



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

23 June 2011

The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) criticises Foxconn International Holdings Limited (the “Company”) (Stock Code: 2038) for its breach of Rules 2.13 and 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”).

On 17 May 2011, the Listing Committee conducted a hearing into the conduct of, among others, the Company in relation to its obligations under the Exchange Listing Rules.

Facts

Since the Company’s listing in 2005, it had been profit-making. The interim and annual results between 2005 and 2007 exhibited a rising trend in revenue and profit, albeit that the magnitude of increase in the financial year ended 31 December 2007 (“**FY2007**”) was much smaller compared to the growth in the financial year ended 31 December 2006.

Since the first month in the six month period ended 30 June 2008 (the “**Interim Period**”), the Company had been recording a drop in profit compared to the corresponding period in FY2007. This was reflected in the monthly management accounts circulated to the executive directors. The profit decline was mainly caused by an increase in general and administrative expenses and research and development expenses.

May 2008

By 23 May 2008, the executive directors of the Company had received the monthly management accounts for January to April 2008 showing profit/loss of each month. As of that date, they were aware or ought to be aware that the cumulative profit for the four months up to end of April 2008 was US\$110.9 million, representing a 47 per cent drop compared to the corresponding period in FY2007. Analyst reports on the Company publicly available in April and May 2008 were however forecasting between 2.9 per cent to 30 per cent growth in the Company’s net profit for the financial year ended 31 December 2008.

June 2008

On or around 23 June 2008, the executive directors became aware that the monthly management accounts for the month of May 2008 showed a net profit of US\$4.91 million, representing a 90 per cent drop as compared to the month of May 2007. Based on the monthly accounts from January to May 2008 as circulated to the executive directors, by 23 June 2008, they were aware or ought to be aware that the Company’s cumulative profit for the five months up to end of May 2008 was US\$115.8 million, i.e. a 56 per cent drop compared to the corresponding period in FY2007.

July 2008

On or around 14 July 2008, the executive directors became aware of the Company's preliminary consolidated draft accounts for the Interim Period. They recorded a net profit of US\$165 million, an estimated 49 per cent decline compared to the corresponding period in FY2007.

The Board of Directors of the Company had delegated to a "Core Team" (comprising the Director of Investments and Investor Relations, Company Secretary, Chief Accounting Officer and Investor Relations Manager) the task of dealing with compliance issues. In mid-July 2008, an executive director discussed the foregoing information with the Core Team. He agreed that the Core Team should conduct further studies on market expectation of the Company's performance before deciding whether a profit warning announcement ("PWA") was required.

1 to 14 August 2008

On 6 August 2008, the Company Secretary emailed all Directors advising that the Company's net profit for the Interim Period was likely to show "*a significant decline of approximately over 50 per cent as compared to that for the corresponding period in 2007*", and a PWA would be published on 8 August 2008 "*subject to the Core Team's review of more analyst reports*". On 7 August 2008, the Company Secretary emailed the Directors again to the effect that external legal advice was being sought with regard to the PWA and publication would be delayed.

During the first week of August 2008, newspaper articles reported market rumours regarding a possible secondary listing of the Company's securities on the Taiwan Stock Exchange. The Company's share price rose sharply from \$7.00 on 7 August to \$8.80 on 12 August, a 25 per cent increase in five days. During this period, the Company published three standard announcements (the "**Standard Announcements**") on 7, 11 and 12 August 2008. Each Standard Announcement (a) stated that the Board was not aware of reasons for the unusual share price movement or any matter discloseable under Rule 13.09; and (b) was published at the decision of the Core Team without knowledge or involvement of any Director.

15 August 2008

On the morning of 15 August 2008 (at or around 10:00 am), the Company decided to issue a PWA after trading hours that day.

At 9:44 pm on 15 August 2008, the Company issued a PWA which stated that "*the unaudited net profit of the Group for the six months ended 30 June 2008 is expected to show a significant decline as compared to that for the corresponding period in 2007. The Board considers that the expected decline in the net profit of the Group was primarily attributable to the change in product mix, rising operational costs, increased long-term investment in research and development activities and the Group's production facilities, as well as higher income tax expenses.*"

On 18 August 2008, the next trading day after the PWA was published, the Company's share price closed at \$5.84, representing a 24 per cent drop compared to the previous close.

On 27 August 2008, the Company published its 2008 interim results for the six months ended 30 June 2008 reporting US\$142.8 million net profit, which represented a 56 per cent decline compared to US\$324.5 million net profit in the first half of 2007.

Division's Assertions

Rule 13.09 requires issuers to disclose, as soon as reasonably practicable, any information which (a) is necessary to enable shareholders and the public to appraise the position of the group; (b) is necessary to avoid the establishment of a false market in the Company's securities; or (c) which might be reasonably expected materially to affect market activity in and the price of its securities.

Note 11(ii) to Rule 13.09 further elaborates that the obligation must be discharged without delay where there is such a change in the Company's financial condition or the performance of its business or the expectation of its performance that knowledge of the change is likely to lead to substantial price movement.

Breach of Rule 13.09

The Division alleged that the Company was obliged to disclose the significant deterioration in its business and financial performance during the course of the Interim Period under Rule 13.09(1) by:

- (1) 23 May 2008, when the executive directors became aware or ought to be aware of the Company's 47 per cent drop in its four-month net profit as compared to the corresponding period in FY2007;
- (2) further or in the alternative, by,
 - (a) 23 June 2008, when the executive directors became aware or ought to be aware of the Company's 56 per cent drop in its five-month net profit as compared to the corresponding period in FY2007;
 - (b) 14 July 2008, when the executive directors became aware of the Company's estimated 49 per cent drop in net profit for the Interim Period as compared to the corresponding period in FY2007; or
 - (c) 7 August 2008, given the increase in the Company's share price since the beginning of August 2008 and the market rumours at the time about the Company's possible secondary listing on the Taiwan Stock Exchange.

The Division therefore alleged that publication of the PWA on 15 August 2008 was not publication "*as soon as reasonably practicable*" and the Company therefore breached Rule 13.09.

Breach of Rule 2.13

The Division alleged that the three Standard Announcements were not accurate and complete in all material respects in breach of Rule 2.13. The public was informed by these announcements that the Board was not in possession of any price-sensitive information when at the time, all Board members were aware of (a) the significant deterioration of the Company's performance during the Interim Period which, in the Division's view, was price sensitive information discloseable under Rule 13.09, and (b) the proposal to publish a PWA.

Findings of breach by the Listing Committee

The Listing Committee concluded as follows:

Breach of Rule 13.09

The Listing Committee concluded that the significant deterioration in the Group's business and financial performance reflected in the Company's monthly accounts known to the Company's executive directors and/or the Core Team as described above was specific relevant information concerning the Company and price sensitive, and it was reasonably practicable to have disclosed such information to the market by way of an announcement published under Rule 13.09 on or shortly after 14 July 2008. The Company did not do so and was in breach of Rule 13.09.

Breach of Rule 2.13

The Listing Committee concluded that the information known to the Company, the Directors and/or the Core Team as at 7 August 2008 (i.e. the Company's net profit for the Interim Period was expected to show significant decline of approximately over 50 per cent and the Company was considering the issue of profit warning with external legal adviser) was material and relevant information. It was price sensitive or potentially price sensitive information discloseable under Rule 13.09. The absence of disclosure of such information and the Board's confirmation that the Board was not aware of any matter discloseable under Rule 13.09 which was or might be of a price-sensitive nature rendered the three Standard Announcements inaccurate and incomplete in all material respects in breach of Rule 2.13(2).

Sanction

The Listing Committee decided to impose a public statement which involves criticism on the Company for its breaches of Rules 2.13 and 13.09.

For the avoidance of doubt, the Exchange confirms that this public statement which involves criticism applies only to the Company and not to any other past or present members of the Company's Board of Directors.