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Foxconn International Holdings Limited

富士康國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

CONNECTED TRANSACTION

DISPOSAL OF ASSETS BY A SUBSIDIARY

On 31 July 2006, Dynacept, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement with MRP Brewster, pursuant to which Dynacept agreed to sell the Disposed Assets to MRP Brewster for a consideration of US\$5,180,000 (equivalent to approximately HK\$40,404,000) (subject to the adjustment in accordance with the Asset Purchase Agreement) to be satisfied in cash. On the same day, Dynacept also entered into the Real Estate Purchase Agreement with MRP Holdings, pursuant to which Dynacept agreed to transfer the Disposed Real Property to MRP Holdings for a consideration of US\$3,400,000 (equivalent to approximately HK\$26,520,000) to be satisfied in cash.

Since MRP Brewster and MRP Holdings are connected persons to the Company under the Listing Rules, the Dynacept Disposal constitutes a connected transaction of the Company. Based on the “five-tests” calculation set out in rule 14.07 of the Listing Rules, the applicable percentage ratios in respect of the Dynacept Disposal exceed 0.1% but are less than 2.5%. The Dynacept Disposal is subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules but is exempt from the independent shareholders’ approval requirement.

THE ASSET PURCHASE AGREEMENT

Date of the agreement : 31 July 2006

Parties : (1) Dynacept (as seller)
(2) MRP Brewster (as purchaser)

Assets to be disposed of : all the assets of Dynacept, excluding (i) all federal, State of New York and State of Michigan income tax refunds and prepayments of Dynacept and (ii) all receivables for goods or services sold or provided by Dynacept to any shareholder or affiliate (as defined in the Asset Purchase Agreement) of Dynacept, provided that the Disposed Real Property will be transferred in accordance with the terms (including the consideration for the Real Estate Disposal) of the Real Estate Purchase Agreement

Conditions : completion of the Asset Disposal is conditional upon, among others, (i) the transaction contemplated by the Real Estate Purchase Agreement having been consummated and (ii) Dynacept having changed its name. If the transactions contemplated by the Asset Purchase Agreement shall not have been consummated on or before 31 December 2006 (or such later date as may be agreed upon in writing by the parties thereto), the Asset Purchase Agreement shall terminate

Consideration

The consideration for the Asset Disposal is US\$5,180,000 (equivalent to approximately HK\$40,404,000) to be satisfied in cash by MRP Brewster at completion of the Asset Disposal. Under the Asset Purchase Agreement, the amount of such consideration is subject to the following adjustment:

- (i) in the event that the working capital (as defined in the Asset Purchase Agreement) of Dynacept as at 31 July 2006 is greater than US\$1,700,000 (equivalent to approximately HK\$13,260,000) (the “Threshold Amount”), the amount of the working capital that exceeds the Threshold Amount (the “Excess Working Capital Amount”) shall be payable as an additional part of the consideration for the Asset Disposal in cash to Dynacept at completion of the Asset Disposal, provided that the amount of the Excess Working Capital Amount payable by MRP Brewster to Dynacept shall be subject to a maximum sum of US\$8,300,000 (equivalent to approximately HK\$64,740,000);
- (ii) in the event that the working capital (as defined in the Asset Purchase Agreement) of Dynacept as at 31 July 2006 is less than or equal to the Threshold Amount, the consideration for the Asset Disposal shall be reduced by the amount equal to the Threshold Amount less the working capital.

The consideration for the Asset Disposal is determined after arms’ length negotiations and on normal commercial terms with reference to (i) an independent valuation of all the assets of Dynacept at the enterprise value of US\$7,300,000 as at 30 April 2006 and (ii) the net book value of the Disposed Assets and the net profits of Dynacept as recorded in the audited accounts of Dynacept for the financial year ended 31 December 2005 and taking into account the Real Estate Disposal.

THE REAL ESTATE PURCHASE AGREEMENT

Date of the agreement : 31 July 2006

Parties : (1) Dynacept (as seller)
(2) MRP Holdings (as purchaser)

Asset to be disposed of : the property comprises a parcel of land located at Two International Boulevard, Brewster (Town of Southeast), County of Putnam, State of New York, U.S.A. with a site area of 2,600 square metres and a two-storey office building and warehouse erected thereon

Conditions : completion of the Real Estate Disposal is conditional upon the concurrent consummation of the transaction contemplated in the Asset Purchase Agreement

Consideration

The consideration for the Real Estate Disposal is US\$3,400,000 (equivalent to approximately HK\$26,520,000) to be satisfied in cash by MRP Holdings at completion of the Real Estate Disposal.

The consideration for the Real Estate Disposal is determined after arms' length negotiations and on normal commercial terms with reference to (i) an independent valuation of all the assets of Dynacept at the enterprise value of US\$7,300,000 as at 30 April 2006 (ii) an independent valuation of the Disposed Real Property of US\$3,250,000 as at 1 August 2001 and of HK\$25,190,000 as at 30 November 2004; and (iii) the net book value of the Disposed Real Property as recorded in the audited accounts of Dynacept for the financial year ended 31 December 2005. Based on the above information, their general understanding on the recent property market in the area where the Disposed Real Property is located and the expected gain and benefits of the Group arising from the Dynacept Disposal as a whole as set out in this announcement below, the Directors are of the view that the consideration for the Real Estate Disposal is fair and reasonable.

INFORMATION ON MRP BREWSTER AND MRP HOLDINGS

MRP Brewster is a limited liability company established in New York, U.S.A. It is a newly formed company and, after completion of the Dynacept Disposal, will be principally engaged in the business of rapid prototyping. MRP Holdings is a limited liability company established in New York, U.S.A. It is newly formed for the sole purpose of holding the Disposed Real Property. Both MRP Brewster and MRP Holdings are owned as to 50% by Mark Primavera, a director of Dynacept and as to 50% by Mike Primavera, the brother of Mark Primavera.

INFORMATION ON THE DISPOSED ASSETS AND THE DISPOSED REAL PROPERTY

The Disposed Real Property comprises a parcel of land located at Two International Boulevard, Brewster (Town of Southeast), County of Putnam, State of New York, U.S.A. with a site area of 2,600 square metres and a two-storey office building, production site and warehouse erected thereon. It was purchased by Dynacept in 2000 and is currently being used by Dynacept for the rapid prototyping business.

As at 31 December 2005, the audited net book value of the Disposed Assets and the Disposed Real Property was approximately US\$1,431,990 (equivalent to approximately HK\$11,169,522) and US\$4,098,010 (equivalent to approximately HK\$31,964,478) respectively. The audited net profits attributable to the Disposed Assets and the Disposed Real Property before and after taxation and extraordinary items for the financial year ended 31 December 2005 amounted to US\$1,376,000 (equivalent to approximately HK\$10,732,800) and US\$1,353,000 (equivalent to approximately HK\$10,553,400) respectively. For the financial year ended 31 December 2004, the audited net profits attributable to the Disposed Assets and the Disposed Real Property both before and after taxation and extraordinary items amounted to US\$895,000 (equivalent to approximately HK\$6,981,000).

After completion of the Dynacept Disposal, Dynacept will become a dormant company which may be dissolved at such time as the Group thinks appropriate.

REASONS AND BENEFITS FOR THE DYNACEPT DISPOSAL

The principal business of Dynacept covers the production and/or sale of fields and products, including cleaning tools, hand tool, home audio system, bath and shower appliance, portable computing devices, medical equipment, injection needle, personal transport, home appliance and personal hygiene devices which is not related to the principal business currently carried on by the Group, namely the manufacture of complete mobile phone handset systems and modules for mobile phone handsets. Moreover, Dynacept has been operating in a niche market where further investments are required for Dynacept to maintain its competitiveness. The Directors consider that the Dynacept Disposal will enable the Group to focus on its core business operations and utilise its resources to maximise the Group's growth potential in its principal business. The Directors would also like to take this opportunity to realise its investment in Dynacept through the Dynacept Disposal which is expected to result in a gain by the Group.

The Directors, including the independent non-executive Directors, consider that both the Asset Purchase Agreement and the Real Estate Purchase Agreement are on normal commercial terms which are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DYNACEPT DISPOSAL

It is estimated that the Group will record a gain of approximately US\$1,500,000, being the excess of the total consideration of US\$8,580,000 expected to be received by the Group for the Dynacept Disposal over the aggregate carrying value of the Disposed Assets and the Disposed Real Property in the management accounts of Dynacept as at 31 July 2006.

The net proceeds from the Dynacept Disposal of approximately US\$8,500,000 will be used as working capital of the Group.

CONNECTED TRANSACTION

Mark Primavera, a director of Dynacept (a wholly-owned subsidiary of the Company), holds 50% of the issued share capital in each of MRP Brewster and MRP Holdings. Each of MRP Brewster and MRP Holdings is therefore an associate (as defined in the Listing Rules) of Mark Primavera, a director of Dynacept, and hence a connected person to the Company under the Listing Rules. The Dynacept Disposal constitutes a connected transaction of the Company. Based on the "five-tests" calculation set out in rule 14.07 of the Listing Rules, the applicable percentage ratios in respect of the Dynacept Disposal exceed 0.1% but are less than 2.5%. The Dynacept Disposal is subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules but is exempt from the independent shareholders' approval requirement.

GENERAL

Dynacept is a wholly-owned subsidiary of the Company. The principal business of Dynacept covers the production and/or sale of fields and products including cleaning tools, hand tool, home audio system, bath and shower appliance, portable computing devices, medical equipment, injection needle, personal transport, home appliance and personal hygiene devices.

The Company is an investment holding company and the Group is principally engaged in the manufacture of complete mobile phone handset systems and modules for mobile phone handsets.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Asset Disposal”	the disposal of the Disposed Assets by Dynacept to MRP Brewster under the Asset Purchase Agreement;
“Asset Purchase Agreement”	the asset purchase agreement dated 31 July 2006 entered into between Dynacept and MRP Brewster in relation to the Asset Disposal;
“Company”	Foxconn International Holdings Limited, a company incorporated in the Cayman Islands, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited;
“Directors”	the directors of the Company;
“Disposed Assets”	all the assets of Dynacept, excluding (i) all federal, State of New York and State of Michigan income tax refunds and prepayments of Dynacept and (ii) all receivables for goods or services sold or provided by Dynacept to any shareholder or affiliate (as defined in the Asset Purchase Agreement) of Dynacept, provided that the Disposed Real Property will be transferred in accordance with the terms (including the consideration for the Real Estate Disposal) of the Real Estate Purchase Agreement;
“Disposed Real Property”	the property comprises a parcel of land located at Two International Boulevard, Brewster (Town of Southeast), County of Putnam, State of New York, U.S.A. with a site area of 2,600 square metres and a two-storey office building and warehouse erected thereon;
“Dynacept”	Dynacept Corporation, a company established in Michigan, U.S.A. and a wholly-owned subsidiary of the Company;
“Dynacept Disposal”	the Asset Disposal and the Real Estate Disposal;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MRP Brewster”	MRP Brewster, LLC, a limited liability company established in New York, U.S.A.;
“MRP Holdings”	MRP Real Estate Holdings, LLC, a limited liability company established in New York, U.S.A.;

“Real Estate Disposal”	the disposal of the Disposed Real Property by Dynacept to MRP Holdings under the Real Estate Purchase Agreement;
“Real Estate Purchase Agreement”	the agreement for the purchase and sale of real estate dated 31 July 2006 entered into between Dynacept and MRP Holdings in relation to the Real Estate Disposal;
“Shareholder(s)”	holder(s) of Share(s);
“US\$”	United States Dollars, the lawful currency of U.S.A.;
“U.S.A.”	the United States of America.

For the purposes of this announcement, unless otherwise indicated, the exchange rate of US\$1.00 = HK\$7.8 has been used for currency translation, where applicable. This is for illustration purpose only and does not constitute a representation that any amounts in HK\$ or US\$ have been, could have been, or may be converted, at these or such other rates.

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

Hong Kong, 1 August 2006

As at the date of this announcement, the executive Directors are Messrs. Chin Wai Leung, Samuel and Dai Feng Shuh, the non-executive Directors are Messrs. Chang Ban Ja, Jimmy, Lee Jin Ming and Lu Fang Ming and Miss Gou Hsiao Ling and the independent non-executive Directors are Messrs. Lau Siu Ki, Edward Fredrick Pensel and Mao Yu Lang.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.