencing from 24 July 2010, 1 December 2010 and 1 November 2011 respectively subject to re-election at each annual general meeting of the Company in accordance with article 112 of the Articles. All the directors of the Company are subject to retirement by rotation at least once every three years in accordance with article 112.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference by reference to the provisions of the CCGP.

The remuneration committee consists of one non-executive director and two independent non-executive directors. The members are:

Lau Siu Ki *(chairman)*
Lee Jin Ming
Daniel Joseph Mehan

The principal duties of the remuneration committee are to make recommendations to the Board on the policy and structure for the remuneration of the directors and senior management, and to consider and review remuneration for the directors and senior management by reference to corporate goals and objectives. The committee shall meet at least once a year if necessary.

During the year, five remuneration committee meetings were held, in particular, to review the remuneration of the directors including the appointment of a new executive director and the terms of his letter of appointment, the renewal of term of appointment of the director and the grants of shares and options under the Share Scheme and the Share Option Scheme respectively of the Company and make recommendations to the Board on the directors' remuneration and the grants of shares and options. The attendance of each member of the remuneration committee is shown below:

Name of director	Number of remuneration committee meetings attended in 2011
Lau Siu Ki	5/5
Lee Jin Ming	5/5
Daniel Joseph Mehan	5/5

Full minutes of the meetings of the remuneration committee are kept by the company secretary. Draft and final versions of minutes of the remuneration committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference by reference to the provisions of the CCGP.

The audit committee consists of one non-executive director and two independent non-executive directors. The members are:

Lau Siu Ki *(chairman)*
Lee Jin Ming
Daniel Joseph Mehan

The principal duties of the audit committee are to review the Group's financial reporting and accounting policies and practices as well as financial controls, internal control and risk management systems and provide advice and comments to the Board. It also makes recommendations on the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. It also reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process.

During the year, three audit committee meetings were held, in particular, to review the auditing and financial reporting and discuss with the external auditors the nature and scope of the audit, and to review the unaudited interim financial report and the audited financial statements and to review and approve the internal audit plan of the Group. The attendance of each member of the audit committee is shown below:

Name of director	**Number of audit committee meetings attended in 2011**
Lau Siu Ki	3/3
Lee Jin Ming	3/3
Daniel Joseph Mehan	3/3

Full minutes of the meetings of the audit committee are kept by the company secretary. Draft and final versions of minutes of the audit committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company does not have a nomination committee throughout the year ended 31 December 2011. The Board is responsible for the appointment of its members and for considering appropriate candidates for directorship and for election or re-election by shareholders at general meetings, in each case in accordance with the Articles.

The Board, through a meeting and in accordance with the Articles, considers qualifications and experience of candidates and requirements of the Listing Rules, nominates and recommends such candidates for directorship and re-election. During the year, one of the Board meetings was held for the purpose of, among other things, approving the appointment of a new executive director with effect from 1 January 2012.

AUDITOR'S REMUNERATION

The responsibility of the auditor is to form an independent opinion, based on its audit, on those financial statements and to report its opinion solely to the Company, as a body, and for no other purpose.

During the year, US$1,157,000 was paid to the Company's auditor, Deloitte Touche Tohmatsu for audit services and US$105,000 for other services.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and ensuring that the financial statements are in accordance with applicable statutory requirements and accounting standards.

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for each financial period, which give a true and fair view of the financial position and operating results of the Group. In preparing the financial statements for the year ended 31 December 2011, the directors have selected suitable accounting policies and have applied them in a consistent manner, have made reasonable judgments and estimates, and have prepared the financial statements on a going-concern basis.

CORPORATE GOVERNANCE REPORT

The Board has overall responsibility for maintaining a sound and effective internal control system within the Group and sets appropriate policies so that objectives of the Group can be achieved and risks associated can be monitored and mitigated in an acceptable level. The internal control system is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations. The audit committee in discharging its responsibility of evaluating the effectiveness of the Group's system of internal controls, as delegated by the Board, reviews the internal audit function which independently assesses and monitors the risks and internal controls of the Group over various operations and activities. The Group's internal audit function has unrestricted access to the information that allows it to review all aspects of the internal controls and governance processes within the Group. This includes audits of financial, operational and compliance controls of all business and functional units. The audit committee reviews and approves the internal audit plan which is prepared by the Group's internal audit function every year based on an assessment of the risk in each operating unit as well as its materiality in a Group context. Deficiencies identified are communicated to the management after each internal audit. The management is responsible for rectifying the deficiencies identified by these internal audits with corrective actions. Corrective actions are closely monitored by the management and the Group's internal audit function. A summary of major findings is reported semi-annually to the executive directors and the audit committee. Being a learning organization, lessons learned and best practices are disseminated and promoted within the Group.

The Code of Conduct guiding individual behavior within the Group is made available to employees by way of rules and principles. Besides, a whistleblowing policy is in place to allow employees to anonymously report any improper activities and suspected fraud to the chief internal auditor who will carry out independent investigation into each reported case or refer to other relevant parties for further actions, as appropriate.

Risk management is a central part of the Group's strategic management, and is the process whereby the Group methodically identifies and manages key risks to the achievement of the Group's overall objectives. The Group's risk management function marshals the understanding of the potential upside and downside of all those factors which can affect the organisation by establishing an enterprise risk management system to proactively identify, analyse, control and monitor all types of risks associated with its business and operations. Risk assessments and reports will be reported to the senior management on a regular basis. Senior management will then review the risk reports and assess the adequacy of action plans and devise control systems to manage these risks.

The enterprise risk management system covers strategic planning, technical, budgetary control, performance measurement, control over capital expenditure, investment, finance, quality, product safety and liability, legal, information technology and security, supply chain management, natural disaster, human resources management and industrial safety.

CORPORATE GOVERNANCE REPORT

The Board is of the view that the system of internal controls in place for the year under review is sound and is sufficient to safeguard the interests of shareholders, customers, creditors and employees.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 year ended 31 December 2011.

EFFECTIVE COMMUNICATION

At the 2011 annual general meeting, separate resolutions were proposed for shareholders' consideration and approval in respect of each of the key matters, including the re-election of directors, which required approval by the shareholders.

The chairman of the Board and the chairman of the audit committee and the remuneration committee attended the 2011 annual general meeting to answer questions from the shareholders at the meeting.

VOTING BY POLL

At the 2011 annual general meeting, the procedures for conducting a poll was explained by the chairman of the Board at the meeting.