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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)

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of Foxconn International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	**2010** *US$'000*	2009 *US$'000*
Turnover	*2*	**6,626,004**	7,213,628
Cost of sales		**(6,343,561)**	(6,785,266)
Gross profit		**282,443**	428,362
Other income, gains and losses	*3*	**163,979**	168,909
Selling expenses		**(26,832)**	(19,200)
General and administrative expenses		**(251,959)**	(244,353)
Research and development expenses		**(219,758)**	(196,499)
Impairment loss recognised for property, plant and equipment	*4*	**(81,644)**	(34,089)
Impairment loss recognised for goodwill	*5*	**(34,445)**	(28,630)
Impairment loss recognised for interests in an associate		**(2,664)**	–
Interest expense on bank borrowings		**(6,665)**	(4,505)
Share of profits of associates		**1,416**	1,440
(Loss) profit before tax	*6*	**(176,129)**	71,435
Income tax expense	*7*	**(43,638)**	(31,813)
(Loss) profit for the year		**(219,767)**	39,622

	NOTES	2010 US$'000	2009 US$'000
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**115,151**	65,598
Fair value changes of available-for-sale investments		**–**	(1,836)
Reclassification adjustment upon impairment of available-for-sale investments		**–**	2,910
Share of translation reserve of associates		**1,827**	3,873
Other comprehensive income for the year		**116,978**	70,545
Total comprehensive (expense) income for the year		**(102,789)**	110,167
(Loss) profit for the year attributable to:			
Owners of the Company		**(218,317)**	38,587
Non-controlling interests		**(1,450)**	1,035
		(219,767)	39,622
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(103,833)**	108,669
Non-controlling interests		**1,044**	1,498
		(102,789)	110,167
(Loss) earnings per share			
Basic	*8*	**(US3.06 cents)**	US0.55 cents
Diluted	*8*	**(US3.06 cents)**	US0.55 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 US$'000	2009 US$'000
Non-current assets			
Property, plant and equipment		**1,722,832**	1,823,185
Investment properties		**30,450**	38,330
Prepaid lease payments		**135,213**	161,421
Available-for-sale investments		**91**	1,619
Interests in associates		**46,814**	46,235
Goodwill		**–**	34,445
Deferred tax assets		**28,732**	33,016
Deposits for acquisition of prepaid lease payments		**28,795**	–
Deposits for acquisition of property, plant and equipment		**4,141**	6,346
		1,997,068	2,144,597
Current assets			
Inventories		**748,189**	716,160
Trade and other receivables	*10*	**1,647,775**	1,412,821
Bank deposits		**268,063**	160,805
Bank balances and cash		**1,356,254**	1,200,725
		4,020,281	3,490,511
Current liabilities			
Trade and other payables	*11*	**1,401,150**	1,522,749
Bank borrowings		**862,213**	362,639
Provision		**28,340**	23,533
Tax payable		**75,385**	57,956
		2,367,088	1,966,877
Net current assets		**1,653,193**	1,523,634
Total assets less current liabilities		**3,650,261**	3,668,231
Capital and reserves			
Share capital		**286,563**	283,995
Reserves		**3,260,464**	3,287,796
Equity attributable to owners of the Company		**3,547,027**	3,571,791
Non-controlling interests		**46,000**	35,676
Total equity		**3,593,027**	3,607,467
Non-current liabilities			
Deferred tax liabilities		**3,423**	3,421
Deferred income		**53,811**	57,343
		57,234	60,764
		3,650,261	3,668,231

Notes:

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretation Committee (formerly known as the International Financial Reporting Interpretations Committee) (the "IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2010.

IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRSs 5 as part of Improvements to IFRSs issued in 2008
IAS 27 (Revised 2008)	Consolidated and separate financial statements
IAS 39 (Amendment)	Eligible hedged items
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions
IFRS 3 (Revised 2008)	Business combinations
IFRIC 17	Distributions of non-cash assets to owners

Except as disclosed below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to IAS 17 "Leases"

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of Amendment to IAS 17 "Leases" had no material impact on the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[3]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[6]
IAS 24 (as revised in 2009)	Related party disclosure[4]
IAS 32 (Amendments)	Classification of rights issue[1]
IFRS 7 (Amendments)	Disclosures – Transfers of financial assets[5]
IFRS 9	Financial instruments[7]
IFRIC – INT 14 (Amendments)	Prepayments of a minimum funding requirement[4]
IFRIC – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1 February 2010.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 July 2011.
[6] Effective for annual periods beginning on or after 1 January 2012.
[7] Effective for annual periods beginning on or after 1 January 2013.

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of IFRS 9 will affect the classification and measurement of the Group's available-for-sale investments but not on the Group's other financial assets and financial liabilities. As at 31 December 2010, no financial liability has been designated as at fair value through profit and loss, the application of IFRS 9 will affect the measurement of such financial liability if designation is made in the future.

The directors of the Company anticipate that the application of the other new and reviewed IFRSs will have no material impact on the results and the financial position of the Group.

2. 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 purpose 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.

Segment revenue and results

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.

	2010	2009
	US$'000	*US$'000*
Segment revenue (external sales)		
Asia	**3,263,416**	3,470,237
Europe	**1,754,216**	1,626,164
America	**1,608,372**	2,117,227
Total	**6,626,004**	7,213,628
Segment profit		
Asia	**190,304**	275,075
Europe	**90,192**	89,071
America	**46,552**	86,560
	327,048	450,706
Other income, gains and losses	**88,675**	93,276
General and administrative and research and development expenses	**(471,717)**	(440,852)
Impairment loss recognised for property, plant and equipment	**(77,777)**	–
Impairment loss recognised for goodwill	**(34,445)**	(28,630)
Impairment loss recognised for interests in an associate	**(2,664)**	–
Interest expense on bank borrowings	**(6,665)**	(4,505)
Share of profits of associates	**1,416**	1,440
(Loss) profit before tax	**(176,129)**	71,435

Majority of the Group's sales to Asian customers is attributed to the People's Republic of China ("PRC").

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

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	2010	2009
	US$'000	*US$'000*
ASSETS		
Segment assets		
Allocated		
Asia	**767,902**	552,408
Europe	**329,872**	320,493
America	**555,709**	562,676
Total	**1,653,483**	1,435,577
Unallocated		
Property, plant and equipment	**1,645,406**	1,707,588
Inventories	**629,163**	585,319
Cash and cash equivalents	**1,521,658**	1,271,730
Others	**485,812**	539,014
Corporate assets	**81,827**	95,880
Consolidated total assets	**6,017,349**	5,635,108
LIABILITIES		
Segment liabilities		
Allocated		
Europe	**16,948**	14,867
America	**71,515**	86,497
Total	**88,463**	101,364
Unallocated		
Trade and other payables	**1,310,009**	1,427,854
Others	**79,336**	73,558
Corporate liabilities	**946,514**	424,865
Consolidated total liabilities	**2,424,322**	2,027,641

For the purposes of monitoring segment performances and allocating resources between segments, trade receivables from Asia operations were allocated to Asia segment. Certain property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents relate to Europe and America operations are allocated to Europe and America segments. Segment liabilities represent certain trade and other payables and provision for warranty relating to Europe and America operations.

3. OTHER INCOME, GAINS AND LOSSES

	2010	2009
	US$'000	*US$'000*
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank	**18,872**	14,088
Service and subcontracting income	**75,304**	75,633
Sales of materials and scraps	**22,663**	46,779
Repair and modifications of moldings	**35,878**	26,132
Net foreign exchange gain (loss)	**1,121**	(7,954)
Gain on disposal of subsidiaries	**–**	2,397
Government subsidies (note)	**8,298**	5,607
Rental income	**10,790**	5,529
Impairment loss recognised for available-for-sale investments	**(1,519)**	(3,356)
Loss on disposal of property, plant and equipment	**(13,057)**	(2,235)
Others	**5,629**	6,289
	163,979	168,909

Note: This mainly represented subsidies granted for the Group's operations in the PRC.

4. IMPAIRMENT LOSS RECOGNISED FOR PROPERTY, PLANT AND EQUIPMENT

At 31 December 2010, the Group's management appointed professional appraisers to perform appraisals on the Group's principal manufacturing assets for the purpose of determining if the assets have been impaired for those group of assets that have impairment indications and determined that a number of those assets were impaired. Impairment loss of US$4,152,000, US$77,192,000 and US$300,000 has been recognised in respect of land and buildings, plant and machinery and fixture and equipment respectively for the year. In 2009, impairment losses of US$165,000 and US$33,924,000 were recognised in respect of land and buildings and plant and machinery respectively. The recoverable amounts of the relevant assets have been determined by the Group's management on the basis of fair value less costs to sell by reference to the appraisal values provided by the professional appraisers.

5. IMPAIRMENT LOSS RECOGNISED FOR GOODWILL

The amount represents goodwill arising on the acquisition of 76.34% interest in Chi Mei Communication Systems, Inc., ("CMCS") in 2005, goodwill has been allocated to one single cash generating unit, CMCS which operates in Asia. At the end of 2009, the Group appointed a professional valuer to perform an appraisal of the value-in-use of CMCS.

At 31 December 2010, the management of the Group assessed the recoverable amount of CMCS with reference to the value-in-use and determined that the related goodwill was fully impaired (2009: US$28,630,000). The main factor contributing to the impairment of the cash generating unit was due to the change in the business conditions and strategy of its customers in the competitive market.

The basis of calculating the recoverable amount and the principal underlying assumptions are summarised as belows:

That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 13.17% (2009: 13.17%). Cash flows beyond the 5-year period has been extrapolated using a steady 2% (2009: 2%) growth rate for further 15 years. This growth rate and the budgeted gross margin are determined based on the units past performance and management's expectations for the market development.

6. (LOSS) PROFIT BEFORE TAX

	2010	2009
	US$'000	*US$'000*
(Loss) profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**282,169**	247,781
Depreciation of investment properties	**1,820**	3,623
Amortisation of prepaid lease payments (included in general and administrative expense)	**3,006**	3,075
Total depreciation and amortisation	**286,995**	254,479
Auditor's remuneration	**1,165**	1,242
Cost of inventories recognised as expense	**6,325,268**	6,766,449
Provision for warranty	**12,279**	19,364
Write back of allowance for doubtful debts, net	**(519)**	(294)
Write down (reversal of write down) of inventories (included in cost of inventories recognised as expense)	**6,014**	(547)
Staff costs		
Directors' remuneration	**4,053**	1,313
Retirement benefit scheme contributions (excluding directors)	**29,708**	28,416
Equity-settled share-based payments	**55,929**	32,198
Cash-settled share-based payments	**11**	190
Other staff costs	**475,557**	422,964
	565,258	485,081

7. INCOME TAX EXPENSE

	2010	2009
	US$'000	*US$'000*
Current tax	**37,099**	33,885
Underprovision in prior years	**1,416**	15,971
	38,515	49,856
Deferred tax		
Current year	**4,953**	(12,905)
Change in tax rates	**170**	(5,138)
	5,123	(18,043)
	43,638	31,813

8. (LOSS) EARNINGS PER SHARE

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

	2010	2009
	US$'000	*US$'000*
(Loss) earnings attributable to the owners of the Company		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(218,317)**	38,587

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**7,125,578,478**	7,066,326,311

9. DIVIDEND

No dividend was paid or proposed during 2010 (2009: nil), nor has any dividend been proposed since the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	US$'000	*US$'000*
Trade receivables	**1,315,602**	1,069,854
Less: allowance for doubtful debts	**(519)**	(956)
	1,315,083	1,068,898
Other taxes recoverables	**268,941**	297,410
Other receivables	**63,751**	46,513
Total trade and other receivables	**1,647,775**	1,412,821

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

The following is an aged analysis of trade receivables from invoice date at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
0 – 90 days	**1,288,809**	1,057,062
91 – 180 days	**18,810**	6,767
181 – 360 days	**3,666**	3,727
Over 360 days	**3,798**	1,342
	1,315,083	1,068,898

11. TRADE AND OTHER PAYABLES

	2010	2009
	US$'000	*US$'000*
Trade payables	**1,066,162**	1,162,781
Accruals and other payables	**334,988**	359,968
	1,401,150	1,522,749

The following is an aged analysis of trade payables from invoice date at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
0 – 90 days	**1,048,599**	1,152,835
91 – 180 days	**9,213**	2,888
181 – 360 days	**3,521**	1,854
Over 360 days	**4,829**	5,204
	1,066,162	1,162,781

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

The year 2010 was an extremely difficult year for us. We saw major changes in the handset ecosystem triggered by entry of new players, introduction of new software and applications, as well as emergence of new business models. Market dynamics shifted drastically and created tough challenges for some industry players as well as the Company.

Despite our continual efforts to further diversify customer base and sources of revenue, the operation results for the Company concluded less than satisfaction. Revenue for the year 2010 was US$6,626 million, which represents a change of US$588 million, or 8.2% less than the prior year revenue of US$7,214 million.

The intensifying market share struggles among global OEM brands had made the global handset EMS market difficult and caused pricing pressure for the Group's products. Higher manufacturing overhead resulting primarily from lower utilization of facilities and relocation, changes in product mix, impairment losses, continued long-term investment in research and development activities as well as higher consolidated income tax also affected our financial performance. Loss for the year 2010 attributable to equity holders of the Company was US$218 million, representing a decline of 659% over the profit for prior year amount of US$39 million. Basic loss per share for the year 2010 were US3.06 cents.

In 2010, we continued to execute our capacity re-location programs, which commenced in the latter part of 2008. These efforts were set out to right size the cost and scale of our operations in order to cope with the challenges in our business. In PRC, we continued to focus on expansion in Langfang, Beijing and Tianjin, while reducing our exposure in the higher cost areas. We initiated discussions with Hon Hai group companies to transfer some less utilized assets to satisfy their growing demand and trim down our fixed costs. Outside of the PRC, we also reviewed our local business opportunities and constantly looked to improve profitability of our various sites. Some of these cost streamlining actions took longer than we had expected and thus created unfavorable impact to our financial performance. Relocation and downturn of our business also generated asset impairments that hit our bottom line.

While the cost optimization efforts persisted, we did not slow down our R&D investments. Our investments in design engineering resources for smart phones started to see good progress in 2010. It is our belief that we have built respectable capabilities in this area which will help our customers tremendously in enriching their product portfolio and shortening their products' time to market. Smart phones have generated strong growth momentum in the market and we believe our investments in this area will prove to be vital for our future.

Liquidity and Financial Resources

As at 31 December 2010, we had a cash balance of US$1,356 million. The cash balance is expected to be able to finance our operations. Our gearing ratio, expressed as a percentage of interest bearing external borrowings of US$862 million over total assets of US$6,017 million, was 14.33%. External borrowings were increased in 2010 as we intended to borrow in weaker currency with shorter tenors and tried to accumulate stronger currencies to mitigate foreign currency risks. In 2010 most of the borrowings were denominated in US Dollars and some of them were denominated in Euro in overseas entities. We borrowed according to real demand and there was no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest bearing external borrowings were all at fixed rate ranging from 0.67% to 1.89% per annum with original maturity of three to six months.

Net cash used in operating activities for the year ended 31 December 2010 was US$107 million.

Net cash used in investing activities for the year ended 31 December 2010 was US$317 million, of which, mainly, US$254 million was the expenditures on property, plant and equipment related to the facilities in our major sites in the PRC, US$99 million increased in bank deposit, US$53 million represented proceeds from disposal of property, plant and equipment, US$25 million represented increase in deposits for acquisition of property, plant and equipment and US$8 million represented government subsidies received .

Net cash generated from financing activities for the year ended 31 December 2010 was US$542 million, primarily due to net increase in bank loans of US$507 million, proceeds of US$26 million from issue of shares under the share option scheme and the share scheme and US$9 million for capital contribution from non-controlling interests of a subsidiary.

Exposures to Currency Risk and Related Hedges

In order to mitigate foreign currency risks, the Group actively utilized 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 foreign currency forward contracts (usually with tenor less than 6 months) to hedge the currency risk resulting from its short-term bank loans (usually with tenors less than 6 months) denominated in the foreign currencies. Also, the Group, from time to time, utilized a variety of foreign currency forward contracts to hedge its exposure to foreign currencies.

Capital Commitments

As at 31 December 2010, the capital commitment of the Group was US$102.2 million (2009: US$76.5 million). Usually, the capital commitment will be funded by cash generated from operations.

Pledge of Assets

A subsidiary of the Company has pledged its corporate assets of approximately US$3.0 million (2009: US$ 5.8 million) to secure general banking facilities granted to the Group.

Significant Investments

We had completed a significant part of the construction work for our sites in the PRC by year end 2008 as part of our multi-year global manufacturing transition to lower cost areas. Without the large scale capital expenditure like prior years, we believe we had executed most of such transition and rationalization efforts in 2010.

Outlook

Looking ahead to 2011, our alarming setback in 2010 has created a sense of urgency in the organization. We need to change as the market is changing and our customers are changing. We need to take decisive actions to conclude our capacity re-location, optimize our cost structure and return to profitability. As part of the efforts for resources consolidation, we have discussed with Hon Hai group to sell our Taiyuan legal entity and its assets to them. Subject to independent shareholders' approval and completion of the transaction, we believe it will help us in reducing our fixed costs for operation while allowing Hon Hai to further expand in the Taiyuan area. We need to serve our existing customers better and approach more new customers. As smart phones become the mainstream of the market, we believe our end-to-end solutions from design to manufacturing and services put us in a leading position in the market place.

Employees

As at 31 December 2010, the Group had a total of 126,687 (2009: 118,702) employees. Total staff costs incurred during the year 2010 amounted to US$565 million (2009: US$485 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 May 2011 to Wednesday, 18 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the Company's forthcoming annual general meeting to be held on Wednesday, 18 May 2011, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 May 2011.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CCGP") contained in Appendix 14 to the Listing Rules throughout the accounting year ended 31 December 2010 except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Under code provision A.2.1 of the CCGP, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chin Wai Leung, Samuel currently holds both positions in the Company. In light of the great volatility with the handset industry ecosystem and consumer preference trend, the Board considers that experienced leadership is a must. The present arrangement for Mr. Chin, the chairman, to hold the office of chief executive officer of the Company is not only crucial to the continuation in implementation of business plan and formulation of business strategies, but also important to avoid unnecessary confusion or instability to customers worldwide. This is beneficial to the interests of the Company and its shareholders. However, in the spirit of corporate governance, the Board will continue to review in the current year the roles of chairman and chief executive officer and, if considered appropriate, separate the two roles in compliance with code provision A.2.1 of the CCGP. The Company has also introduced a new executive director to the Board in 2010 to enhance the leadership.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 throughout the year ended 31 December 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2010.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the CCGP. Its primary duties are to review 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 audited financial statements of the Group for the year ended 31 December 2010.

DISCLOSURE OF INFORMATION ON WEBSITES

The 2010 Annual Report of the Company containing all the information required by the Listing Rules will be despatched to 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
Chin Wai Leung, Samuel
Chairman and Chief Executive Officer

Hong Kong, 30 March 2011

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

* *for identification purposes only*