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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 TRANSACTION REVISION OF ANNUAL CAPS

Financial adviser



REORIENT Financial Markets Limited

The Hon Hai Group has provided, among others, sub-contracting services to the Group from time to time under the Consolidated Services and Sub-contracting Expense Transaction pursuant to the Consolidated Services and Sub-contracting Expense Agreement for a term up to 31 December 2013. The Consolidated Services and Sub-contracting Expense Transaction constitutes a continuing connected transaction for the Company and the Company has set the existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for each of the three years ending 31 December 2013.

Utilising the Hon Hai Group's manufacturing resources cost-effectively, the Group has been requiring additional sub-contracting services from the Hon Hai Group at prices agreeable to the Company and determined in accordance with the prescribed pricing mechanism under the Consolidated Services and Sub-contracting Expense Agreement. Such additional sub-contracting services from the Hon Hai Group have been increasing and it is anticipated that the existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for 2012 and 2013 may not be sufficient. The Company has therefore set the New Annual Caps.

Based on the New Annual Caps, all the relevant percentage ratios are less than 5%. In accordance with Rule 14A.34 of the Listing Rules, the Consolidated Services and Sub-contracting Expense 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 Consolidated Services and Sub-contracting Expense Transaction is also subject to the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

* for identification purposes only

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 69.49% of the issued share capital of the Company.

The Hon Hai Group has provided, among others, sub-contracting services to the Group from time to time under the Consolidated Services and Sub-contracting Expense Transaction pursuant to the Consolidated Services and Sub-contracting Expense Agreement for a term up to 31 December 2013. The Consolidated Services and Sub-contracting Expense Transaction constitutes a continuing connected transaction for the Company and the Company has set the existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for each of the three years ending 31 December 2013. Details of the Consolidated Services and Sub-contracting Expense Transaction (including such existing annual caps) are set out in the Company's announcement dated 19 November 2010.

CONSOLIDATED SERVICES AND SUB-CONTRACTING EXPENSE TRANSACTION

Pursuant to the Consolidated Services and Sub-contracting Expense Agreement, the Group has agreed to sub-contract to the Hon Hai Group, and the Hon Hai Group has agreed to provide to the Group, certain services including research and development services, design services, services relating to handset manufacturing and handset repair services 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 Hon Hai Group has been approved or otherwise designated by the relevant customers of the Group, at the price agreed between the Hon Hai 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 Consolidated Services and Sub-contracting Expense Transaction is usually made by the Group within 30 days after the date of the relevant invoice or the Group's accounting record posting date for the Consolidated Services and Sub-contracting Expense Transaction.

REASONS FOR THE CONSOLIDATED SERVICES AND SUB-CONTRACTING EXPENSE TRANSACTION

The Company considers that the services provided by the Hon Hai Group under the Consolidated Services and Sub-contracting Expense Transaction as requested by the Group can enhance the Group's handset manufacturing and related capacity, provide the Group with greater flexibility and allow the Group to carry on its business more efficiently.

HISTORICAL VALUE AND ANNUAL CAPS

With reference to the Company's announcement dated 19 November 2010, the Company set the existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for each of the three years ending 31 December 2013. Utilising the Hon Hai Group's manufacturing resources cost-effectively, the Group has been requiring additional sub-contracting services from the Hon Hai Group at prices agreeable to the Company and determined in accordance with the prescribed pricing mechanism under the Consolidated Services and Sub-contracting Expense Agreement. Such additional sub-contracting services from the Hon Hai Group have been increasing and it is anticipated that the existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for 2012 and 2013 may not be sufficient. The Company has therefore set the New Annual Caps.

The table below sets out the actual transaction amounts of the Consolidated Services and Sub-contracting Expense Transaction for the years ended 31 December 2010 and 31 December 2011 respectively and the six months ended 30 June 2012, the existing annual caps for each of the two years ending 31 December 2013 and the New Annual Caps for each of the two years ending 31 December 2013.

<i>(in US\$'000)</i>	Actual transaction amounts			Existing annual caps		New Annual Caps	
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December	For the year ending 31 December		
	2010	2011	2012	2012	2013	2012	2013
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>				
Consolidated Services and Sub-contracting Expense Transaction	30,418	31,358	17,816	36,000	40,000	57,000	96,000

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 audited actual transaction amounts of the Consolidated Services and Sub-contracting Expense Transaction for the years ended 31 December 2010 and 2011;
- the actual growth of the additional sub-contracting services in 2012 from 2011; 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 Consolidated Services and Sub-contracting Expense 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 his relationship with Hon Hai, Mr. Lee Jin Ming (being a non-executive Director) has abstained from voting on the Board's resolutions in relation to the Consolidated Services and Sub-contracting Expense Transaction and the New Annual Caps.

LISTING RULES REQUIREMENTS

The Consolidated Services and Sub-contracting Expense Transaction constitutes a continuing connected transaction for the Company. Based on the New Annual Caps, all the relevant percentage ratios are less than 5%. In accordance with Rule 14A.34 of the Listing Rules, the Consolidated Services and Sub-contracting Expense 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 Consolidated Services and Sub-contracting Expense Transaction is also subject to the annual review requirements under Rules 14A.37 and 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
“Consolidated Services and Sub-contracting Expense Agreement”	the framework consolidated services and sub-contracting agreement entered into among the Company, Hon Hai, PCE Industry Inc. (a subsidiary of Hon Hai) and Sutech Industry Inc. (an indirect wholly-owned subsidiary of the Company) on 24 October 2007 (as amended by the supplemental agreement dated 19 November 2010 between the Company and Hon Hai)
“Consolidated Services and Sub-contracting Expense Transaction”	the transactions contemplated under the Consolidated Services and Sub-contracting Expense Agreement
“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 the Consolidated Services and Sub-contracting Expense Transaction for each of the two years ending 31 December 2013
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“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

Hong Kong, 12 November 2012

As at the date of this announcement, the executive directors of the Company are Messrs. Chin Wai Leung, Samuel, Chih Yu Yang and Tong Wen-hsin and Dr. Lee Jer Sheng, the non-executive director of the Company is Mr. Lee Jin Ming and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.