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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)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser

OSK Capital Hong Kong Limited

The Company entered into agreements with the Hon Hai Group in respect of the Product Sales Transaction and the Sub-contracting Income Transaction for a period up to 31 December 2013. The transactions constitute continuing connected transactions for the Company and the Company set annual caps for each transaction for the three years ending 31 December 2013. Optimising its production resources, the Group has been consolidating its operation and manufacturing facilities. The Company considers that certain production resources may 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 anticipates that the existing annual caps for the Product Sales Transaction and the Sub-contracting Income Transaction for 2011 may not be sufficient and therefore has set the New Annual Caps. The existing annual caps for the transactions for the two years ending 31 December 2013 remain unchanged.

Based on the New Annual Caps for the Product Sales Transaction and the Sub-contracting Income Transaction, all relevant percentage ratios are less than 5%. In accordance with Rule 14A.34 of the Listing Rules, the Product Sales Transaction and the Sub-contracting Income Transaction and the New Annual Caps are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Product Sales Transaction and the Sub-contracting Income Transaction are subject to the annual review requirements under Rules 14A.37 to 14A.38 of the Listing Rules.

INTRODUCTION

The Group is a vertically integrated manufacturing service provider for the handset industry worldwide. It provides a wide range of manufacturing services to its customers in connection with the production of handsets.

The Hon Hai Group is the leading global manufacturing service provider in the 3C industries. Hon Hai is the ultimate controlling shareholder of the Company holding approximately 70.58% of the issued share capital of the Company.

With reference to the Company's announcement dated 19 November 2010, the Company entered into agreements with the Hon Hai Group in respect of the Product Sales Transaction and the Sub-contracting Income Transaction for a period up to 31 December 2013. The transactions constitute continuing connected transactions for the Company and the Company set annual caps for each of the Product Sales Transaction and the Sub-contracting Income Transaction for the three years ending 31 December 2013.

CONTINUING CONNECTED TRANSACTIONS

Product Sales Transaction

The Company, Hon Hai and Chimei Innolux Corporation entered into the Product Sales Agreement pursuant to which the Company has agreed to sell or procure its subsidiaries to sell to the Hon Hai Group parts or products manufactured or owned by the Group for a term up to 31 December 2013 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Pursuant to the Product Sales Agreement as amended by the supplemental agreement dated 19 November 2010, all the rights, obligations and liabilities of Chimei Innolux Corporation under the Product Sales Agreement have been assumed by Hon Hai where Chimei Innolux Corporation ceased to be a party to the Product Sales Agreement from 1 January 2011.

Payment for the Product Sales Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

Sub-contracting Income Transaction

The Company and Hon Hai entered into the Sub-contracting Income Agreement pursuant to which the Hon Hai Group has agreed to engage the Group to provide certain services, such as molding, metal stamping for desktop computers, handset repair services and other services to the Hon Hai Group for a term up to 31 December 2013 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Payment for the Sub-contracting Income Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

REASONS FOR THE TRANSACTION

Product Sales Transaction

The Company considers it in its best interests to generate more income by carrying out the Product Sales Transaction in response to the Hon Hai Group’s needs from time to time, provided that the Hon Hai Group purchase from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

Sub-contracting Income Transaction

The Company considers it in its best interests to generate more income by carrying out the Subcontracting Income Transaction as long as the services are provided at prices that are fair and reasonable pursuant to the agreement of the transaction.

HISTORICAL VALUE AND ANNUAL CAPS

The Company set annual caps for each of the Product Sales Transaction and the Sub-contracting Income Transaction for the three years ending 31 December 2013. Optimising its production resources, the Group has been consolidating its operation and manufacturing facilities. The Company considers that certain production resources may 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 anticipates that the existing annual caps for the Product Sales Transaction and the Sub-contracting Income Transaction for 2011 may not be sufficient and therefore has set the New Annual Caps. The

Company will keep monitoring the production consolidation process and will further consider whether it needs to revise the annual caps for the transactions for 2012 and 2013 in the future, subject to applicable requirements of the Listing Rules.

The table below sets out the actual amount of the Product Sales Transaction and the Sub-contracting Income Transaction for the year ended 31 December 2010 and the New Annual Caps for 2011, and the existing annual caps for the transactions for 2012 and 2013.

(in US\$'000)	Audited amount for the year ended 31 December 2010	New Annual Caps for the year ending 31 December 2011	Existing annual cap for the years ending 31 December	
			2012	2013
Product Sales Transaction	90,461	158,000	114,000	127,000
Sub-contracting Income Transaction	28,170	80,000	43,000	47,000

The New Annual Caps are determined with reference to projections of the Company which in turn are 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 purposes of estimating the New Annual Caps with reference to the anticipated growth and trend of the mobile handset market; and
- a buffer of 5%.

The Directors (including the independent non-executive Directors) consider that the New Annual Caps are fair and reasonable, and the terms of the Product Sales Transaction and the Sub-contracting Income Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. In view of their relationships with Hon Hai, Mr. Chang Ban Ja, Jimmy, Mr. Lee Jin Ming and Ms. Gou Hsiao Ling (all being Directors) have abstained from voting on the Board's resolution in relation to the Product Sales Transaction and the Sub-contracting Income Transaction and the New Annual Caps.

LISTING RULES REQUIREMENTS

The Product Sales Transaction and the Sub-contracting Income Transaction constitute continuing connected transactions for the Company. Based on the New Annual Caps for the Product Sales Transaction and the Sub-contracting Income Transaction, all relevant percentage ratios are less than 5%. In accordance with Rule 14A.34 of the Listing Rules, the Product Sales Transaction, the Sub-contracting Income Transaction and the New Annual Caps are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Product Sales Transaction and the Sub-contracting Income Transaction are subject to the annual review requirements under Rules 14A.37 to 14A.38 of the Listing Rules.

DEFINITIONS

“associate(s)”	having the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Company”	Foxconn International Holdings Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and/or its subsidiaries (as the case may be)
“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd.*), the ultimate controlling shareholder of the Company
“Hon Hai Group”	Hon Hai, its subsidiaries and/or associates (as the case may be)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Annual Caps”	the new annual caps for each of the Product Sales Transaction and the Sub-contracting Income Transaction for the year ending 31 December 2011
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Product Sales Agreement”	the framework product sales agreement entered into among the Company, Hon Hai and Chimei Innolux Corporation on 18 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007 and 19 November 2010)
“Product Sales Transaction”	sale of parts or products manufactured or owned by the Group to the Hon Hai Group contemplated under the Product Sales Agreement
“Shares”	the ordinary shares of US\$0.04 each of the Company
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sub-contracting Income Agreement”	the framework sub-contracting agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010)
“Sub-contracting Income Transaction”	the transactions contemplated under the Sub-contracting Income Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“3C”	computer, communication and consumer electronics

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

Hong Kong, 8 July 2011

As at the date of this announcement, the executive Directors are Messrs. Chin Wai Leung, Samuel and Chih Yu Yang and Dr. Lee Jer Sheng, the non-executive Directors are Messrs. Chang Ban Ja, Jimmy and Lee Jin Ming and Ms. Gou Hsiao Ling and the independent non-executive Directors are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.

** for identification purposes only*