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FIH® 富智康™

FIH Mobile Limited
富智康集團有限公司

(formerly known as Foxconn International Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of FIH Mobile Limited (formerly known as Foxconn International Holdings Limited) (the "Company", "we" or "our") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended	
	NOTES	**30.6.2013** ***US$'000*** **(unaudited)**	30.6.2012 *US$'000* (unaudited)
Turnover	*4*	**2,476,295**	2,504,095
Cost of sales		**(2,375,858)**	(2,541,272)
Gross profit (loss)		**100,437**	(37,177)
Other income, gains and losses		**117,606**	93,357
Selling expenses		**(9,443)**	(9,037)
General and administrative expenses		**(89,597)**	(110,108)
Research and development expenses		**(76,247)**	(94,429)
Impairment loss recognised for property, plant and equipment	*9*	**–**	(56,250)
Interest expense on bank borrowings		**(2,807)**	(6,544)
Share of (loss) profits of associates		**(65)**	323
Share of profits (loss) of joint ventures		**485**	(24)
Profit (loss) before taxation		**40,369**	(219,889)
Income tax expense	*5*	**(23,134)**	(4,239)
Profit (loss) for the period	*6*	**17,235**	(224,128)

		Six months ended	
	NOTES	**30.6.2013**	30.6.2012
		US$'000	*US$'000*
		(unaudited)	(unaudited)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**10,936**	(27,171)
Share of translation reserve of associates		**(365)**	195
Share of translation reserve of joint ventures		**(92)**	(98)
Reserves released upon loss of control over a subsidiary	*10*	**–**	(86)
Reserves released upon partial disposal of interests in an associate		**–**	(341)
Other comprehensive income (expense) for the period		**10,479**	(27,501)
Total comprehensive income (expense) for the period		**27,714**	(251,629)
Profit (loss) for the period attributable to:			
Owners of the Company		**17,659**	(226,069)
Non-controlling interests		**(424)**	1,941
		17,235	(224,128)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**28,478**	(253,328)
Non-controlling interests		**(764)**	1,699
		27,714	(251,629)
Earnings (loss) per share	*8*		
Basic		**US0.24 cents**	(US3.10 cents)
Diluted		**US0.24 cents**	(US3.10 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	NOTES	**30.6.2013** **US$'000** **(unaudited)**	31.12.2012 *US$'000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**1,027,499**	1,094,471
Prepaid lease payments		**48,537**	49,378
Available-for-sale investments		**36**	85
Interests in associates	*11*	**31,511**	31,940
Interests in joint ventures	*12*	**7,194**	3,741
Deferred tax assets	*13*	**37,325**	41,127
Deposits for acquisition of prepaid lease payments		**30,855**	30,340
Deposits for acquisition of property, plant and equipment		**241**	37
		1,183,198	1,251,119
Current assets			
Inventories		**276,344**	347,918
Trade and other receivables	*14*	**1,047,195**	1,132,308
Bank deposits		**537,216**	440,133
Bank balances and cash		**2,265,831**	1,916,998
		4,126,586	3,837,357
Current liabilities			
Trade and other payables	*16*	**1,076,894**	1,203,455
Bank borrowings	*17*	**520,621**	214,901
Provision	*18*	**29,406**	30,211
Tax payable		**77,909**	70,781
		1,704,830	1,519,348
Net current assets		**2,421,756**	2,318,009
Total assets less current liabilities		**3,604,954**	3,569,128

	NOTES	30.6.2013 US$'000 (unaudited)	31.12.2012 US$'000 (audited)
Capital and reserves			
Share capital		**298,318**	292,493
Reserves		**3,253,663**	3,223,304
Equity attributable to owners of the Company		**3,551,981**	3,515,797
Non-controlling interests		**9,994**	10,758
Total equity		**3,561,975**	3,526,555
Non-current liabilities			
Deferred tax liabilities	*13*	**9,837**	9,090
Deferred income	*19*	**33,142**	33,483
		42,979	42,573
		3,604,954	3,569,128

Notes:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2013 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The unmodified review report is included in the interim report to be sent to the Company's shareholders.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The English name of the Company has been changed from "Foxconn International Holdings Limited" to "FIH Mobile Limited" with effect from 30 May 2013, and the Company's adoption of its formal Chinese name of "富智康集團有限公司" has also become effective on the same date. Furthermore, the registration of "FIH Mobile Limited 富智康集團有限公司" as the new English and Chinese names of the Company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) has become effective from 24 June 2013.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the IASB and IFRS Interpretation Committee (the "IFRIC") of the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle;
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance;
IFRS 10	Consolidated financial statements;
IFRS 11	Joint arrangements;
IFRS 12	Disclosure of interests in other entities;
IFRS 13	Fair value measurement;
IAS 19 (as revised in 2011)	Employee benefits;
IAS 28 (as revised in 2011)	Investments in associates and joint ventures;
Amendments to IAS 1	Presentation of items of other comprehensive income; and
IFRIC 20	Stripping costs in the production phase of a surface mine.

IFRS 13 "Fair Value Measurement"

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements. The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to IAS 1 "Presentation of items of other comprehensive income"

The amendments to IAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chief Executive Officer, for the purposes of allocating resources to the segment and to assess its performance.

The Group's operations are organised into three operating segments based on the location of customers – Asia, Europe and America.

The Group's revenue is mainly arising from the manufacturing services to its customers in connection with the production of handsets.

The following is an analysis of the Group's revenue and results by operating and reportable segments.

	Six months ended	
	30.6.2013	30.6.2012
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Segment revenue (external sales)		
Asia	**1,444,536**	1,436,406
Europe	**559,767**	487,774
America	**471,992**	579,915
Total	**2,476,295**	2,504,095
Segment profit (loss)		
Asia	**95,203**	(10,622)
Europe	**8,386**	(1,781)
America	**41,499**	(3,521)
	145,088	(15,924)
Other income, gains and losses	**63,512**	61,242
General and administrative expenses	**(89,597)**	(110,108)
Research and development expenses	**(76,247)**	(94,429)
Impairment loss recognised for property, plant and equipment	**–**	(54,425)
Interest expense on bank borrowings	**(2,807)**	(6,544)
Share of (loss) profits of associates	**(65)**	323
Share of profit (loss) of joint ventures	**485**	(24)
Profit (loss) before taxation	**40,369**	(219,889)

Segment profit (loss) represents the gross profit (loss) earned/made by each segment and the service and subcontracting income (included in other income) after deducting all selling expenses and certain impairment recognised for property, plant and equipment. This is the measure reported to the Chief Executive Officer for the purposes of resources allocation and performance assessment.

5. INCOME TAX EXPENSE

The charge comprises:

	Six months ended 30.6.2013 US$'000 (unaudited)	Six months ended 30.6.2012 US$'000 (unaudited)
Current tax:		
Hong Kong	**–**	–
Other jurisdictions	**14,592**	12,590
	14,592	12,590
Under(over)provision in prior periods:		
Hong Kong	**1,253**	–
Other jurisdictions	**1,753**	(1,909)
	3,006	(1,909)
Deferred tax *(note 13)*		
Current period	**5,536**	(6,442)
	23,134	4,239

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profit in Hong Kong.

Tax charge mainly consists of income tax in the People's Republic of China ("PRC") attributable to the assessable profits of the Company's subsidiaries established in the PRC. The applicable tax rate for current period was 25% (2012: 25%). Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is exempted from PRC income tax for two years starting from 2009, which was its first profit-making year, followed by a 50% reduction for next three years. In addition, one of the Company's subsidiaries was awarded with the Advanced–Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% for 2013 and 2014.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.6.2013	30.6.2012
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Write down of inventories to net realisable value	**12,364**	24,736
Amortisation of prepaid lease payments (included in general and administrative expenses)	**1,068**	561
Cost of inventories recognised as expense	**2,360,474**	2,511,045
Provision for warranty	**3,020**	5,491
Depreciation of property, plant and equipment	**77,237**	108,059
Loss on disposal and write off of property, plant and equipment	**12,572**	4,363
Impairment loss recognised (reversed) in respect of trade receivables	**80**	(4,733)
Interest income from bank deposits	**(24,886)**	(27,295)
Gain on partial disposal of an associate *(note 11)*	**–**	(2,685)
Gain on loss of control over a subsidiary *(note 10)*	**–**	(19)

7. DIVIDEND

No dividend was paid, declared or proposed for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil). The directors do not recommend the payment of an interim dividend.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings (loss) attributable to the owners of the Company		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**17,659**	(226,069)

	Six months ended	
	30.6.2013	30.6.2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,432,499,687**	7,298,516,893
Effect of dilutive potential ordinary shares relating to outstanding share options and share awards issued by the Company	**15,263,482**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,447,763,169**	7,298,516,893

The computation of diluted loss per share for the period ended 30 June 2012 does not assume the exercise of the Company's share options and share awards as the exercise of the outstanding share options and share awards would result in a decrease in the loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment of approximately US$29,896,000 (2012: US$26,368,000).

In addition, the Group disposed and write off of certain property, plant and equipment with a carrying amount of US$26,048,000 (2012: US$49,673,000) for proceeds of US$13,476,000 (2012: US$45,310,000), resulting in a loss on disposal and write off of US$12,572,000 (2012: US$4,363,000).

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As at 30 June 2013, the management considers there is no indicator for the carrying amount of property, plant and equipment may not be recoverable. As at 30 June 2012, the management assessed the recoverable amounts of the property, plant and equipment as a result of the deteriorating market demand and changing economic environment. Impairment of property, plant and equipment was measured by comparing its carrying amount to its recoverable amount which was determined based on its value in use and estimated by reference to the projected discounted cash flows that were expected to generate from the property, plant and equipment. As a result of the assessment, an impairment loss of US$56,250,000 was recognised during the period ended 30 June 2012.

10. LOSS OF CONTROL OVER A SUBSIDIARY

During the period ended 30 June 2012, the Company entered into an agreement with Ways Technical Corp., Ltd. ("Ways Technical"), an associate of the Group, that Ways Technical's wholly-owned subsidiary namely 精泉科技股份有限公司 ("Ways Subsidiary") subscribed for 12,100,000 shares in an indirectly wholly-owned subsidiary of the Company, namely 位吉股份有限公司 (also known as Ways Transworld Inc.) ("Ways Transworld"), for a consideration of NTD121,000,000 (equivalent to approximately US$4,138,000). Ways Transworld is principally engaged in the business of designing and manufacturing plastic molds for handheld devices, such as mobile phones and personal navigation devices. Upon completion of the transaction in May 2012, the Group lost its control on Ways Transworld but had joint control over Ways Transworld as all of the major strategic financial and operating decisions require unanimous consent of the Group and Ways Subsidiary. Accordingly, Ways Transworld was regarded as a joint venture of the Group after the transaction and was accounted for using the equity method (see note 12 for details).

The net assets of Ways Transworld derecognised at the date when control over Ways Transworld was lost were as follows:

	US$'000
Property, plant and equipment	2,032
Trade and other receivables	4,357
Amounts due from related parties	25
Inventories	943
Bank balances and cash	3,860
Trade and other payables	(1,168)
Amounts due to related parties	(5,777)
Net assets disposed of	4,272
Fair value of the interest in a joint venture	(4,205)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	(86)
Gain on loss of control over a subsidiary	(19)
Net cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	(3,860)

The fair value of the Group's retained interests in Ways Transworld was determined by the directors of the Company, taking into account the cash consideration of US$4,138,000 injected by Ways Subsidiary.

11. INTERESTS IN ASSOCIATES

	30.6.2013 ***US$'000*** **(unaudited)**	31.12.2012 *US$'000* (audited)
Cost of investments in associates, less impairment		
Listed in Taiwan	**19,572**	19,572
Unlisted	**6,935**	6,935
Share of post-acquisition profits and other comprehensive income, net of dividend received	**5,004**	5,433
	31,511	31,940

During the period ended 30 June 2012, the Group disposed of certain interests in an associate, Ways Technical, a limited company established in Taiwan and its shares are traded on the Taiwan OTC Exchange at a total consideration of US$8,015,000. Accordingly, the Group's interest in Ways Technical decreased from 20.06% to 17.12% and gain on partial disposal of an associate of US$2,685,000 was recognised in profit or loss and included in other income during the six months ended 30 June 2012. At 31 December 2012 and 30 June 2013, the Group's interest in Ways Technical is 13.04%. In the opinion of the directors, the Group is able to exercise significant influence over Ways Technical because it has the right to appoint two out of six directors of Ways Technical.

12. INTERESTS IN JOINT VENTURES

	30.6.2013	31.12.2012
	US$'000	*US$'000*
	(unaudited)	(audited)
Cost of unlisted investment in joint ventures	**7,265**	4,205
Share of post-acquisition profits and other comprehensive expense	**(71)**	(464)
	7,194	3,741

At 30 June 2013 and 31 December 2012, the Group had interests in the following joint ventures:

Name of joint venture	Form of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held by the Group		Principal activities
					30.6.2013	31.12.2012	**30.6.2013**	31.12.2012	
位吉股份有限公司 (also known as Ways Transworld Inc.)	Limited company	Taiwan	Taiwan	Ordinary	**50%**	50%	**50%**	50%	Designing and manufacturing of plastic molds for handheld devices
FIH RadioShack (Asia) Retail Holdings Limited ("FIH RadioShack")	Limited company	Hong Kong	PRC	Ordinary	**51%**	–	**60%** *(Note)*	–	Sale of consumer electronics products and ancillary services

Note: The Group holds 51% of the paid-in capital and has the right to appoint three out of five directors of FIH RadioShack. However, FIH RadioShack is jointly controlled by the Group and the other venturer by virtue of contractual arrangements and unanimous consent of the parties sharing control is required. Therefore, FIH RadioShack is classified as a joint venture of the Group.

13. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon for the period:

	Allowances for inventories, trade and other receivables	Warranty provision	Accelerated tax depreciation	Tax losses	Deferred income	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'000*
At 1 January 2012	(1,704)	(1,580)	3,105	(6)	(8,638)	(3,705)	(12,528)
(Credit) charge to profit or loss for the period	(4,027)	86	(314)	(3,538)	(182)	1,533	(6,442)
Exchange adjustments	166	6	(203)	10	32	123	134
At 30 June 2012	(5,565)	(1,488)	2,588	(3,534)	(8,788)	(2,049)	(18,836)
At 1 January 2013	**(5,377)**	**(1,300)**	**2,484**	**(5,962)**	**(8,533)**	**(13,349)**	**(32,037)**
(Credit) charge to profit or loss for the period	**678**	**(172)**	**49**	**6,011**	**539**	**(1,569)**	**5,536**
Exchange adjustments	**(183)**	**(24)**	**(237)**	**(49)**	**(140)**	**(354)**	**(987)**
At 30 June 2013	**(4,882)**	**(1,496)**	**2,296**	**–**	**(8,134)**	**(15,272)**	**(27,488)**

Note: Others mainly represent temporary difference arising from accrued expenses.

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2013	31.12.2012
	US$'000	*US$'000*
	(unaudited)	(audited)
Deferred tax assets	**(37,325)**	(41,127)
Deferred tax liabilities	**9,837**	9,090
	(27,488)	(32,037)

At 30 June 2013, the Group has unused tax losses of US$902,050,000 (31.12.2012: US$974,720,000) available for offset against future profits. At 31 December 2012, a deferred tax asset had been recognised in respect of approximately US$47,700,000 of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$902,050,000 (31.12.2012: US$927,020,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. The unrecognised tax losses will expire before 2018.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$825,788,000 (31.12.2012: US$748,213,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

14. TRADE AND OTHER RECEIVABLES

	30.6.2013	31.12.2012
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**878,469**	932,799
Other receivables, deposits and prepayments	**168,726**	199,509
	1,047,195	1,132,308

The Group normally allows an average credit period of 30 to 90 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts as presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30.6.2013	31.12.2012
	US$'000	*US$'000*
	(unaudited)	(audited)
0-90 days	**854,691**	908,499
91-180 days	**14,216**	15,948
181-360 days	**4,657**	4,793
Over 360 days	**4,905**	3,559
	878,469	932,799

15. ASSETS CLASSIFIED AS HELD FOR SALE

On 8 July 2011, Shenzhen Futaihong Precision Industrial Co., Ltd. ("FTH Precision"), a wholly-owned subsidiary of the Company, and Hong Fu Jin Precision Industry (Shen Zhen) Co., Ltd. ("HFJ Precision"), a wholly-owned subsidiary of Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), the ultimate holding company of the Company, entered into an equity transfer agreement (the "Transfer") with an independent third party (the "Purchaser"), pursuant to which, among other things, FTH Precision and HFJ Precision agreed to sell in a series and the Purchaser agreed to purchase in a series the entire equity interest of 深圳市富泰宏光明房地產有限公司 (also known as Shenzhen Futaihong Guang Ming Property Co., Ltd.) (present name being 深圳市金城光明房地產有限公司) ("Guang Ming") for a total cash consideration of RMB878,750,000 (equivalent to approximately US$136,382,000), upon and subject to the terms and conditions set out in the said equity transfer agreement (details of which are stipulated in the Company's announcement dated 8 July 2011). FTH Precision and HFJ Precision held approximately 70.12% and 29.88% in the equity interests of Guang Ming, respectively, before the Transfer. Pursuant to the said equity transfer agreement, FTH Precision was entitled to receive RMB616,180,000 (equivalent to approximately US$95,631,000) in aggregate upon disposal of all the Group's interest in Guang Ming to the Purchaser by 31 December 2012.

At 30 June 2012, the Group had already disposed of 40.12% equity interest in Guang Ming, of which 15.12% equity interest in Guang Ming to the Purchaser with consideration of RMB132,867,000 (equivalent to approximately US$21,006,000) was disposed of during the six months ended 30 June 2012. It was settled by cash received of RMB102,554,000 (equivalent to approximately US$16,592,000) and a deposit received in 2011 of RMB30,313,000 (equivalent to approximately US$4,414,000). In addition, the Group received a deposit of RMB84,876,000 (equivalent to approximately US$13,419,000) for the subsequent disposal, while the remaining balance of the deposit of RMB100,000,000 (equivalent to approximately US$15,810,000) received in 2011 was refunded to the Purchaser.

At 31 December 2012, the Group had already disposed of all remaining interest held in Guang Ming to the Purchaser.

16. TRADE AND OTHER PAYABLES

	30.6.2013 ***US$'000*** **(unaudited)**	31.12.2012 *US$'000* (audited)
Trade payables	**657,837**	870,617
Accruals and other payables	**419,057**	332,838
	1,076,894	1,203,455

The following is an aged analysis of trade payables as presented based on the invoice date at the end of the reporting period:

	30.6.2013 ***US$'000*** **(unaudited)**	31.12.2012 *US$'000* (audited)
0-90 days	**625,718**	841,797
91-180 days	**26,321**	24,630
181-360 days	**3,674**	503
Over 360 days	**2,124**	3,687
	657,837	870,617

17. BANK BORROWINGS

	30.6.2013 *US$'000* (unaudited)	31.12.2012 *US$'000* (audited)
Bank loans	**520,621**	214,901
Analysis of bank borrowings by currency:		
US$	**449,668**	214,901
Japanese Yen	**70,953**	–
	520,621	214,901

The bank borrowings as at the end of the reporting period are unsecured, repayable within one year and carry interest at fixed interest rates ranging from 0.78% to 2.77% (31.12.2012: 0.89% to 3.12%) per annum.

18. PROVISION

	Warranty provision *US$'000*
At 1 January 2012	28,395
Exchange adjustments	514
Provision for the year	7,012
Utilisation of provision	(5,710)
At 31 December 2012	30,211
Exchange adjustments	(299)
Provision for the period	3,020
Utilisation of provision	(3,526)
At 30 June 2013	29,406

The warranty provision represents management's best estimate of the Group's liability under twelve to twenty-four months' warranty granted on handset products, based on prior experience and industry averages for defective products.

19. DEFERRED INCOME

	30.6.2013 *US$'000* (unaudited)	31.12.2012 *US$'000* (audited)
Government subsidies	**33,142**	33,483

Government subsidies granted to the Company's subsidiaries in the PRC are released to income over the useful lives of the related depreciable assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

For the six-month period ended 30 June 2013, the Group recorded a 1.1% year-on-year decrease in consolidated turnover of US$2,476 million (2012: US$2,504 million). Profit for the period attributable to owners of the Company was US$18 million compared to a loss of US$226 million for the same period last year. Basic earning-per-share for the period was US0.24 cents.

The increase in profit is mainly attributable to the Group's improved gross profit margins principally as a result of the corresponding improvement in the Group's yield and operation efficiency, as well as control of the Group's cost of sales and general and administrative expenses and optimisation of its research and development resources. Also, no asset impairment loss was recorded during the period (2012: US$56 million).

During the extremely difficult year of 2012 in which the market share of individual player was reshuffled and the market became even more competitive leading to lower demands from some of the Group's major customers, we had been spending efforts to develop new customers (especially in Mainland China) in order to diversify our customer base. During the first six months of 2013, there had been favourable client mix shift amid fierce competition. Sales to the Asia segment remained strong as a result of such new customer development efforts whilst sales to the America segment decreased as a result of the customer mix shift. Coupled with continuous cost rationalisation and resources optimisation, we succeeded to improve profitability. The Asia segment performed well as a result of such cost down initiatives and site consolidation efforts. With products from Mainland China of lower manufacturing costs as a result of cost rationalisation and the earnings contributed by repair services business in Mexico and the United States, the America segment's performance became better. The Europe segment's performance was comparatively sluggish despite increase in the sales to this segment as the European economy was not recovered yet and also, we had to adopt more competitive pricing to maintain customers' orders.

Actually, the fierce market share struggles amongst global OEM (original equipment manufacturing) brands and new entrants had continued to make the global handset EMS (electronics manufacturing services) market difficult and caused pricing pressure for the Group's products. To remain cost competitive, we have been continuously controlling manufacturing overhead to attain better operating leverage and improving efficiency and yield rate through automation using robot arms and industrial engineering methods like production cell management. We also have successfully divested less-utilised equipment and invested in capital expenditure on a needed basis and reduced general and administrative expenses so as to trim down some of our fixed costs and improve our capacity utilisation. The right-sizing of our overseas sites has basically been completed and consolidation of some of the manufacturing capabilities in Mainland China continued. All such initiatives aimed to streamline the cost structure and keep the operation lean and agile and allowed flexible pricing in order to enable the Group to compete in the dynamic market.

To differentiate the Group from its competitors, our commitment to deploy meaningful resources in R&D (research and development) proved to work. To cope with business changes and market volatility, we have to continue to keep our investment in design engineering resources for smart phones in Mainland China and Taiwan and curtail investments in other areas. Such resources were highly appreciated by our existing and new customers as we have been able to tremendously enrich their respective product portfolios and shorten their products' time-to-market thus enhancing such products' competitiveness. Given our unique competitive position in the ODM (original design manufacturing)/EMS universe including our accumulated experience on product design and development and manufacturing, comprehensive production sites worldwide, competitive pricing and reliable quality, we have succeeded in developing more smart phone ODM business with our existing and new customers. At the same time, our aggressive business development and customer diversification efforts, especially in the Asia area, remain a top priority to approach potential customers and penetrate new customers by providing one-stop-shop and end-to-end solutions from design, manufacturing, logistics to repair services with a view to developing a more comprehensive and extensive customer base. Finally, we have re-organised our business operations into smaller and responsive teams to cope with volatile market conditions and serve customers better.

Liquidity and Financial Resources

As at 30 June 2013, the Group had a cash balance of US$2,266 million (2012: US$1,917 million). The cash balance is expected to be able to finance its operations. The Group's gearing ratio, expressed as a percentage of interest bearing external borrowings of US$521 million (2012: US$215 million) over total assets of US$5,310 million (2012: US$5,088 million), was 9.81% (2012: 4.23%). Most of the external borrowings were denominated in US Dollars, and some of them were denominated in Japanese Yen. The Group borrowed according to real demand and there were no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest bearing external borrowings were all at fixed rate ranging from 0.78% to 2.77% per annum with original maturity of one month to six months.

As at 30 June 2013, the Group's cash and cash equivalents were mainly held in US Dollars and RMB.

Net cash from operating activities for the six months ended 30 June 2013 was US$139 million.

Net cash used in investing activities for the six months ended 30 June 2013 was US$120 million, of which, mainly, US$30 million represented the expenditures on property, plant and equipment related to the facilities in the Group's major sites in the PRC, US$100 million represented net increase in bank deposits, US$3 million represented capital contribution to a joint venture, US$0.2 million represented deposits paid for acquisition of property, plant and equipment and US$13 million represented proceeds from disposal of property, plant and equipment.

Net cash from financing activities for the six months ended 30 June 2013 was US$312 million, primarily due to net increase in bank borrowings of US$309 million and proceeds of US$3 million from the issue of shares to employees.

Exposures to Currency Risk and Related Hedges

In order to mitigate foreign currency risks, the Group actively utilised natural hedge technique to manage its foreign currency exposures by non-financial methods, such as managing the transaction currency, leading and lagging payments, receivable management, etc.

Besides, the Group sometimes entered into short-term forward foreign currency contracts (usually with tenors less than 3 months) to hedge the currency risk resulting from its short-term bank borrowings (usually with tenors less than 3 months) denominated in foreign currencies. Also, the Group, from time to time, utilised a variety of forward foreign currency contracts to hedge its exposure to foreign currencies.

Capital Commitment

As at 30 June 2013, the capital commitment of the Group was US$35.6 million (2012: US$27.2 million). Usually, the capital commitment will be funded by cash generated from operations.

Pledge of Assets

As at 31 December 2012, a subsidiary of the Company pledged its corporate assets of approximately US$0.3 million to secure general banking facilities granted to the Group. There was no pledge of the Group's assets as at 30 June 2013.

Outlook

Looking forward, global economy has not recovered yet and the United States Federal Reserve's timing to scale back the size of its asset purchase program may affect global economy. Slower macro environment may drag down global demand of handsets and continue to affect the handset ecosystem and our business. Customers' trend of outsourcing also directly affects our business. Market share reshuffling among our customers will continue and it will need time and efforts to develop new customers and new businesses for manufacturing other mobile devices. Orders of new customers will need time to be sizeable enough to boost utilisation significantly. It is in general expected that the growth of the smart phone market is to be in the mid-to-low-end sector and we will dedicate resources to this market segment of potential. Both pricing pressure triggered by end customers and cost pressure from labour costs and raw material costs and overheads and production yield performance may result in margin fluctuation.

To cope with such difficulties, our strategy is to continue to optimise investment in R&D capabilities and manufacturing technologies which are our core competence, focus on existing and new customers as well as potential customers in the smart-phone sector and further diversify our customer base through leveraging on our competence and capabilities in R&D and value-added offerings so as to maximise asset utilisation. At the same time, we will continue to take proactive actions on manufacturing automation, vertical integration, production yield improvement, product quality enhancement, cost rationalisation, staff localisation, resources sharing and optimisation, site consolidation and right-sizing, know-how building and operating expenses control so as to operate from a leaner base and remain price-competitive and agile and gain market share amid fierce competition. Such efforts have been reflected in the significant improvement of performance in the first half of 2013, and we strive to attain continuous improvement through the joint effort of the dedicated management team and staff.

Employees

As at 30 June 2013, the Group had a total of 86,358 (31.12.2012: 70,051) employees. Total staff costs incurred during the six months ended 30 June 2013 amounted to US$239 million (30.6.2012: US$251 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 Chapter 17 of the Listing Rules.

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 six months ended 30 June 2013.

AUDIT COMMITTEE

The Company has established and maintained an audit committee in accordance with the requirements of the Listing Rules, particularly the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Its primary duties are to review the Group's financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board. The audit committee is comprised of three non-executive directors, two of whom are independent non-executive directors (among whom one of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules).

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 and the Company's interim report for such six-month period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code in respect of the Company's securities throughout the six months ended 30 June 2013.

CORPORATE GOVERNANCE

The Company has applied and complied with all the code provisions set out in the CG Code during the period from 1 January 2013 to 30 June 2013.

As an enhancement of the Company's corporate governance practices and for the purpose of complying with the amendments to the CG Code regarding board diversity (which will become effective from 1 September 2013), on 12 August 2013, the Board adopted a board diversity policy, the revised terms of reference for the Company's nomination committee and the revised nomination procedures and process and criteria to select and recommend candidates for directorship.

DISCLOSURE OF INFORMATION ON WEBSITES

The interim report 2013 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively in due course.

By Order of the Board
Tong Wen-hsin
Chairman

Hong Kong, 12 August 2013

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