**FIH**®

# Foxconn International Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*
Stock Code: 2038

## PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The Board of Directors ("Board") of Foxconn International Holdings Limited ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 December 2006 together with comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT
*FOR THE YEAR ENDED 31 DECEMBER 2006*

| | *Notes* | **2006** **US$'000** | 2005 US$'000 |
|---|---|---|---|
| Turnover | 2 | **10,381,236** | 6,364,497 |
| Cost of sales | | **(9,408,852)** | (5,783,942) |
| Gross profit | | **972,384** | 580,555 |
| Other income | | **63,985** | 38,485 |
| Selling expenses | | **(15,197)** | (12,716) |
| General and administrative expenses | | **(150,700)** | (133,543) |
| Research and development expenses | | **(62,063)** | (30,419) |
| Restructuring costs | | **(9,659)** | (9,203) |
| Interest expense on bank borrowings | | **(13,294)** | (13,901) |
| Profit before tax | | **785,456** | 419,258 |
| Income tax expense | 3 | **(67,610)** | (36,324) |
| Profit for the year | | **717,846** | 382,934 |
| Attributable to: | | | |
| Equity holders of the parent | | **718,038** | 385,699 |
| Minority interests | | **(192)** | (2,765) |
| | | **717,846** | 382,934 |
| Earnings per share | 4 | | |
| Basic | | **US10.31 cents** | US5.64 cents |
| Diluted | | **US9.93 cents** | US5.62 cents |

## CONSOLIDATED BALANCE SHEET
*AT 31 DECEMBER 2006*

| | **2006** | 2005 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Non-current assets | | |
| Property, plant and equipment | **1,003,904** | 661,792 |
| Prepaid lease payments | **102,817** | 6,306 |
| Available-for-sale investments | **1,010** | 1,028 |
| Goodwill | **63,075** | 63,075 |
| Deferred tax assets | **15,806** | 10,094 |
| Deposits for acquisition of property, plant and equipment | **28,716** | 22,263 |
| | **1,215,328** | 764,558 |
| Current assets | | |
| Inventories | **744,198** | 513,999 |
| Investments held for trading | **565** | 7,193 |
| Trade and other receivables | **1,877,660** | 1,512,849 |
| Bank deposits | **31,567** | 48,925 |
| Bank balances and cash | **633,090** | 311,023 |
| | **3,287,080** | 2,393,989 |
| Current liabilities | | |
| Trade and other payables | **1,866,770** | 1,408,740 |
| Bank loans | **139,563** | 175,548 |
| Provision | **58,212** | 23,635 |
| Tax payable | **54,952** | 20,856 |
| | **2,119,497** | 1,628,779 |
| Net current assets | **1,167,583** | 765,210 |
| Total assets less current liabilities | **2,382,911** | 1,529,768 |
| Capital and reserves | | |
| Share capital | **279,598** | 278,137 |
| Reserves | **2,089,384** | 1,236,833 |
| Equity attributable to equity holders of the parent | **2,368,982** | 1,514,970 |
| Minority interests | **12,020** | 12,047 |
| Total equity | **2,381,002** | 1,527,017 |
| Non-current liabilities | | |
| Deferred tax liabilities | **1,909** | 2,751 |
| | **2,382,911** | 1,529,768 |

*Notes:*

## 1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

| | |
|---|---|
| IAS 1 (Amendment) | Capital Disclosures[1] |
| IFRS 7 | Financial Instruments: Disclosures[1] |
| IFRS 8 | Operating Segments[2] |
| IFRIC 7 | Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*[3] |
| IFRIC 8 | Scope of IFRS 2[4] |
| IFRIC 9 | Reassessment of Embedded Derivatives[5] |
| IFRIC 10 | Interim Financial Reporting and Impairment[6] |
| IFRIC 11 | IFRS 2 – Group and Treasury Share Transactions[7] |
| IFRIC 12 | Service Concession Arrangements[8] |

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company (the "Director") anticipate that the application of these new IFRSs will have no material financial impact on the consolidated financial statements of the Group, except for IFRS 8. They have commenced considering the potential impact of IFRS 8 but is not yet in a position to determine whether IFRS 8 would have a significant impact on how its results of operations and financial position are prepared and presented.

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Directors consider that the Group is in a single business segment as the turnover and profit are derived entirely from the end-to-end handset manufacturing service to the customers.

Segment information regarding the Group's sales by geographical market, irrespective of the origin of the goods/services, and other analysis by geographical area is presented below.

**INCOME STATEMENT**

| | Year ended 31 December 2006 | | | |
|---|---|---|---|---|
| | **Asia** | **Europe** | **America** | **Consolidated** |
| | ***US$'000*** | ***US$'000*** | ***US$'000*** | ***US$'000*** |
| TURNOVER | | | | |
| External sales | 6,435,691 | 1,464,947 | 2,480,598 | 10,381,236 |
| RESULTS | 614,980 | 114,193 | 239,502 | 968,675 |
| Unallocated income | | | | 42,838 |
| Unallocated expenses | | | | (212,763) |
| Unallocated interest expense on bank borrowings | | | | (13,294) |
| Profit before tax | | | | 785,456 |
| Income tax expense | | | | (67,610) |
| Profit for the year | | | | 717,846 |

| | Year ended 31 December 2005 | | | |
|---|---|---|---|---|
| | Asia | Europe | America | Consolidated |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| TURNOVER | | | | |
| External sales | 3,276,160 | 1,012,050 | 2,076,287 | 6,364,497 |
| RESULTS | 285,782 | 99,261 | 182,284 | 567,327 |
| Unallocated income | | | | 29,794 |
| Unallocated expenses | | | | (163,962) |
| Unallocated interest expense on bank borrowings | | | | (13,901) |
| Profit before tax | | | | 419,258 |
| Income tax expense | | | | (36,324) |
| Profit for the year | | | | 382,934 |

## 3. INCOME TAX EXPENSE

| | **2006** | 2005 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current tax: | | |
| People's Republic of China ("PRC") | **72,867** | 38,429 |
| Other jurisdictions | **2,655** | 1,963 |
| | **75,522** | 40,392 |
| Overprovision in prior years: | | |
| PRC | **(90)** | – |
| Other jurisdictions | **(1,208)** | (186) |
| | **(1,298)** | (186) |
| Deferred tax: | | |
| Current year | **(6,614)** | (3,992) |
| Attributable to a decrease in tax rate | **–** | 110 |
| | **(6,614)** | (3,882) |
| | **67,610** | 36,324 |

## 4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of parent of US$718,038,000 (2005: US$385,699,000) and the weighted average number of 6,966,517,747 (2005: 6,843,816,118) shares in issue.

The weighted average number of shares for the purpose of calculating the basic earnings per share for the year ended 31 December 2005 is adjusted for 4,640,000 shares for which their subscriptions have become unconditional on 29 December 2005.

The calculation of the diluted earnings per share attributable to the equity holders of the parent is based on the following data:

| | **2006** | 2005 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent) | **718,038** | 385,699 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **6,966,517,747** | 6,843,816,118 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **266,877,813** | 24,596,130 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **7,233,395,560** | 6,868,412,248 |

## 5. DIVIDEND

No dividend was paid or proposed during 2006 (2005: Nil), nor has any dividend been proposed since the balance sheet date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of results and operations

The year 2006 was another year of record-setting results, in revenues as well as in net profits. Revenue for the year reached US$10,381 million, which represents an increase of US$4,017 million, or 63% over the prior year revenue of US$6,364 million. Net profit also reached a record high of US$718 million, representing an increase of 86% over the prior year amount of US$386 million. Basic earnings per share for the period were US$10.31 cents.

Despite the global handset shipment number reaching one billion, we saw consolidation pressure persisting in the intensifying competitive global handset OEM market. With such a backdrop, the unique total end-to-end solution offered through Foxconn's eCMMS business model has been highly appreciated by our existing and new customers. Our integration of mechanical and electrical engineering capabilities, augmented by our affiliate, Hon Hai Group companies' optical and channel expertise, continues to be instrumental in helping our customers cope better with shorter handset product life cycles and ever demanding innovative product designs.

Attentive to our key customers' changing needs to cope with dynamic shifts in the market resulting from consumers' capricious tastes and elusive demand, we continuously expand both depth and scope of capabilities and services to our key customers, not only in material sciences and surface treatment for form factor needs, but also in molding/tooling and engineering support for time to market and time to volume. We strive to be the partner of choice for our customers' technically demanding projects. We also continue to streamline our business to improve our efficiency and competitiveness so as to provide optimal pricing to our customers. Our fast growing design teams have engaged multiple projects and serving multiple customers. Our efforts to expand and optimize our overseas operations also remained active during the period, we had already started mass production in India during the second half of 2006, while continuing to expand strategic investments into the BRIC end markets to satisfy our customers' demand for co-location and foster even closer partnerships with our key customers.

Our affiliation with Hon Hai Group, also proves to be increasingly beneficial in light of the growing dominance of Hon Hai Group in many 3C key components. We continue to work with Hon Hai Group to further enhance the world's shortest possible supply chain that we had been providing our customers. While Hon Hai Group continues its expansion of vast collections of expertise, our close tie will continue to yield significant synergistic value-adds to our key customers.

In 2007, the global handset market will be volatile and dynamic, due to further industry convergence and consolidation pressure. We believe this is the time our unique value can be greater appreciated by our customers. As market share competition among OEM customers intensifies, FIH's speed for product development, volume ramp-up, engineering services, and scale of global operations match perfectly with our customers' specific needs. We are excited with the growth opportunities ahead of us. We will continue to execute our success formula to further enhance our vertical integration capabilities and service quality to our expanding customer base. We are confident that we can grow our customer base. We believe handset outsourcing trend will continue and we will be able to grow further with our customers.

**Liquidity and Financial Resources**
As at 31 December 2006, we had a cash balance of US$633 million. The cash balance is expected to finance our working capital and capital expenditure plans in light of our continuing fast growth. To reduce interest expenses, we used some of extra cash generated from operations to decrease net bank loans by US$36 million in 2006. Our gearing ratio, expressed as a percentage of interest bearing external borrowings of US$140 million over total assets of US$4,502 million, is 3.1%.

Net cash generated from operating activities in 2006 was US$859 million.

Net cash used in investing activities in 2006 was US$538 million. Our expenditures for investing activities were primarily for purchase of property, plant and equipment related to our facilities in our major sites in China and India.

Net cash used in financing activities in 2006 was US$14 million, primarily due to proceeds of US$22 million from the issue of shares to employees and was used to reduce bank loan by US$36 million in 2006.

**Pledge of Assets**
As at the balance sheet date, the Group pledged property, plant and equipment having a carrying value of approximately US$4.60 million (2005: US$19.73 million) to secure general banking facilities granted to the Group.

**Capital Commitments**
As at the balance sheet date, the capital commitment of the Group was US$57.39 million (2005: US$17.37 million).

**Significant Investments**
In 2006 we had invested in our key sites in Asia and Americas to enhance our capabilities and capacities in the various regions to serve our customers. These investments were instrumental in winning more business and enhance working partnership with our key customers. We expect more such investments in 2007.

**Outlook**
Looking forward, though we had again widening the gap between us and our peers, the Company is keenly aware of increased competition in the handset manufacturing business and complexity due to creative product designs and new technologies. We are keen to further strengthen the partnership with our existing customers, as well as diversifying our customer base. With this vision in mind, we will continue to expand our manufacturing base in Langfang, Taiyuan and India. With fundamental market growth intact, FIH is looking forward to another year of growth in 2007.

**Employees**
As at 31 December 2006, the Group had a total of 110,697 (2005: 59,070) employees. Total staff costs incurred during the year 2006 amounted to US$377.04 million (2005: US$298.25 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 the rules of Chapter 17 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 7 June 2007 to Tuesday, 12 June 2007, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the Company's forthcoming annual general meeting to be held on Tuesday, 12 June 2007, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 6 June 2007.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CCGP") contained in Appendix 14 of the Listing Rules throughout the accounting year ended 31 December 2006 except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Under code provision A.2.1 of the CCGP, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chin Wai Leung, Samuel currently holds both positions. Given that handset industry is going through a 3C convergence and consolidation period and taking into account the continuation in the implementation of business plan and formulation of business strategies, the Board considers that the present arrangement for Mr. Chin, the chairman, to hold the office of chief executive officer of the Company is beneficial and in the interests of the Company and its shareholders as a whole. However, in the spirit of corporate governance, the Board will continue to review in the current year the roles of chairman and chief executive officer and, if considered appropriate, separate the two roles in compliance with code provision A.2.1 of the CCGP.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules throughout the past year.

## 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 2006.

## AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the CCGP. Its primary duties are to review and supervise the Company's financial reporting process and internal control system, nominate and monitor external auditors and provide advices and comments to the Board. The audit committee is comprised of three non-executive directors, two of whom are independent non-executive directors.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2006.

## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The 2006 Annual Report of the Company containing all the information required by the Listing Rules will be despatched to shareholders and made available on the website of the Stock Exchange in due course.

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

Hong Kong, 11 April 2007

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

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