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If you have sold or transferred all your shares in **Foxconn International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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
PROPOSED REVISION OF ANNUAL CAPS**

Financial adviser



REORIENT Financial Markets Limited

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



First Shanghai Capital Limited

A letter from the board of directors of Foxconn International Holdings Limited is set out on pages 3 to 7 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 8 of this circular. A letter from First Shanghai Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 9 to 16 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Function Room 1, 3/F., The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 13 September 2012 at 10:00 a.m. is set out on pages 21 and 22 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting in person should you so wish.

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DEFINITIONS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 26 July 2012 regarding the Proposed Annual Caps
“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
“EGM”	the extraordinary general meeting of the Company to be held on Thursday, 13 September 2012 to approve the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps
“First Shanghai”	First Shanghai Capital Limited, which has been engaged by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders respectively on the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps
“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)
“Independent Board Committee”	the independent board committee established by the Company to consider the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than Hon Hai and its associates
“Latest Practicable Date”	13 August 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

* for identification purposes only

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Annual Caps”	the proposed annual caps for the Sub-contracting Income Transaction for each of the two years ending 31 December 2013
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“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
“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
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“Supplemental Agreement”	the fourth supplemental agreement to the Sub-contracting Income Agreement entered into between the Company and Hon Hai on 26 July 2012, which will become effective only after obtaining the Independent Shareholders’ approval
“US\$”	United States dollars, the lawful currency of the United States of America
“3C”	computer, communication and consumer electronics



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)

Executive Directors:

CHIN Wai Leung, Samuel (*Chairman*)
CHIH Yu Yang (*Chief Executive Officer*)
LEE Jer Sheng
TONG Wen-hsin

Registered Office:

Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman
Cayman Islands

Non-executive Director:

LEE Jin Ming

Principal Place of Business

in Hong Kong:

8/F., Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Independent Non-executive Directors:

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

15 August 2012

Dear Shareholders,

**CONTINUING CONNECTED TRANSACTION
PROPOSED REVISION OF ANNUAL CAPS**

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 as at the Latest Practicable Date.

As stated in the Announcement, the Company proposed to increase the existing annual caps for the Sub-contracting Income Transaction for 2012 and 2013 in anticipation of additional sub-contracting services required by the Hon Hai Group under the Sub-contracting Income Transaction. The Company and Hon Hai entered into the Supplemental Agreement, which will become effective only after obtaining the Independent Shareholders' approval,

* for identification purposes only

LETTER FROM THE BOARD

under which (among other things) the Hon Hai Group will consign without charges necessary equipment and facilities to the Group for use in effecting the relevant Sub-contracting Income Transactions upon and subject to the terms and conditions set out therein.

Based on the Proposed Annual Caps, the Sub-contracting Income Transaction constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps are subject to approval by the Independent Shareholders. Hon Hai and its associates are required to and will abstain from voting at the EGM on the ordinary resolution to be proposed for approving the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps. The Independent Board Committee has been established to advise the Independent Shareholders, and First Shanghai has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders respectively in this regard.

The purpose of this circular is to provide you with details of the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps and to seek approval of the Independent Shareholders in respect of the ordinary resolution set out in the notice of the EGM on pages 21 and 22 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the aforesaid is set out on page 8 of this circular. The letter from First Shanghai to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the aforesaid is set out on pages 9 to 16 of this circular.

SUB-CONTRACTING INCOME TRANSACTION

The Company entered into the Sub-contracting Income Agreement with Hon Hai in respect of the Sub-contracting Income Transaction and the Group has provided sub-contracting services to the Hon Hai Group from time to time under the Sub-contracting Income Transaction pursuant to the Sub-contracting Income Agreement for a term up to 31 December 2013. The Sub-contracting Income Transaction constitutes a continuing connected transaction for the Company and the Company has set the existing annual caps for the Sub-contracting Income Transaction for each of the three years ending 31 December 2013. Details of the Sub-contracting Income Transaction (including such existing annual caps) are set out in the Company's announcements dated 19 November 2010 and 8 July 2011.

Pursuant to the Sub-contracting Income Agreement, 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

LETTER FROM THE BOARD

- (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.

On 26 July 2012, the Company and Hon Hai entered into the Supplemental Agreement which will become effective only after obtaining the Independent Shareholders’ approval. Upon and subject to the terms and conditions set out in the Supplemental Agreement, the Hon Hai Group will consign to the Group, at the Hon Hai Group’s sole cost and expense without charges, the corresponding equipment and facilities as may be necessary to support and facilitate the relevant Sub-contracting Income Transactions while the Hon Hai Group will retain the title to such equipment and facilities.

REASONS FOR THE SUB-CONTRACTING INCOME TRANSACTION

The Company considers it in its best interests to generate more income by carrying out the Sub-contracting Income Transaction as long as the sub-contracting services are provided at prices that are fair and reasonable pursuant to the Sub-contracting Income Agreement.

HISTORICAL VALUE AND ANNUAL CAPS

With reference to the Company’s announcements dated 19 November 2010 and 8 July 2011, the Company set the existing annual caps for the Sub-contracting Income Transaction for each of the three years ending 31 December 2013. The Group has developed specialised production capabilities and expertise in handset manufacturing. The Hon Hai Group has commenced a new manufacturing project involving the production of a new type of product with the Group (the “New Project”) requiring additional sub-contracting services from the Group under the Sub-contracting Income Transaction pursuant to the Sub-contracting Income Agreement. The New Project has commenced production shortly prior to the date of this circular. For the purpose of determining the Proposed Annual Caps, with reference to the production plan relating to the New Project as agreed between the Group and the Hon Hai Group, it is estimated that the production contemplated by the New Project will begin with approximately 160,000 units per month and will progressively reach approximately 1,800,000 units per month in 2013. It is expected that the pricing for the New Project will be based on “cost-plus” basis in accordance with the terms of the Sub-contracting Income Agreement. For the purpose of determining the Proposed Annual Caps, with reference to the production plan relating to the New Project as agreed between the Group and the Hon Hai Group, it is also estimated that the annual transaction amounts of the New Project may amount to approximately US\$96 million and US\$394 million for the years ending 31 December 2012 and 31 December 2013 respectively.

LETTER FROM THE BOARD

The Company considers that it is in its interests to utilise the Group's available handset manufacturing expertise, resources and facilities, together with support from the Hon Hai Group through its consignment of the necessary equipment and facilities at the Hon Hai Group's sole cost and expense without charges, to provide the additional sub-contracting services to the Hon Hai Group at prices agreeable to the Company thereby generating additional income for the Group. Taking into account the New Project, the Company envisages that the existing annual caps for the Sub-contracting Income Transaction for 2012 and 2013 may not be sufficient and has therefore proposed the Proposed Annual Caps.

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

<i>(in US\$'000)</i>	Actual transaction amounts		Existing annual caps		Proposed Annual Caps	
	For the	For the six	For the year ending		For the year ending	
	year ended	months ended				
	31 December	30 June	31 December	31 December	2012	2013
	2011	2012	2012	2013	2012	2013
	<i>(audited)</i>	<i>(unaudited)</i>				
Sub-contracting Income						
Transaction	45,678	13,191	43,000	47,000	150,000	463,000

The Proposed 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 amount of the Sub-contracting Income Transaction for the year ended 31 December 2011;
- the additional sub-contracting services that the Group may provide to the Hon Hai Group for 2012 and 2013 having regard to the corresponding production plan for such additional sub-contracting services as agreed between the Group and the Hon Hai Group in relation to the New Project; and
- a buffer of 5%.

The Directors (including the independent non-executive Directors whose view is stated under the paragraph headed "Recommendation" below) consider that the Proposed Annual Caps are fair and reasonable and the terms of the Sub-contracting Income Transaction and the Supplemental Agreement 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. Cheng Tien Chong (being a former executive Director who retired from his position with effect from the conclusion of the Board meeting held on the date of the Announcement) and Mr. Lee Jin Ming (being a non-executive Director) have abstained from voting on the Board's resolutions in relation to the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps.

LETTER FROM THE BOARD

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

EGM

A notice convening the EGM to be held at Function Room 1, 3/F., The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 13 September 2012 at 10:00 a.m. is set out on pages 21 and 22 of this circular. At the EGM, an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps.

The ordinary resolution proposed at the EGM will be determined by way of poll by the Independent Shareholders. Pursuant to Rule 14A.54 of the Listing Rules, any connected person (as defined in the Listing Rules) and any Shareholder and their respective associates with a material interest (other than by virtue of being a Shareholder) in the Sub-contracting Income Transaction are required to abstain from voting at the EGM. Hon Hai and its associates who in aggregate were interested in 5,081,034,525 Shares (representing approximately 69.49% of the total Shares in issue) as at the Latest Practicable Date are required to and will abstain from voting at the EGM in respect of such ordinary resolution.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of First Shanghai, is of the view that (i) the terms of the Sub-contracting Income Transaction and the Supplemental Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and (ii) the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps at the EGM.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from First Shanghai, the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,
By Order of the Board
Chin Wai Leung, Samuel
Chairman

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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)

15 August 2012

Dear Independent Shareholders,

**CONTINUING CONNECTED TRANSACTION
PROPOSED REVISION OF ANNUAL CAPS**

We refer to the circular dated 15 August 2012 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps. First Shanghai has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the principal factors and reasons considered by, and the opinion of, First Shanghai as stated in its letter dated 15 August 2012, we consider that (i) the terms of the Sub-contracting Income Transaction and the Supplemental Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and (ii) the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed at the EGM approving the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from First Shanghai; and (iii) the appendix to the Circular.

Yours faithfully,

Independent Board Committee

LAU Siu Ki

Daniel Joseph MEHAN

CHEN Fung Ming

Independent Non-executive Directors

* for identification purposes only

LETTER FROM FIRST SHANGHAI

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps for inclusion in this circular.



First Shanghai Capital Limited

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

15 August 2012

*To the Independent Board Committee and the Independent Shareholders of
Foxconn International Holdings Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION PROPOSED REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps, details of which are set out in the circular of the Company dated 15 August 2012 (the “**Circular**”) to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The Group has been providing sub-contracting services to the Hon Hai Group pursuant to the Sub-contracting Income Agreement, which is for a term up to 31 December 2013. Hon Hai is the controlling shareholder of the Company, therefore the Sub-contracting Income Transaction constitutes a continuing connected transaction for the Company and the Company has previously set the annual caps for the Sub-contracting Income Transaction. Nonetheless, the Hon Hai Group is expected to require additional sub-contracting services from the Group and the existing annual caps for each of the years ending 31 December 2012 and 2013 may not be sufficient, therefore the Company has proposed the Proposed Annual Caps. Moreover, the Company and Hon Hai entered into the Supplemental Agreement on 26 July 2012, which will become effective only after obtaining the Independent Shareholders’ approval, pursuant to which the Hon Hai Group will consign the corresponding equipment and facilities as may be necessary to support and facilitate the Group to perform the Sub-contracting Income Transaction at the Hon Hai Group’s sole cost and expense without charges.

LETTER FROM FIRST SHANGHAI

Based on the Proposed Annual Caps, the Sub-contracting Income Transaction constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules and therefore the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps are subject to, amongst others, approval by the Independent Shareholders by poll at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors namely Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan, has been established to advise the Independent Shareholders in respect of the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group in all material respects were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group or the Hon Hai Group. Notwithstanding the foregoing, we have formulated our opinion and recommendation with due skill and care and have made due inquiry before making such formulation.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Sub-contracting Income Transaction

The Group is a vertically integrated manufacturing service provider for the handset industry worldwide. Hon Hai is the controlling shareholder of the Company and the Hon Hai Group is the leading global manufacturing service provider in the 3C industries.

According to the prospectus of the Company dated 24 January 2005, the Group had already been providing various sub-contracting services to the Hon Hai Group. The Group has been providing sub-contracting services which cover molding, metal stamping for desktop computers, handset repair services and other services to the Hon Hai Group

LETTER FROM FIRST SHANGHAI

pursuant to the Sub-contracting Income Agreement, which is for a term up to 31 December 2013. We are advised by the management of the Group that the Sub-contracting Income Transaction, which is in line with the principal business of the Group, allows the Group to utilise its relevant resources to achieve economies of scale and also provides an additional income source to the Group.

We are also advised by the management of the Group that the Hon Hai Group has implemented a new manufacturing project with the Group (the “**New Project**”), where the Hon Hai Group would require additional sub-contracting services from the Group and the existing annual caps for the Sub-contracting Income Transaction for each of the years ending 31 December 2012 and 2013 may not be sufficient, therefore the Company has proposed the Proposed Annual Caps primarily to facilitate the implementation of the New Project, which can enhance the income of the Group.

On 26 July 2012, the Company and Hon Hai entered into the Supplemental Agreement, which will become effective only after obtaining the Independent Shareholders’ approval, pursuant to which the Hon Hai Group will consign the corresponding equipment and facilities as may be necessary to support and facilitate the Group to perform the Sub-contracting Income Transaction at the Hon Hai Group’s sole cost and expense without charges while the Hon Hai Group will retain the title to such equipment and facilities. We are further advised by the management of the Group that the subject equipment and facilities under the Supplemental Agreement will be primarily for the Group to implement the New Project.

Taking into account the above factors, in particular, (i) the established business relationship between the Group and the Hon Hai Group in respect of the Sub-contracting Income Transaction; (ii) the Sub-contracting Income Transaction, which is in line with the principal business of the Group, allows the Group to utilise its relevant resources to achieve economies of scale and also provides an additional income source to the Group; (iii) the Proposed Annual Caps facilitate the implementation of the New Project, thus enhancing the income of the Group; (iv) the Supplemental Agreement allows the Group to utilise equipment and facilities so consigned at the Hon Hai Group’s sole cost and expense without charges and facilitates the implementation of the New Project; and (v) the terms of the Sub-contracting Income Transaction and the Supplemental Agreement and the bases of determining the Proposed Annual Caps are fair and reasonable as discussed below, we are of the view that the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Sub-contracting Income Transaction and the Supplemental Agreement

(i) Principal terms of the Sub-contracting Income Transaction

We are advised by the management of the Group that the pricing terms for the Sub-contracting Income Transaction are primarily based on (i) prices agreed between the Group and the relevant customers of the Hon Hai Group, which we are further advised by the management of the Group to be independent third parties of the

LETTER FROM FIRST SHANGHAI

Group; (ii) if the previous pricing basis is not appropriate or applicable, the prices with reference to the average market price; (iii) if the previous pricing basis is not appropriate or applicable, the prices based on a cost plus basis, which takes into account, amongst others, the nature of the subject products, such as the technical complications, on a case by case basis; or (iv) if the previous pricing basis is not appropriate or applicable, the prices agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

According to the letter from the Board in the Circular, the payment for the Sub-contracting Income Transaction is usually received by the Group within 90 days after the date of the relevant invoice. As such, we have reviewed the annual report of the Company for the year ended 31 December 2011 (the “**2011 Annual Report**”), where we note that the Group normally allows a credit period of 30 to 90 days to its trade customers for the year ended 31 December 2011 and the credit period of the Sub-contracting Income Transaction is comparable with such range.

Moreover, as stated in the 2011 Annual Report, we note that (i) the auditors of the Group have confirmed, amongst others, the continuing connected transactions of the Group were in accordance with the pricing policies of the Group and have been entered into in accordance with the relevant agreements governing the transactions for the year ended 31 December 2011; and (ii) the independent non-executive Directors have reviewed the continuing connected transactions and confirmed, amongst others, the continuing connected transaction were in the ordinary and usual course of business of the Group, on normal commercial terms and in accordance with the relevant agreements governing them on terms that are fair and reasonable.

Taking into account the above factors, in particular, (i) the pricing terms are based on either the prices agreed between the Group and independent customers, the average market prices, the prices based on a cost plus basis or the prices based on reasonable commercial principles; (ii) the credit period of the Sub-contracting Income Transaction is comparable with the range of the credit period generally granted by the Group to its trade customers; and (iii) measures are in place as required under the Listing Rules to govern the internal control of the Group and monitor the Sub-contracting Income Transaction as detailed in the section headed “Annual review requirements under the Listing Rules” below, we are of the view that the terms of the Sub-contracting Income Transaction are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Principal terms of the Supplemental Agreement

Pursuant to the Supplemental Agreement, the Hon Hai Group will consign the corresponding equipment and facilities as may be necessary to support and facilitate the Group to perform the Sub-contracting Income Transaction while the Hon Hai Group will retain the title to such equipment and facilities. Given that the Supplemental Agreement allows the Group to utilise such equipment and facilities at the Hon Hai Group’s sole cost and expense without charges and facilitates the

LETTER FROM FIRST SHANGHAI

implementation of the New Project as mentioned above, we are of the view that the terms of the Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. Proposed Annual Caps

The following is a summary of the actual transaction amounts of the Sub-contracting Income Transaction for each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 as well as the Proposed Annual Caps for each of the years ending 31 December 2012 and 2013:

	Actual transaction amounts			Proposed Annual Caps		
	For the year ended 31 December			For the six months ended 30	For the year ending	
	2009 (audited)	2010 (audited)	2011 (audited)	June 2012 (unaudited)	31 December 2012	2013
Sub-contracting Income Transaction <i>(in US\$'000)</i>	20,823	28,170	45,678	13,191	150,000	463,000

We have reviewed the calculation of the Proposed Annual Caps and we understand that the Proposed Annual Caps are determined based on the sum of (i) the audited actual amount of the Sub-contracting Income Transaction for the year ended 31 December 2011 of approximately US\$46 million; (ii) the expected additional transaction amount for the New Project with reference to the corresponding production plan as agreed between the Group and the Hon Hai Group of approximately US\$96 million and US\$394 million for each of the years ending 31 December 2012 and 2013, respectively; and (iii) a buffer of 5%.

Despite the actual transaction amount for the six months ended 30 June 2012 represented, on a pro rata basis, a decline of approximately 42% as compared with the actual transaction amount for the year ended 31 December 2011, we are advised by the management of the Group that the decline is attributable to the downswing of the business cycle which is expected to recover in the second half of 2012 and we note that the actual transaction amounts recorded annual growth of approximately 35% and 62% for each of the years ended 31 December 2010 and 2011, respectively. Furthermore, we note that a major portion of the Proposed Annual Caps is based on the additional sub-contracting services as discussed below. Therefore, we consider that the adoption of the audited actual amount of the Sub-contracting Income Transaction for the year ended 31 December 2011 as one of the factors to calculate the Proposed Annual Caps is acceptable.

In respect of the expected additional transaction amount for the New Project, we are advised by the management of the Group that the New Project, which involves the production of a new type of product, has commenced production shortly prior to the date of this letter and we have reviewed the corresponding production plan as agreed between the Group and the Hon Hai Group, where we note that the production is estimated to

LETTER FROM FIRST SHANGHAI

begin with approximately 160,000 units per month and will progressively expand to full scale production of approximately 1,800,000 units per month in 2013. We are also advised by the management of the Group that the expected product unit price for the New Project is determined on a cost-plus basis after negotiation on an arm's length basis and the gross margin of the New Project as represented by the expected transaction amount is no less favourable than the overall gross margin of the Group for the year ended 31 December 2011. We are further advised by the management of the Group that the Supplemental Agreement, pursuant to which the Group would be allowed to utilise equipment and facilities consigned by the Hon Hai Group at the Hon Hai Group's sole cost and expense without charges, would considerably facilitate the Group to implement the New Project and is an indication of the devotion of the Hon Hai Group to procure a high volume of sub-contracting services from the Group in near future. Therefore, we consider that the adoption of the expected additional transaction amount for the New Project as one of the factors to calculate the Proposed Annual Caps is acceptable.

We understand that, before the inclusion of the 5% buffer, the proposed annual cap for each of the years ending 31 December 2012 and 2013 already represents annual growth of over 200% as compared with the actual transaction amount for the year ended 31 December 2011 and the proposed annual cap for the year ended 31 December 2012, respectively. Therefore, we consider that the 5% buffer, which is relatively insignificant and may mitigate the burden of the Group to bear additional costs to conduct another revision of the annual caps in the near future whilst performing the Sub-contracting Income Transaction to enhance its income, is acceptable.

Taking into account the above factors, in particular, (i) the Proposed Annual Caps are primarily based on the expected additional transaction amount for the New Project, which has made reference to the corresponding production plan as agreed between the Group and the Hon Hai Group; (ii) the audited actual amount of the Sub-contracting Income Transaction for the year ended 31 December 2011 has also been taken into account to calculate the Proposed Annual Caps; (iii) the 5% buffer, which is also one of the factors to calculate the Proposed Annual Caps, is relatively insignificant and may mitigate the burden of the Group to bear additional costs to conduct another revision of the annual caps in the near future; (iv) the terms of the Sub-contracting Income Transaction and the Supplemental Agreement are fair and reasonable as discussed above; and (v) measures are in place as required under the Listing Rules to govern the internal control of the Group and monitor the Sub-contracting Income Transaction as detailed in the section headed "Annual review requirements under the Listing Rules" below, we are of the view that the bases of determining the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Nonetheless, the Independent Shareholders should note that the Proposed Annual Caps should not be construed as an assurance or forecast by the Group of its future income.

4. Annual review requirements under the Listing Rules

The Sub-contracting Income Transaction is subject to a number of annual review requirements under the Listing Rules which include:

- (i) each year the independent non-executive Directors must review the Sub-contracting Income Transaction and confirm in the annual report and accounts of the Company that the Sub-contracting Income Transaction has been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the Sub-contracting Income Agreement (as further amended by the Supplemental Agreement following the Independent Shareholders' approval) governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the Sub-contracting Income Transaction (a) has received the approval of the Board; (b) is in accordance with the pricing policies of the Company if the Sub-contracting Income Transaction involves provision of goods or services by the Company; (c) has been entered into in accordance with the Sub-contracting Income Agreement (as further amended by the Supplemental Agreement following the Independent Shareholders' approval); and (d) has not exceeded the respective Proposed Annual Caps following the Independent Shareholders' approval;
- (iii) the Company will allow, and will procure that Hon Hai will allow, the auditors of the Company sufficient access to the relevant records of the Sub-contracting Income Transaction for the purpose of reporting on the Sub-contracting Income Transaction. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

In light of the reporting requirements attached to the Sub-contracting Income Transaction, in particular, (i) the restriction of the value of the Sub-contracting Income Transaction by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Sub-contracting Income Transaction and the Proposed Annual Caps not being exceeded,

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we are of the view that appropriate measures will be in place to govern the conduct of the Sub-contracting Income Transaction and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above, we are of the opinion that the entering into of the Sub-contracting Income Transaction and the Supplemental Agreement are in the ordinary and usual course of business of the Group. We also consider that the Sub-contracting Income Transaction, the Supplemental Agreement and the Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole and the terms of the Sub-contracting Income Transaction and the Supplemental Agreement and the bases of determining the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolution to approve the aforesaid at the EGM.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Eric Lee
Managing Director

Fanny Lee
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
CHIN Wai Leung, Samuel	Company	Personal Interest	19,264,200	0.2635%
	Hon Hai	Personal Interest	791,551	0.0074%
CHIH Yu Yang	Company	Personal Interest	3,786,396	0.0518%
	Hon Hai	Personal Interest	237,453	0.0022%
LEE Jer Sheng (<i>Note 1</i>)	Company	Personal Interest	1,899,562	0.0260%
		Jointly held Interest	100,000	0.0014%
LEE Jin Ming (<i>Note 2</i>)	Hon Hai	Personal Interest	393,703	0.0037%
		Through a trust	1,000,000	0.0094%
TONG Wen-hsin (<i>Note 3</i>)	Company	Personal Interest	1,346,234	0.0184%
	Hon Hai	Personal Interest	47,727	0.0004%

- Notes:*
- 1,899,562 Shares include 1,898,882 Shares which are issuable upon exercise of share options granted under the share option scheme of the Company and upon vesting of the share grants granted under the share scheme of the Company. 100,000 Shares are beneficially and jointly owned by Mr. Lee Jer Sheng and Ms. Ting Kuei Feng, the spouse of Mr. Lee Jer Sheng. Accordingly, Mr. Lee Jer Sheng is deemed to be interested in 100,000 Shares which are jointly held by him and his spouse for the purposes of the SFO.
 - 1,000,000 Shares are held by a trust in which Mr. Lee Jin Ming is the beneficiary. Accordingly, Mr. Lee Jin Ming is deemed to be interested in 1,000,000 Shares which are held by the trust for the purposes of the SFO.
 - 1,346,234 Shares include 1,346,063 Shares which are issuable upon exercise of share options granted under the share option scheme of the Company and upon vesting of the share grants granted under the share scheme of the Company.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

(b) Substantial shareholders' interests

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	69.49%
Hon Hai (<i>Notes</i>)	Interest of a controlled corporation	5,081,034,525	69.49%

Notes: 1. Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai and, therefore, Hon Hai is taken or deemed to be interested in the 5,081,034,525 Shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.

2. Mr. Lee Jin Ming, a non-executive Director, is a director of Foxconn (Far East) Limited and an employee of the Hon Hai Group.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

4. QUALIFICATION

The following is the qualification of the expert who has given an opinion or advice on the information contained in this circular:

Name	Qualification
First Shanghai	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities

5. CONSENT

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear herein.

6. MATERIAL ADVERSE CHANGE

On 26 April 2012, the Company announced that due to lower demands from some of the Group's major customers and decline in the Group's gross profit margins, the Board expected the unaudited consolidated interim results of the Group for the six months ended 30 June 2012 to show a significant increase in consolidated net loss as compared to those for the corresponding period in 2011. Further details are set out in the Company's announcement dated 26 April 2012.

Save as disclosed above, the Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

7. MISCELLANEOUS

- (a) None of the Directors has entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, First Shanghai was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, none of the Directors or First Shanghai had any interest, either directly or indirectly, in any assets which have been, since 31 December 2011 being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (d) The principal share registrar of the Company is Butterfield Fulcrum Group (Cayman) Limited.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 8/F., Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular to Thursday, 13 September 2012 (both days inclusive):

- (a) the Sub-contracting Income Agreement; and
- (b) the Supplemental Agreement.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Foxconn International Holdings Limited (the “Company”) will be held at Function Room 1, 3/F., The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 13 September 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (i) the terms of the fourth supplemental agreement to the framework sub-contracting agreement (the “Supplemental Agreement”) (a copy of which is tabled at the meeting and marked “A” for identification purposes) dated 26 July 2012 entered into between the Company and Hon Hai Precision Industry Co. Ltd.* (“Hon Hai”) and the Company’s execution and delivery of the Supplemental Agreement be and are hereby approved in all respects;
- (ii) the transactions contemplated under 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 and further amended by the Supplemental Agreement (the “Sub-contracting Income Transaction”) and the Company’s entering into and implementation of the Sub-contracting Income Transaction be and are hereby approved in all respects;
- (iii) the annual caps as set out in the circular of the Company dated 15 August 2012 in respect of the Sub-contracting Income Transaction for each of the two years ending 31 December 2013 be and are hereby approved in all respects; and
- (iv) any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such other documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Supplemental Agreement and/or the Sub-contracting Income Transaction and/or the said annual caps.”

* for identification purposes only

NOTICE OF EGM

The consolidation of the above four items into one ordinary resolution set out above is effected because all such four items are interdependent and linked with each other forming one significant proposal. By way of consolidation, the passing of the ordinary resolution set out above at the said extraordinary general meeting shall in effect constitute the approval by the Company's shareholders (other than Hon Hai and its associates as referred to in Note (d) below) of all of the said four items and not only some of them.

By Order of the Board
Chin Wai Leung, Samuel
Chairman

Hong Kong, 15 August 2012

Registered Office:

Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong:

8/F., Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Notes:

- (a) The register of members of the Company will be closed from Tuesday, 11 September 2012 to Thursday, 13 September 2012, both days inclusive, during which period no transfer of shares of the Company ("Shares") can be registered. In order to be entitled to attend and vote at the extraordinary general meeting, all transfers of shares accompanied by the relevant share certificates and properly completed and signed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 September 2012.
- (b) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
- (c) Form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjourned meeting.
- (d) In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hon Hai, the ultimate controlling shareholder of the Company, and its associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolution.
- (e) The ordinary resolution set out above will be determined by way of poll.